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

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

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

Chu Chor Lup
Chiu Ngar Wing *FCCA, FCA, CPA (Practising)*
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

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

AUDITORS

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

HONG KONG BRANCH REGISTRAR

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

PRINCIPAL BANKERS

China Construction Bank (Asia)

The Hongkong and Shanghai Banking Corporation Limited

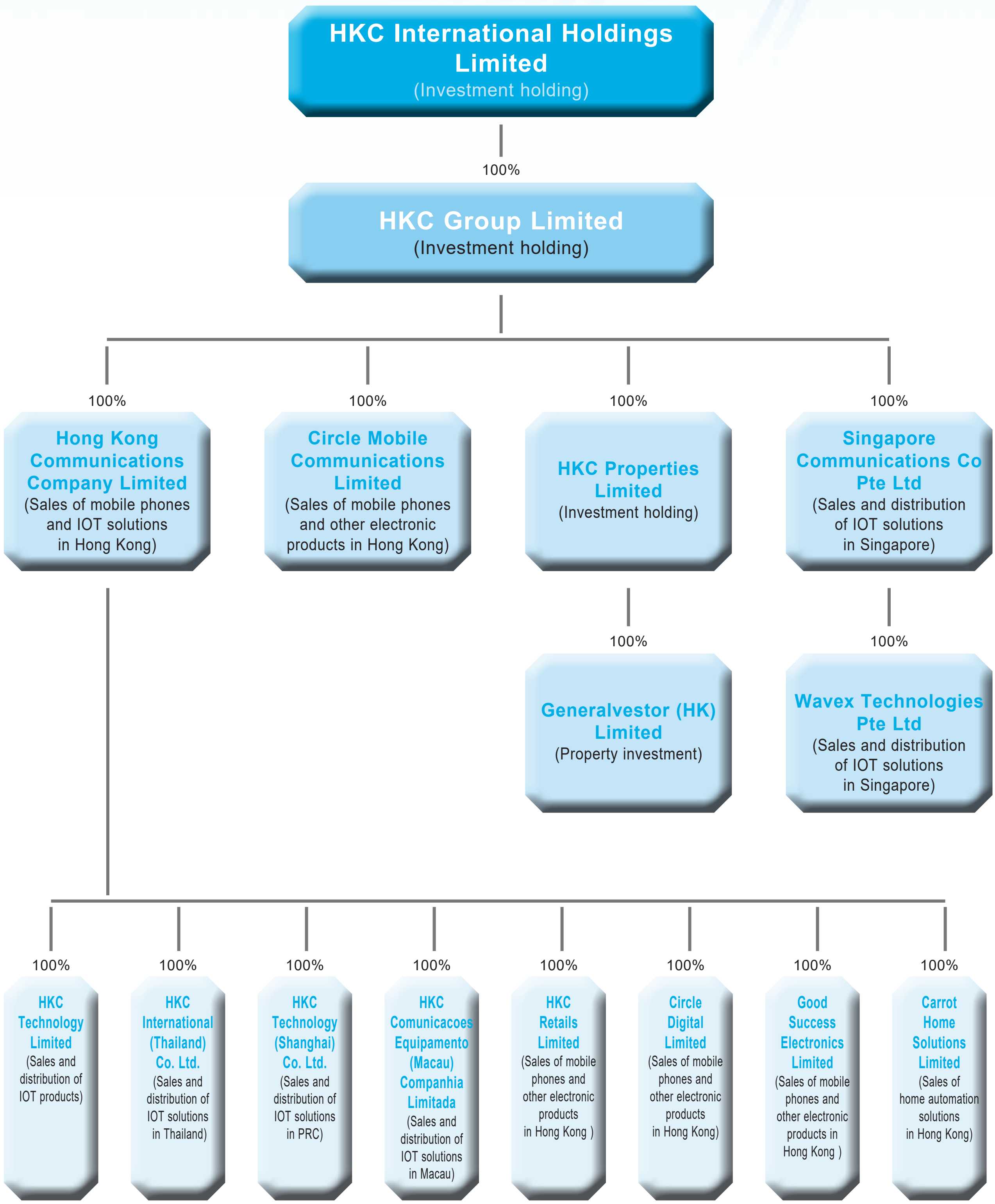
STOCK CODE

248

WEBSITE ADDRESS

http://www.hkc.com.hk

GROUP STRUCTURE



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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAN Chung Yee, Hubert, aged 59, joined the group in 1987. He is the chairman and chief executive officer of the company and is responsible for the formulation of corporate strategies and business development of the group and effective running of the board. He has over 30 years of experience in the information and communications technology industry. Mr. Chan obtained a Bachelor's Degree in Industrial Engineering from the University of Hong Kong, an Executive Master of Business Administration from the Hong Kong University of Science and Technology and a DBA from the Hong Kong Polytechnic University. Mr. Chan is also very active in promoting the telecommunications industry in Hong Kong. He is the former Chairman of the Communications Association of Hong Kong from 2006 to 2012. He is the elder brother of Mr. Chan Chung Yin, Roy.

Mr. CHAN Chung Yin, Roy, aged 57, joined the group in 2005. He graduated from the University of Toronto, Canada with a Bachelor's Degree in Computer Science and has over 20 years of experience in the information and communications technology. He is the younger brother of Mr. Chan Chung Yee, Hubert.

Mr. WU Kwok Lam, aged 57, joined the group in 1989 and is the general manager and chief financial officer of the group. He earned his MBA degree from Murdoch University, Australia and has over 25 years of extensive experience in the accounting and finance field. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wu is also the company secretary of the company.

Mr. CHAN Ming Him, Denny, aged 60, joined the group in 1999 with over 20 years of experience in the telecommunications industry in China. He graduated from McMaster University, Canada with a Master's Degree in Engineering.

Mr. IP Man Hon, aged 52, is the chief technical officer. He joined the group in 1991 with over 25 years of experience in product development and management. He obtained a Master Degree of Science in Engineering (Communication Engineering) from the University of Hong Kong and a MBA degree (Information Technology Management) from the Hong Kong Polytechnic University.

Ms. CHOW So Fan, Candy, aged 51, joined the group in 2012 with over 20 years of marketing and business development experience in telecommunication and information technology industry. She obtained an MBA in International Business and Marketing from University of Western Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 65, joined the group in 2001. He is a practising accountant. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the fellow members of the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants. He is a director of T.C. Ng & Co. CPA Ltd. and has been practicing in the firm for more than 30 years.

Dr. CHU Chor Lup, aged 66, joined the group in 2001. He is a practising doctor. He is a fellow of Hong Kong College of Physician and Hong Kong Academy of Medicine and Royal College of Physician (Glasgow). He has been the member of the Hospital Governing Committee since 1997.

Dr. LAW Ka Hung, aged 64, joined the group in 2012. He was awarded a Master of Science degree from Warwick University in July 1988 and a Doctor of Business Administration degree from the Hong Kong Polytechnic University in November 2001. He has been admitted as a full member of the Hong Kong Computer Society since January 1989. He is also the independent non-executive director of Baguio Green Group Ltd (stock code: 1397).

SENIOR MANAGEMENT

Mr. LAM Man Hau, aged 48, joined the group in 2015 with over 20 years of experience in intelligent system control, system integration, home and building automation. He is the general manager of Carrot Home Solutions Limited and is responsible for sales management, product marketing and business development. He earned his Bachelor Degree of Science from University of California, Berkeley in the United States and Master Degree of Science from the University of Hong Kong.

Ms. YUEN Pui Ling, aged 47, joined the group in 2009 and has over 15 years of experience in sales and marketing both in the industries of printing and telecommunication. She is the general manager of mobile division. She obtained an MBA Degree from the Hong Kong Polytechnic University.

Ms. LIU Kit Shan, Candy, aged 44, joined the group in 2018 with over 15 years of experience in information and communications technology industry. She is the general manager of HKCT Technology Limited focusing on sales of internet of things, radio frequency identification and robotic solutions. Before joining the group, she was the sales director of SevOne Incorporation and was responsible for hunting new business and buildup sales team among North East Asia regions. She obtained a Bachelor Degree of Science in information technology from City University of Hong Kong.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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.

DIRECTORS' SECURITIES TRANSACTIONS

The company has adopted the Model Code for Security Transactions by Directors of Listed Issuers ("Model Code") as 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 as set out in Model Code throughout the year ended 31st March, 2019.

BOARD OF DIRECTORS

The board comprises six executive directors namely 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 and three independent non-executive directors, namely Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung. Mr. Chiu Ngar Wing possesses appropriate professional accounting qualifications and financial management expertise. Mr. Chan Chung Yee, Hubert, is the elder brother of Mr. Chan Chung Yin, Roy. Save as disclosed, there is no relationship among the members of the board.

The company has received from each of its independent non-executive directors a written confirmation of his independence and the company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

Newly appointed directors will receive orientation including key legal requirements and the company's policies and guidelines. The company provides funding to directors for attending appropriate training to develop and refresh their knowledge and skills and keeps training records for each director.

The company secretary is responsible for supporting the board by ensuring good information flow within the board. All directors have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed. The company secretary has arranged appropriate directors and officers liability insurance coverage for the directors and continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and maintain good corporate governance practice.

The board held eleven meetings during the year and the attendance records of individual director are as follows:

Executive directors:	**Number of meetings attended**
Chan Chung Yee, Hubert	11/11
Chan Chung Yin, Roy	10/11
Chan Ming Him, Denny	7/11
Wu Kwok Lam	11/11
Ip Man Hon	11/11
Chow So Fan, Candy	11/11
Independent non-executive directors:	
Chiu Ngar Wing	9/11
Chu Chor Lup	0/11
Law Ka Hung	0/11

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

TERMS OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors has entered into a letter of appointment with the company for a term of one year. All the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the company in accordance with the articles of association of the company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the articles of association of the company, at least one-third of the directors shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement by rotation at least once every three years. A retiring director shall be eligible for re-election. Any director appointed to fill a casual vacancy or as an addition to the board shall hold office only until the next following general meeting of the company and shall then be eligible for re-election.

REMUNERATION COMMITTEE

The members of the remuneration committee comprise Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Wu Kwok Lam and Mr. Chiu Ngar Wing is the chairman of the remuneration committee. Dr. Chu Chor Lup and Mr. Chiu Ngar Wing are independent non-executive directors.

The remuneration committee is mainly responsible for making recommendations to the board on the remuneration packages of individual executive directors and senior management and determining the policy for the remuneration of executive directors, assessing the performance of executive directors and approving the terms of executive directors' service contracts. One meeting of the remuneration committee had been held in the year under review. The individual attendance of members are as follows:

Name of members	Number of meeting attended
Chiu Ngar Wing	1/1
Chu Chor Lup	1/1
Wu Kwok Lam	1/1

NOMINATION COMMITTEE

The nomination committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung and Dr. Chu Chor Lup is the chairman of the nomination committee. The major duty of the committee is to review the structure, size and composition of the board and identify and nominate qualified individuals for appointment as additional directors or to fill vacancies as and when they arise. One meeting of the nomination committee had been held in the year under review. The individual attendance of members are as follows:

Name of members	Number of meeting attended
Chiu Ngar Wing	1/1
Chu Chor Lup	1/1
Law Ka Hung	1/1

AUDIT COMMITTEE

The company's audit committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung and Mr. Chiu Ngar Wing is the chairman of the 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 consolidated financial statements for the year ended 31st March, 2019 and discussed with the management and the external auditors the audit plans, the internal control and financial reporting matters which may affect the group. A total of two meetings were held in the year under review and the individual attendance of members are as follows:

Name of members	Number of meetings attended
Chiu Ngar Wing	2/2
Chu Chor Lup	2/2
Law Ka Hung	2/2

INTERNAL CONTROL

The board is of the opinion that a sound internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the group's compliance with applicable laws and regulations and will assist the board in the management of any failure to achieve business objective.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the executive directors of the company. Plans and budgets are reviewed on a monthly basis to measure actual performance against the budget. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Different guidelines and procedures have been established for the approval and control of operating expenditures, capital expenditures and the unbudgeted expenditures and acquisitions.

The executive directors of the company review monthly management reports on the financial results and key operating statistics of each business unit and hold periodical meetings with the senior management of each business unit and the finance team to review these reports, discuss business performance against budgets, forecasts and market conditions, and to address accounting and finance related matters.

The board is responsible for internal control of the group and for reviewing its effectiveness. Procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for management use and for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

For the year under review, the board has reviewed the effectiveness of the group's internal control system and performed evaluation of the principles and controls of the group's control environment, risk assessment, control activities, information and communication and monitoring so as to ensure that key business and operational risks are identified and managed. Significant findings on internal controls are reported to the audit committee every year.

RESPONSIBILITY AND ACCOUNTABILITY OF THE BOARD

The board is responsible for formulating business strategies and monitoring the performance of the business of the group. Other than the daily operational decisions which are delegated to the members of the senior management of the group, most of the corporate decision of the company are made by the board.

The board also acknowledges the responsibility for preparing all information and representation contained in the consolidated financial statements of the company for the year under review. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and the financial statements complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. As at 31st March, 2019, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the ability of the company to continue as a going concern basis. The statement of the external auditors of the company about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 30 of the annual report of the company for the year ended 31st March, 2019.

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.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the company's auditors, Li, Tang, Chen & Co and other auditors for the year ended 31st March, 2019 is set out below:

	HK$'000
Audit services	660
Non-audit services	–
	660

SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

In accordance with article 64 of the company's article of association, one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the company having the right of voting at general meetings, can request to convene an extraordinary general meetings. Such requisition shall be made in writing to the directors or the secretary for the purpose of requiring an extraordinary general meeting to be called by the directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the directors shall be reimbursed to the requisitionist(s) by the company.

COMMUNICATION WITH SHAREHOLDERS

The board recognized the importance of good communication with the shareholders of the company. Information in relation to the group is disseminated to shareholders in a timely manner through a number of channels, which include publication of interim reports, annual reports, announcements and circulars. The developments of each line of the group's business are presented under "Management discussion and analysis" section of the interim reports and annual reports to enable the shareholders to have a better understanding of the group's business activities.

The company welcomes shareholders to attend the annual general meetings and express their view. The chairman of the board as well as other board members together with the external auditors are available to answer shareholders' questions.

CONSTITUTIONAL DOCUMENTS

There is no change in the memorandum and articles of association of the company during the year under review and up to the date of this report.

This report introduces the group's policies and measures regarding environmental, social and governance issues and is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

A. ENVIRONMENTAL

A1: Emissions

The group is a non-production company and the business activities do not involve air and greenhouse gas emissions (except from electricity consumption and staff travelling), discharges into water and land, and generation of hazardous waste.

A2: Use of Resources

We are committed to foster the sustainable use of the earth's resources and minimize as far as commercially practicable any adverse impact on the environment. We encourage our employees to reduce wastage and adopt of 4R policies to reduce, reuse, recycle and replace. Established procedures includes:

- ➢ Using products with energy saving label
- ➢ Using recycled or recyclable literature and packaging materials
- ➢ Recycling of electronic components and electronic products which are harmful to the environment
- ➢ Collection of recyclable products and rechargeable batteries and sending to the collection points or stations
- ➢ Donation of computer devices and accessories to charitable organisations
- ➢ Reducing business travel by using audio/vedio-conferencing equipment

We have been awarded "2018 Hong Kong Awards for Environment Excellence", Certificate of Merit, by Hong Kong Productivity Council.

The water and electricity consumption during the reporting period is as follows:

	Electricity Consumption		**Water Consumption**	
	2019	2018	**2019**	2018
	KwH	KwH	**M^3**	M^3
Hong Kong	**187,711**	190,956	**73**	97
Mainland China	**30,740**	26,058	**145**	97
Singapore *(Note)*	**32,874**	37,738	**–**	–
	251,325	254,752	**218**	194

Note: The water was provided by the building management. Since there was no separate charge, no figure is available.

A3: The Environment and Natural Resources

Save as disclosed in section A2 above, the group's operating activities have no significant impact on the environment and natural resources.

B. SOCIAL

B1: Employment

We regard honesty, integrity and fair play as our core values that must be upheld by all directors and staff (including full-time, part-time and temporary staff) of the group at all times.

Our workforce by age group and geographical regions is as follows:

Age group	Hong Kong	Mainland China	Singapore	Total
Below 30	5	2	1	8
30 to 39	22	11	7	40
40 to 49	30	4	4	38
50 to 59	21	1	2	24
60 or Above	3	0	2	5
	81	18	16	115

All staff is permanent and full time. The labour turnover rate is 3% (2018: 3%).

B2: Health and Safety

To ensure our employees' health and safety, we observed all the requirements under the Occupational Safety and Health Ordinance. There was no fatality or work injury during the reporting period.

B3: Development and Training

We provided an average of 5 training hours to each employee. To encourage the staff for continuing education, all staff is eligible for tuition fee refund program for attending job-related courses including short courses, workshops, degree programmes up to the master's level.

B4: Labour Standards

Our human resources policies complies strictly with relevant guidelines, legislation and codes of conducts and practice, including prohibiting child labour or forced labour for any position.

The group maintained good relationship with the employees. There was no legal case brought against the company or our employees for violation of laws or regulations during the reporting period.

B5: Supply Chain Management

The fundamental goal for supply chain management is to obtain the right products and services for the stated purpose; at the right time, place and cost; in a manner that balances the overall requirements for economy, transparency and accountability and the needs of line management for flexibility and responsiveness to their particular operational circumstances. This activity is accomplished with the highest level of ethical standards for fair and equitable treatment of suppliers providing goods and services to the group.

We maintain a list of qualified suppliers. They are subject to our periodical review for product quality, safety, business reputation and other criteria.

B6: Product Responsibility

We strictly abide to all applicable laws and regulations for our products and services. Periodically, our quality control staff will visit the suppliers' factories for inspection of production processes and testing the product samples before delivery.

To ensure the quality of our products and services, we conduct customer satisfaction survey to monitor our performance and ensure that our products and services meet the customers' expectation and needs. There was no products or services recalls for safety and health reasons during the reporting period.

B7: Anti-corruption

Our staff handbook includes the codes of conduct setting out the basic standard of conduct expected of all directors and staff, and the company's policy on personal data protection, acceptance of advantage and handling of conflict of interest when dealing with the company's business. These codes and practice are adapted from the Sample Code of Conduct issued by the Independent Commission Against Corruption and Codes of Practice issued by the Office of the Privacy Commission for Personal Data. We will introduce to all new staff by our Human Resources Department during orientation session.

Any employee can report alleged irregularities and concerns of a general, operational or finance nature in accordance with group's whistleblower policy.

There was no legal case regarding corrupt practices brought against the company or our employees during the reporting period.

B8: Community Investment

We provide financial assistance through financial contributions and equipment donations, collaborate with charities and encourage our employees to participate in volunteer activities.

Donations made by the group for the year ended 31st March, 2019 amounted to HK$200,000 (2018: HK$240,000).

We have been awarded "Caring Company" logo by The Hong Kong Council of Social Service since 2005 to recognise our efforts to promote corporate social responsibility.

We have been a corporate sponsor of 30-Hour Famine organized by World Vision Hong Kong since 2010.

We have been awarded the "Family-Friendly Employer" by The Family Council since 2011 in recognition of our dedication to continuously promoting family-friendly policies and practices.

The directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31st March, 2019.

PRINCIPAL ACTIVITIES

The company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the group for the year ended 31st March, 2019 are set out in the consolidated statement of comprehensive income on page 33.

The directors recommend the payment of final dividend at HK$0.2 cents (2018: HK0.2 cents) per ordinary share payable to shareholders of the company whose names appear on the register of members of the company on 13th September, 2019. Subject to the approval of the shareholders of the company at the forthcoming annual general meeting of the company, the dividend will be paid on or before 27th September, 2019.

PROPERTY, PLANT AND EQUIPMENT

During the year, the group spent HK$957,000 (2018: HK$1,149,000) on property, plant and equipment. The group has not written off its property, plant and equipment.

Details of the movements in property, plant and equipment of the group during the year are set out in note 16 on the consolidated financial statements.

Particulars of the leasehold land and buildings of the group as at 31st March, 2019 are set out on page 107.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the group during the year are set out in note 17 on the consolidated financial statements.

Particulars of the investment properties of the group as at 31st March, 2019 are set out on pages 107 and 108.

BORROWINGS

Particulars of the borrowings of the group at the end of the reporting period are set out in note 27 on the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the company during the year are set out in note 29 on the consolidated financial statements.

DONATIONS

Donations made by the group during the year amounted to HK$200,000.

DIVIDEND POLICY

In considering the payment of dividends, the board shall maintain adequate cash reserves for meeting its working capital requirements, future business growth as well as rewarding the shareholders of the company.

In proposing any dividend payout, the board shall take into account the financial performance and cash flow situation of the group, future expansion plans and capital requirements, interests of shareholders, any restrictions on payment of dividends and any other factors that the board may consider relevant.

The company may declare and pay dividends by way of cash or scrip or by other means that the board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the company in accordance with the company's memorandum and articles of association.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the company's articles of association or the laws of the Cayman Islands.

DIRECTORS AND SERVICE CONTRACTS

The directors of the company during the year and up to the date of this report were:

Executive directors:
Chan Chung Yee, Hubert – chairman and chief executive officer
Chan Chung Yin, Roy
Chan Ming Him, Denny
Wu Kwok Lam
Ip Man Hon
Chow So Fan, Candy

Independent non-executive directors:
Chiu Ngar Wing
Chu Chor Lup
Law Ka Hung

In accordance with article 108 of the articles of association or the code and corporate governance practices under the Listing Rules, Mr. Chan Ming Him, Denny, Mr. Wu Kwok Lam, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung will retire by rotation and being eligible for re-election at the forthcoming annual general meeting. All of them have offered themselves for re-election. The nomination committee has recommended to the board of directors that they are all eligible for re-election.

None of the directors of the company has entered into a service contract with the company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the interests disclosed in note 36 on the consolidated financial statements, no other contracts of significance to which the company or any of its subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The company has received from each of its current independent non-executive directors an annual confirmation of his independence and the company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

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

(a) As at 31st March, 2019, the interests and short positions of each director and chief executive of the company in the shares, underlying shares and debentures of the company or any of its associated corporations (within the meaning of Part XV of the Securities and Future 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 ("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 and class of securities (long position) *(Note 1)*	Approximate percentage of interest
Chan Chung Yee, Hubert	The company	Interest of controlled corporation	644,344,353 Shares (L) *(Note 2)*	51.74%
	The company	Beneficial owner	27,127,893 Shares (L) *(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 Shares (L) *(Note 4)*	7.53%
Chan Ming Him, Denny	The company	Beneficial owner	2,616,991 Shares (L) *(Note 5)*	0.21%

Name of Director	The company/associated corporation	Capacity	Number and class of securities (long position) *(Note 1)*	Approximate percentage of interest
Ip Man Hon	The company	Beneficial owner	1,537,598 Shares (L) *(Note 6)*	0.12%
Wu Kwok Lam	The company	Beneficial owner	3,000 Shares (L) *(Note 7)*	0.00%
Chow So Fan, Candy	The company	Beneficial owner	625,000 Shares (L) *(Note 8)*	0.05%

Notes:

(1) The Letter "L" represents the director's or 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) Same as disclosed above, as at the end of the reporting period, none of the directors and chief executive of the company had any interest and short positions in the 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.

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

As at 31st March, 2019, 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)	Interests of spouse	7.53%
Josephine Liu *(Note 4)*	671,472,246(L)	Interests of spouse	53.92%

Notes:

(1) The Letter "L" represents the person's interests in Shares.

(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. Mr. Chan Chung Yee, Hubert is a director of Light Emotion Limited and Matrix World Group Limited.

(3) Mrs. 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.

(4) 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed under the section heading "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures" above, at no time during the year under review or up to the date of this report was the company or any of its subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of acquisition of shares in, or debenture of the company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the group were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2019, the aggregate revenue attributable to the group's five largest customers accounted for approximately 35% by value of the group's total revenue and the revenue attributable to the group's largest customer was approximately 16% of the total revenue. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 75% by value of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 49% by value of the total purchases.

None of the directors of the company, any of their associates or any shareholders (which to the best knowledge of the directors owns more than 5% of the company's share capital) has any beneficial interest in any of the group's five largest customers or five largest suppliers.

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.

CORPORATE GOVERNANCE

The company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the company is set out in the section headed "Corporate Governance Report" in the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the company and within the knowledge of the directors as at the date of this annual report, the company has maintained the prescribed public float as prescribed under the Listing Rules.

AUDITORS

Li, Tang, Chen & Co. will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Li, Tang, Chen & Co. as auditors of the company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

Chan Chung Yee, Hubert
Chairman

Hong Kong, 28th June, 2019

INDEPENDENT AUDITOR'S REPORT

李湯陳會計師事務所
LI, TANG, CHEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

TO THE MEMBERS OF
HKC INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HKC International Holdings Limited ("the company") and its subsidiaries ("the group") set out on pages 33 to 105, which comprise the consolidated statements of financial position as at 31st March, 2019, and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes on the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31st March, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Cont'd)

Key audit matters identified in our audit are summarised as follows:

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to note 17 on the consolidated financial statements	
The aggregate fair values of the group's investment properties as at 31st March, 2019 amounted to HK$217,540,000, representing 56% of the group's total assets as at that date. The net increase in fair values recorded in the consolidated statement of comprehensive income for the year ended 31st March, 2019 amounted to HK$7,620,000. The group's investment properties, which are located in Hong Kong and Singapore, comprise office premises, industrial premises and residential premises. The fair values of the group's investment properties were assessed by the Management based on independent valuations prepared by an external property valuer. We identified valuation of the group's investment properties as a key audit matter because of the significance of investment properties to the group's consolidated financial statements and because the determination of the fair values involves significant judgment and estimation, including selecting the appropriate valuation methodology and market data.	Our audit procedures to assess the valuation of investment properties included the following: • evaluating the competence, capabilities, objectivity and independence of the external property valuer; • evaluating the valuation methodology used by the external property valuer based on our knowledge for similar types of properties; • discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors; The valuer is member of recognised professional bodies for external valuers. We found the valuation methodologies used to be in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found that disclosures in the consolidated financial statements to be adequate.

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Recoverability of contract assets and trade receivables *Refer to notes 21 and 22 on the consolidated financial statements* As at 31st March, 2019, the group recorded trade receivables of HK$29,714,000. Provisions are made for expected credit losses when the group will not collect all amounts due. Management judgment is required in assessing the expected credit losses. Management estimated credit losses are insignificant as the trade receivables are mostly settled within credit period and have no recent history of default. The group's projects of construction work have contract assets of HK$12,136,000 at 31st March, 2019. Management has assessed the recoverability of past due amounts and concluded no credit loss provision is required as there is no recent history of default and continuous payments are received.	Our procedures in relation to contract assets and trade receivables included: • Understanding management controls over the billing and collection cycle in the group; • Obtaining the management's calculated trade receivables ageing analysis used to assess the recoverability of receivables in the group; • Assessing the appropriateness of the credit loss provisioning methodology used by the group; • Assessing the estimates used to determine the expected credit losses by considering cash collection performance and subsequent settlement; • Discussing with management to understand the nature and the judgment involved in estimating the expected credit loss provision on contract assets from the project of construction work and correspondence with the customers.

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on long-term construction contracts *Refer to note 21 on the consolidated financial statements* One of the group's significant revenue streams is derived from long-term construction contracts, in relation to home automation and library RFID automation. The group recognised contract revenue amounted to HK$17,080,000 for the year ended 31st March, 2019. The accounting for long-term construction contracts and the determination of percentage of completion are complex. Revenue is recognized based upon management's estimation of the stage of projects completed. There are also estimation uncertainties associated with the costs to complete the projects.	Our audit procedures to assess the appropriateness of revenue recognition and recoverability of work-in-progress balances in relation to construction contracts included the following: • performing substantive procedures over significant contracts and costs allocated to projects in order to assess the accounting treatment and principles applied; • evaluating management's estimated percentage of completion by assessing subsequent development in costs allocated to the projects relate to total contract sum; • assessing the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition and contract work-in-progress.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the company are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the company are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the company either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors of the company are assisted by the Audit Committee in discharging their responsibilities for overseeing the group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify, our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters, that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lui Wai Man.

Li, Tang, Chen & Co.
Certified Public Accountants (Practising)
10/F Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

28th June, 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2019

	Note	2019 HK$'000	2018 HK$'000 (restated)
Revenue	5	**283,113**	253,899
Cost of sales		**(238,962)**	(206,715)
Gross profit		**44,151**	47,184
Other income and gains	7	**5,178**	4,133
Other losses	8	**–**	(3,600)
Fair value gain on investment properties		**7,620**	10,190
Fair value loss on financial assets through profit or loss		**(121)**	–
Selling and distribution expenses		**(13,184)**	(10,888)
Administrative and other operating expenses		**(40,188)**	(48,327)
Finance costs	9	**(2,328)**	(2,116)
Profit/(loss) before taxation	10	**1,128**	(3,424)
Tax expense	13(a)	**(87)**	(124)
Profit/(loss) for the year attributable to equity holders of the company		**1,041**	(3,548)
Other comprehensive income/(expense)			
Item that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of leasehold land and buildings upon transfer to investment properties		**–**	36,594
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations		**(214)**	1,331
Other comprehensive (expense)/income for the year		**(214)**	37,925
Total comprehensive income attributable to equity holders of the company		**827**	34,377
PROFIT/(LOSS) PER SHARE – (HK CENTS)			
– basic and diluted	14	**0.08 cents**	(0.28)cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2019

	Note	2019 HK$'000	2018 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	16	**55,560**	56,456
Investment properties	17	**217,540**	209,920
Available-for-sale financial assets	18	**–**	2,247
Financial assets designated at fair value through other comprehensive income	18	**2,247**	–
		275,347	268,623
CURRENT ASSETS			
Inventories	19	**22,180**	35,427
Contract assets	21	**12,136**	–
Financial assets at fair value through profit or loss	20	**413**	534
Gross amounts due from customers for contract work	21	**–**	15,042
Debtors, deposits and prepayments	22	**49,437**	59,223
Tax recoverable		**–**	21
Cash and bank balances	23	**28,870**	30,350
		113,036	140,597
CURRENT LIABILITIES			
Creditors and accrued charges	24	**15,745**	18,584
Contract liabilities	25	**5,231**	–
Obligations under finance leases	26	**80**	80
Bank borrowings	27	**70,662**	89,281
Tax payable		**262**	154
Receipt in advance		**–**	2,593
		91,980	110,692
NET CURRENT ASSETS		**21,056**	29,905
TOTAL ASSETS LESS CURRENT LIABILITIES		**296,403**	298,528

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2019

	Note	2019 HK$'000	2018 HK$'000 (restated)
NON-CURRENT LIABILITIES			
Obligations under finance leases	26	**258**	348
Deferred tax liabilities	28	**168**	168
		426	516
NET ASSETS		**295,977**	298,012
CAPITAL AND RESERVES			
Share capital	29	**12,453**	12,453
Reserves	30	**283,524**	285,559
TOTAL EQUITY		**295,977**	298,012

The consolidated financial statements on pages 33 to 105 were approved and authorised for issue by the board of directors on 28th June, 2019 and are signed on its behalf by:

Chan Chung Yee, Hubert
Director

Wu Kwok Lam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2019

	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$'000	Total HK$'000
At 1st April, 2017	9,963	42,111	28,325	41,556	279	141,401	–	263,635
Profit for the year	–	–	–	–	–	5,558	–	5,558
Other comprehensive income for the year	–	–	–	36,594	1,331	–	–	37,925
Prior year adjustments								
– Maintenance service income *(Note 39)*	–	–	–	–	–	(2,593)	–	(2,593)
– Gross amounts due from customers for contract work written off *(Note 39)*	–	–	–	–	–	(6,513)	–	(6,513)
Total comprehensive income/(expense) for the year	–	–	–	36,594	1,331	(3,548)	–	34,377
Bonus shares issued	2,490	(2,490)	–	–	–	–	–	–
Transfer to retained profits upon disposal of properties	–	–	–	(3,510)	–	3,510	–	–
Proposed final dividend	–	–	–	–	–	(2,491)	2,491	–
At 31st March, 2018 and 1st April, 2018	12,453	39,621	28,325	74,640	1,610	138,872	2,491	298,012
Accumulative effect of adopting HKFRS 15 *(note 2(c)(ii))*	–	–	–	–	–	(371)	–	(371)
Restated total equity as at 1st April, 2018	12,453	39,621	28,325	74,640	1,610	138,501	2,491	297,641
Profit for the year	–	–	–	–	–	1,041	–	1,041
Other comprehensive expense for the year	–	–	–	–	(214)	–	–	(214)
Total comprehensive (expense)/ income for the year	–	–	–	–	(214)	1,041	–	827
Dividend paid	–	–	–	–	–	–	(2,491)	(2,491)
Proposed final dividend	–	–	–	–	–	(2,491)	2,491	–
At 31st March, 2019	12,453	39,621	28,325	74,640	1,396	137,051	2,491	295,977

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2019

	2019 HK$'000	2018 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit/(loss) before taxation	**1,128**	(3,424)
Adjustments for:		
Depreciation	**1,829**	2,175
Gain on disposal of property, plant and equipment	**–**	(10)
Gain on disposal of investment properties	**–**	(481)
Fair value gain on investment properties	**(7,620)**	(10,190)
Write-down of inventories	**246**	1,179
Impairment losses on trade debtors written back	**(1,902)**	–
Impairment loss on gross amounts due from customers for contract work	**–**	750
Impairment loss on available-for-sale financial assets	**–**	3,600
Impairment loss on trade debtors	**147**	889
Interest income	**(70)**	(21)
Interest expenses	**2,328**	2,116
Exchange differences	**134**	1,115
Operating cash outflow before movements in working capital	**(3,780)**	(2,302)
Decrease/(increase) in inventories	**13,001**	(24,863)
Increase in contract assets	**(12,136)**	–
Decrease in gross amounts due from customers for contract work	**15,042**	9,515
Decrease/(increase) in financial assets at fair value through profit or loss	**121**	(150)
Decrease/(Increase) in debtors, deposits and prepayments	**11,170**	(6,255)
Increase in contract liabilities	**5,231**	–
(Decrease)/increase in creditors and accrued charges	**(2,839)**	1,553
(Decrease)/increase in receipt in advance	**(2,593)**	2,593
Net cash used in operations	**23,217**	(19,909)
Interest received	**70**	21
Interest paid on bank borrowings	**(2,328)**	(2,116)
Hong Kong profits tax refunded	**42**	106
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**21,001**	(21,898)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2019

	Note	2019 HK$'000	2018 HK$'000 (restated)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	32(a)	**(958)**	(695)
Proceeds from disposal of property, plant and equipment		**–**	10
Proceeds from disposal of investment properties		**–**	27,131
Purchases of available-for-sale financial assets		**–**	(1,947)
(Decrease)/increase in pledged time deposits		**66**	(42)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(892)**	24,457
FINANCING ACTIVITIES			
Bank loans obtained	32(b)	**15,707**	27,046
Repayment of obligations under finance leases	32(b)	**(90)**	(49)
Repayment of bank loans	32(b)	**(34,268)**	(17,039)
Dividend paid		**(2,491)**	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(21,142)**	9,958
NET (DECREASED)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,033)**	12,517
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**24,753**	12,147
Effect of foreign exchange rates changes		**(323)**	89
CASH AND CASH EQUIVALENTS AT END OF YEAR		**23,397**	24,753
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**26,310**	27,724
Bank overdraft		**(2,913)**	(2,971)
		23,397	24,753

1. GENERAL INFORMATION

HKC International Holdings Limited (the "company") is a public company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the company are disclosed in the section headed "corporate information" to this annual report.

The company is an investment holding company. The principal activities of the subsidiaries are set out in note 40.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations 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. They have been prepared under the historical cost convention, except for certain financial instruments and investment properties, which have been measured at fair values.

The consolidated financial statements for the year ended 31st March, 2019 comprise the company and its subsidiaries (together referred to as the "group").

Items included in the financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for where otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

b) Use of estimates in the preparation of the consolidated financial statements

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

c) Adoption of new and revised HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group's financial statements.

– HKFRS 9, Financial instruments

– HKFRS 15, Revenue from contracts with customers

The company has not applied any standard or interpretation that is not yet effective for the current accounting period (note 38).

i) 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 categorises 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) Adoption of new and revised HKFRSs (Cont'd)

i) HKFRS 9, Financial instruments (Cont'd)

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). For further details on the company's accounting policy of accounting for credit losses, see note 2(i).

The group has applied HKFRS 9 retrospectively to items that existed at 1st April, 2018 in accordance with the transaction 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.

ii) 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) Adoption of new and revised HKFRSs (Cont'd)

ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

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.

1) 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.

2) 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.

d) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Subsidiaries and non-controlling interest (Cont'd)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interest and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2(q).

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

e) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the group's interest in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

e) Goodwill (Cont'd)

Goodwill is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associate, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit, or group of cash-generating units are less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit, or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

f) Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administration propose are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Property, plant and equipment (Cont'd)

Depreciation on property, plant and equipment is calculated on the straight-line basis to allocate cost to their residual value over their estimated useful lives as follows:

Leasehold land	Over the unexpired term of lease
Buildings	Over the shorter of the term of the lease or 40 years
Motor vehicles	20% p.a.
Computer equipment	$33^1/_3$% p.a.
Office equipment	10% – 20% p.a.
Leasehold improvements	20% – $33^1/_3$% p.a.
Furniture and fixtures	10% – 20% p.a.
Moulds	20% p.a.
Plant and machinery	20% p.a.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of the asset (calculated as the difference between the net sale proceeds and the carrying amount of the asset is included in profit or loss in the year in which the item is derecognised).

g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

For a transfer of investment property carried at fair value to leasehold property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g) Investment properties (Cont'd)

For a transfer from owner-occupied property to investment property, the entity shall treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation surplus. The excess of the fair value of the property at the date of transfer over the carrying amount of the property is credited to other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged to profit or loss. The excess of the carrying amount of the property at the date of transfer over the fair value of the property is recognised in profit or loss to the extent it exceeds the balance, if any, on the revaluation reserve relating to previously revaluation of the same asset. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained profits. The transfer from revaluation surplus to retained profits is not made through profit or loss.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

h) Assets under finance and operating leases

i) Finance leases

Lease that substantially transfer all the rewards and risks of ownership of assets, other than legal title, to the group is accounted for as finance lease. At the inception of a finance lease, the asset is recorded together with its obligation (excluding interest element) to pay future rentals. Finance charges are charged to profit or loss on a straight-line basis over the period of the lease.

ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to profit or loss on a straight-line basis over the lease term.

i) Other investment in debt and equity securities

The group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the group determines fair value of financial instruments, see note 3B(i). These investments are subsequently accounted for as follows, depending on their classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

i) Other investment in debt and equity securities (Cont'd)

(A) Policy applicable from 1st April, 2018

Investments other than equity investments

Non-equity investments held by the group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(iv)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(r)(vi).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

i) Other investment in debt and equity securities (Cont'd)

(B) Policy applicable prior to 1st April, 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2(l)(ii) – policy applicable prior to 1st April, 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 2(r)(vi) and 2(r)(iv), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 2(l)(i) – policy applicable prior to 1st April, 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

j) Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value. Costs comprise direct materials and the related purchase costs. In the case of finished goods and work in progress, costs also include direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less all costs to be incurred to completion and disposal.

k) Impairment of non-financial assets

An assessment is made at the end of each reporting period of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k) Impairment of non-financial assets (Cont'd)

An impairment loss being the amount by which the carrying amount of an asset exceeds its recoverable amount is recognised immediately in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of any impairment loss is recognised in profit or loss.

l) Impairment of financial assets

i) Policy applicable from 1st April, 2018

The group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

In measuring ECLs, the group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured at either of the following bases:

– 12-month ECLs: these are expected credit losses that result from default events that are possible within the 12 months after the reporting date; or

– Lifetime ECLs: these are expected credit losses that result from all possible default events over the expected life of a financial asset.

The group applies a simplified approach to provide for ECLs for trade receivable, that requires the loss allowance to be measured at lifetime ECLs which are estimated using a provision matrix based on the group's historical credit loss experience and an assessment of both the current and forecast general conditions at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

l) Impairment of financial assets (Cont'd)

i) *Policy applicable from 1st April, 2018 (Cont'd)*

The group applies the general approach to provide for ECLs for all other financial instruments that requires the loss allowance to be measured at 12-month ECLs unless there has been a significant increase in credit risk of a financial instrument since initial recognition, in which case, the loss allowance is measured at an amount equal to lifetime ECLs.

The carrying amount of the receivable is reduced through the use of provision for credit loss account. Changes in ECLs of a financial asset are recognised in profit or loss. The financial asset is written of against the provision for credit loss account when the group has no reasonable expectations of recovering the asset.

If, in subsequent period, the amount of ECLs decreases, the reversal would be adjusted to the provision of credit loss account at the reporting date. The amount of any reversal is recognised in profit or loss.

ii) *Policy applicable prior to 1st April, 2018*

Prior to 1st April, 2018, an "incurred loss" model was used to measure impairment losses on trade and other receivables. Under the "incurred loss" model, an impairment loss was recognised in profit or loss only when there was objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

m) Contract assets and contract liabilities

A contract asset is recognised when the group recognises revenue before the group is unconditionally entitled to the consideration under the payment terms set out in the contract.

A contract liability is recognised when a customer pays non-refundable consideration before the group recognises the related revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of the consideration is due. If revenue has been recognized before the unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the group's cash management.

p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the year of the borrowings, together with any interest and fees payable, using the effective interest method.

q) Payables

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

r) Revenue recognition

Revenue is recognised when the group satisfies a performance obligation by transferring promised goods or services to a customer and the customer obtains control over the good or service. When the performance obligation is satisfied, revenue is recognised at the amount of the transaction price that is allocated to that performance obligation. Further details of the group revenue and other income recognition policies are as follows:

i) Sales of goods are recognised at a point in time when the customer takes possession of and accepts the products. if the products are a partial fulfillment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

r) Revenue recognition (Cont'd)

i) (Cont'd)

Before the adoption of HKFRS 15, revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the group. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the group and the revenue and the costs, if any, in respect of the transaction can be measured reliably. Revenue from the sales of good is recognised when the group has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods.

ii) Service income arising from maintenance, installation and repairs services are recognised in the accounting period in which the services are rendered. For the service contract, revenue is recognised over time based on service which are rendered for the customers.

iii) Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

iv) Interest income is recognised as other income as it accrues under the effective interest method.

v) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– Home automation contract revenue from a fixed price contract is recognised progressively over time using the cost-to-cost method, i.e. based on percentage of actual contract costs incurred to date relative to estimated total contract costs for the contract.

– The likelihood of the group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken not account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

– Radio frequency identification (RFID) systems contract revenue from a fixed price contract is recognised progressively over time using the output method, i.e. based on achievement of specified milestones in the contracts.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are expected to recovered.

Revenue for construction contracts was recognised on similar basis in comparative period under HKAS 11.

vi) Dividend income is recognised as other income when the shareholder's right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

s) Employee benefits

Pension schemes and other retirement benefits

The group joins defined contribution retirement benefits schemes in Hong Kong and overseas for those employees who are eligible and have elected to participate in the schemes. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the group in independently administered funds. In respect of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a specific amount for the employees in Mainland China, pursuant to the local municipal government regulations. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The group's subsidiaries which operate in Singapore are required to contribute to the Central Provident Fund ("CPF") a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to CPF are charged to profit or loss in the period to which the contribution relate.

t) Borrowing costs

Borrowing costs are recognised as expenses in profit or loss in the period in which they are incurred.

u) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

u) Taxation (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

v) Foreign currency translation

Foreign currency transactions are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. All exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the date the fair value was measured.

The results and financial position of all the group's foreign operating (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for consolidated statement of financial position presented are translated at the closing rate at the end of each reporting period;

ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) all of the resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

w) Related parties

a) A person, or a close member of that person's family, is related to the group if that person:

   i) has control or joint control over the group;

   ii) has significant influence over the group; or

   iii) is a member of the key management personnel of the group.

b) An entity is related to the group if any of the following conditions applies:

   i) the entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii) both entities are joint ventures of the same third party.

   iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   v) the entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

   vi) the entity is controlled or jointly controlled by a person identified in (a).

   vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

x) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the note on the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is possible, they will then be recognised as a provision.

y) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

3A SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The categories of financial assets and financial liabilities included in the consolidated statement of financial position and the headings in which they are included are as follows:

	2019	2018
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost (2018: loan and receivables)		
Debtors and deposits	**34,250**	46,947
Cash and bank balances	**28,870**	30,350
	63,120	77,297
Financial assets at FVOCI (2018: available-for-sale financial assets)	**2,247**	2,247
Financial assets at FVPL	**413**	534
	65,780	80,078

	2019	2018
	HK$'000	HK$'000
Financial liabilities		
Creditors and accrued charges	**14,346**	17,329
Bank borrowings	**70,662**	89,281
Obligations under finance leases		
– current liabilities	**80**	80
– non-current liabilities	**258**	348
Financial liabilities at amortised cost	**85,346**	107,038

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

3B FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate, foreign currency and price risks arises in the normal course of the group's business. These risks are limited by the group's financial risk management policies and practices described below.

a) Financial risk factors:

i) Credit risk

The group's credit risk is primarily attributable to cash at banks, bank deposits, trade and other debtors and investments. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Cash at banks and bank deposits are placed with licensed financial institutions with high credit ratings. The group monitors the exposure to each single financial institution.

For trade and other debtors, credit checks are part of the normal operating process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the group reviews the recoverable amounts of trade and other debtors at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The group has no significant concentrations of credit risk with exposure spread over a number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The group does not provide any guarantees which would expose the group to credit risk.

Further quantitative disclosure in respect of the group's exposure to credit risk arising from trade debtors is set out in note 22.

Investments are normally only in liquid equity and debt securities and with counterparties that have a high credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

3B FINANCIAL RISK MANAGEMENT (Cont'd)

a) Financial risk factors: (Cont'd)

ii) Liquidity risk

The group's policy is to regularly monitor current and expected liquidity level to ensure that it maintains sufficient reserves of cash and bank balances and readily realisable marketable securities for its daily operation and investment purposes.

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient bank balances.

The following table details the remaining contractual maturities at the end of the reporting period of the group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the group can be required to pay.

	2019			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within I year or on demand HK$'000	More than I year HK$'000
Creditors and accrued charges	14,346	(14,346)	(14,346)	-
Obligations under finance leases	338	(338)	(80)	(258)
Bank borrowings	70,662	(72,016)	(72,016)	-
	85,346	(86,700)	(86,442)	(258)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

3B FINANCIAL RISK MANAGEMENT (Cont'd)

a) Financial risk factors: (Cont'd)

ii) Liquidity risk (Cont'd)

	2018			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000
Creditors and accrued charges	17,329	(17,329)	(17,329)	–
Obligations under finance leases	428	(428)	(80)	(348)
Bank borrowings	89,281	(93,046)	(93,046)	–
	107,038	(110,803)	(110,455)	(348)

iii) Interest rate risk

The group's financial assets only include short-term bank deposits and bank balances. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates at bank deposits are not expected to change significantly.

The group's bank borrowings and obligations under finance leases have exposure to risk arising from changing interest rates. Bank borrowings at variable rates expose the group to cash flow interest rate risk, and obligations under finance leases at fixed rates expose the group to fair value interest rate risk.

Due to the fact that the changes in interest rates would not have significant impact on the group's result and accordingly, the sensitivity analysis in respect of changes in interest rates is not presented.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

3B FINANCIAL RISK MANAGEMENT (Cont'd)

a) Financial risk factors: (Cont'd)

iv) Foreign currency risk

The group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily Renminbi and United States dollar.

Sensitivity analysis

Due to the fact that the changes in foreign exchange rates would have no material impact on the result of the group for the year ended 31st March, 2019 and accordingly, sensitivity analysis in respect of change in interest rates is not required.

v) Price risk

The group is exposed to price changes arising from financial assets at fair value through profit or loss (see note 20). These investments are measured at fair value at the end of each reporting period with reference to the quoted price. Management monitors this exposure and takes appropriate actions when it is required.

The following table indicates the approximate change in the group's profit/(loss) after tax and other components of consolidated equity in response to reasonably possible changes of 15% (2018: 15%) in price in respect of listed equity and debt securities.

The effect of price changes in respect of unlisted equity securities and other derivative financial instruments are excluded from the below calculation as the directors consider that their prices depend on complicated market factors and cannot be estimated.

	Decrease/(increase) in profit/(loss) after tax		**Increase/(decrease) in investment revaluation reserve**	
	15% increase	**15% decrease**	**15% increase**	**15% decrease**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March, 2019	52	(52)	–	–
At 31st March, 2018	67	(67)	–	–

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

3B FINANCIAL RISK MANAGEMENT (Cont'd)

a) Financial risk factors: (Cont'd)

v) Price risk (Cont'd)

The sensitivity analysis has been determined assuming that the reasonably possible changes in price had occurred as at the end of the reporting period and had been applied to the exposure to price risk for the financial instruments in existence at that date and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in price over the period until the end of the next reporting period. The analysis has been performed on the same basis for 2018.

b) Fair value measurement:

i) 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

3B FINANCIAL RISK MANAGEMENT (Cont'd)

b) Fair value measurement: (Cont'd)

i) Financial assets measured at fair value (Cont'd)

	Fair value at 31st March, 2019	**Fair value measurement as at 31st March, 2019 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
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**	**–**	**–**
	2,660	**413**	**1,947**	**300**

	Fair value 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 assets:				
Investment in life insurance policy	1,947	–	1,947	–
Financial assets at FVPL:				
Listed equity securities	534	534	–	–
	2,481	534	1,947	–

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

3B FINANCIAL RISK MANAGEMENT (Cont'd)

b) Fair value measurement: (Cont'd)

ii) 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.

iii) Estimation of fair values

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

1) Listed equity securities: Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

2) Investment in life insurance policy: Fair value is determined based on cash surrender value issued by insurer.

3) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the group's accounting policies which are described in note 4, management has made the following estimates that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation and judgements at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Useful lives of property, plant and equipment

The group's management determines the estimate useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previous estimation, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

Allowances for inventories

The management of the group makes allowance for obsolete and slow-moving inventories that are identified as no longer salable. The management estimates the net realisable value of its inventories based primarily on the latest invoice prices and current market conditions. The group carries out review of inventories on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items.

Impairment of trade debtors

The policy for impairment of trade debtors of the group is based on the evaluation of collectibility and ageing analysis of trade debtors and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these trade debtors including the current creditworthiness and the past collection history of each customer, if the financial conditions of customers of the group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

Estimated fair value of investment properties

The fair values of investment properties are determined at the end of each reporting period by an independent professional valuer. Valuations were made on the basis of investment approach by compare selling price of recently sold properties that are similar to the properties being valued. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions.

Construction contracts

As explained in note 2(r)(v), revenue and profit recognition on an uncompleted contract is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the group's recent experience and the nature of the construction activity undertaken by the group, the group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the gross contract asset or liability as disclosed in note 21 will not include profit which the group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

5. REVENUE

Revenue represents sales of mobile phones and internet of things ("IOT") solutions, maintenance, installation and repairs services, and gross rental income.

	2019 HK$	2018 HK$ (restated)
Revenue from contracts with customers		
Sales of goods	**256,397**	222,666
Maintenance service income	**8,070**	9,414
Installation service income	**1,193**	2,547
Repairs service income	**196**	44
Revenue from construction contracts	**12,761**	14,726
	278,617	249,397
Revenue from other sources		
Rental income from investment properties	**4,450**	4,423
Commission income	**–**	9
Computer service fee income	**–**	24
Rental income for application software provider	**46**	46
	4,496	4,502
	283,113	253,899

6. SEGMENTAL INFORMATION

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

6. SEGMENTAL INFORMATION (Cont'd)

a) Segment results, assets and liabilities (Cont'd)

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 described in note 2. 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.

6. SEGMENTAL INFORMATION (Cont'd)

b) Geographic information

	Revenues from external customers		Non-current assets*	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**271,486**	232,967	**262,384**	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	**450**	541	**–**	–
	11,627	20,932	**10,716**	2,113
	283,113	253,899	**273,100**	266,376

* Non-current assets excluding financial assets designated at fair value through other comprehensive income (2018: available-for-sales 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	**283,113**	253,899
PROFIT OR LOSS		
Reportable segment loss as previously reported	**(6,492)**	(908)
Maintenance service income overstated *(note 39)*	**–**	(2,593)
Gross amount due from customers for contract work written off *(note 39)*	**–**	(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	**1,128**	(3,424)

6. SEGMENTAL INFORMATION (Cont'd)

c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Cont'd)

	2019 HK$'000	2018 HK$'000
ASSETS		
Reportable segment assets	**385,723**	406,439
Non-current financial assets	**2,247**	2,247
Unallocated corporate assets	**413**	534
Consolidated total assets	**388,383**	409,220
LIABILITIES		
Reportable segment liabilities	**92,238**	111,040
Deferred tax liabilities	**168**	168
Consolidated total liabilities	**92,406**	111,208

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 phones in Hong Kong" (2018: HK$41,816,000 was included in reportable segment "Sales of mobile phones in Hong Kong") which individually accounted for 17% (2018: 16%) of the group's total revenue during the year.

7. OTHER INCOME AND GAINS

	2019 HK$'000	2018 HK$'000
Bank interest income	70	21
Dividend income	1	–
Provision for contract asset 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
	5,178	4,133

8. OTHER LOSSES

	2019 HK$'000	2018 HK$'000
Impairment loss on available-for-sale financial assets	–	3,600

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	2,308	2,116
Interest on obligations under financial leases	20	–
	2,328	2,116

10. PROFIT/(LOSS) BEFORE TAXATION

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

	2019 HK$'000	2018 HK$'000 (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 – note 19	246	2,177
Impairment loss on trade debtors	147	889
Impairment loss on gross amounts 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)

11. DIRECTORS' EMOLUMENTS

Details of directors' emoluments of the group are as follows:

	2019					
	Fees	Salaries, allowances and benefits in kind	Commission	Discretionary bonuses	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:						
Chan Chung Yee, Hubert	–	1,379	–	112	36	1,527
Chan Chung Yin, Roy	–	445	–	298	36	779
Chan Ming Him, Denny	–	182	–	14	20	216
Wu Kwok Lam	–	869	31	–	36	936
Ip Man Hon	–	734	25	–	36	795
Chow So Fan, Candy	–	607	56	–	18	681
	–	4,216	112	424	182	4,934
Independent non-executive directors:						
Chiu Ngar Wing	85	–	–	–	–	85
Chu Chor Lup	40	–	–	–	–	40
Law Ka Hung	30	–	–	–	–	30
	155	–	–	–	–	155

11. DIRECTORS' EMOLUMENTS (Cont'd)

	2018					
	Fees	Salaries, allowances and benefits in kind	Commission	Discretionary bonuses	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:						
Chan Chung Yee, Hubert	–	1,112	–	–	54	1,166
Chan Chung Yin, Roy	–	386	–	–	54	440
Chan Ming Him, Denny	–	162	–	–	24	186
Wu Kwok Lam	–	780	–	–	54	834
Ip Man Hon	–	673	–	–	54	727
Chow So Fan, Candy	–	591	–	42	36	669
Leung Shing Koon (Resigned on 31st August, 2017)	22	–	–	–	–	22
	22	3,704	–	42	276	4,044
Independent non-executive directors:						
Chiu Ngar Wing	85	–	–	–	–	85
Chu Chor Lup	40	–	–	–	–	40
Law Ka Hung	30	–	–	–	–	30
	155	–	–	–	–	155

Notes:

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st March, 2019 and 2018.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individual in the company include four (2018: four) executive directors for the year ended 31st March, 2019, details of whose emoluments have been disclosed in note 11 above.

The details of the emoluments for the year of remaining one (2018: one) highest paid individual who is neither director nor chief executive of the company are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**829**	699
Performance-related bonus	**61**	109
Retirement benefits	**18**	36
	908	844

13. TAX EXPENSE

a) 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 profits 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 **HK$'000**	2018 HK$'000
Hong Kong Profits Tax		
Charge for the year	**87**	83
Underprovision in respect of prior years	**–**	41
Tax expense for the year	**87**	124

13. TAX EXPENSE (Cont'd)

b) The tax expense for the year can be reconciled to the profit/(loss) before taxation per consolidated statement of comprehensive income is as follows:

	2019 HK$'000	2018 HK$'000 (restated)
Profit/(loss) before taxation	**1,128**	(3,424)
Tax at the statutory income tax rate	**186**	(565)
Tax effect of income not taxable	**(1,350)**	(2,046)
Tax effect of expenses that are not deductible in determining taxable income	**122**	64
Prior year adjustment tax impact	**(1,502)**	1,502
Tax effect of unrecognised tax losses	**2,466**	705
Tax effect of different tax rates in other jurisdiction	**(23)**	1
Tax effect of utilisation of tax losses previously unrecognized	**(524)**	(1,305)
Tax effect of unrecognized temporary difference	**251**	1,049
Underprovision of profits tax for prior year	**–**	41
Tax concession	**(20)**	(30)
Others	**481**	708
Tax expense for the year	**87**	124

14. 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	2018
	HK$'000	HK$'000
Profit/(loss) attributable to equity holders of the company	**1,041**	(3,548)

	Number of shares	Number of shares
Basic and diluted		
Weighted average number of ordinary shares in issue	**1,245,331,256**	1,245,331,256

15. 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 at the forthcoming annual general meeting.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Office equipment, leasehold improvements and furniture and fixtures HK$'000	Moulds HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost							
At 1st April, 2017	61,171	1,598	10,113	19,052	3,981	1,270	97,185
Currency realignment	–	34	(25)	(46)	–	–	(37)
Additions	–	454	50	645	–	–	1,149
Disposals	–	(335)	–	–	–	–	(335)
Transfer to investment properties	(805)	–	–	–	–	–	(805)
At 31st March, 2018	60,366	1,751	10,138	19,651	3,981	1,270	97,157
Accumulated depreciation							
At 1st April, 2017	(5,433)	(1,485)	(9,928)	(17,551)	(3,565)	(1,270)	(39,232)
Currency realignment	–	(31)	31	82	–	–	82
Charge for the year	(1,122)	(99)	(99)	(683)	(172)	–	(2,175)
Written back on disposals	–	335	–	–	–	–	335
Transfer to investment properties	289	–	–	–	–	–	289
At 31st March, 2018	(6,266)	(1,280)	(9,996)	(18,152)	(3,737)	(1,270)	(40,701)
Net book value							
At 31st March, 2018	54,100	471	142	1,499	244	–	56,456
Cost							
At 1st April, 2018	60,366	1,751	10,138	19,651	3,981	1,270	97,157
Currency realignment	–	(21)	(67)	(144)	–	–	(232)
Additions	–	–	46	578	334	–	958
At 31st March, 2019	60,366	1,730	10,117	20,085	4,315	1,270	97,883
Accumulated depreciation							
At 1st April, 2018	(6,266)	(1,280)	(9,996)	(18,152)	(3,737)	(1,270)	(40,701)
Currency realignment	–	10	64	133	–	–	207
Charge for the year	(955)	(89)	(74)	(553)	(158)	–	(1,829)
At 31st March, 2019	(7,221)	(1,359)	(10,006)	(18,572)	(3,895)	(1,270)	(42,323)
Net book value							
At 31st March, 2019	53,145	371	111	1,513	420	–	55,560

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Notes:

i) The group's leasehold land and buildings comprise:

	2019 HK$'000	2018 HK$'000
Land and buildings in Hong Kong	**53,145**	54,100

ii) At 31st March, 2019, the aggregate net book value of property, plant and equipment held under finance lease was HK$354,000 (2018: HK$458,000).

iii) The group has pledged its leasehold land and buildings with aggregate net book value of HK$53,145,000 (2018: HK$54,100,000) to secure the group's general banking facilities.

17. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At fair value:		
At the beginning of the year	**209,920**	189,270
Transfer from property, plant and equipment	**–**	37,110
Disposal	**–**	(26,650)
Fair value gain	**7,620**	10,190
At the end of the year	**217,540**	209,920
The carrying amounts of investment properties situated in Hong Kong and outside Hong Kong shown above comprises:		
Land and buildings in Hong Kong	**207,280**	199,450
Land and buildings outside Hong Kong	**10,260**	10,470
	217,540	209,920

During the year ended 31st March, 2018, the group leased out a formerly self-occupied commercial unit located in Hong Kong and reclassified such unit as an investment property. The property was previously occupied by a subsidiary of the group as warehouse which was classified as land and buildings under property, plant and equipment. The group recognised a fair value gain amounted to HK$36,594,000 on the date of reclassification. This fair value gain was recognised in property revaluation reserve as other comprehensive income. Subsequent change in fair value of the property was recognised in profit or loss.

17. INVESTMENT PROPERTIES (Cont'd)

i) Fair value hierarchy

The following table presents the fair value of the group's investment properties measured at the end of the 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 measurements as at 31st March, 2019 categorised into		
	Level 1	**Level 2**	**Level 3**
	HK$'000	HK$'000	HK$'000
Recurring fair value measurement			
Investment properties:			
Residential			
– Hong Kong	–	–	26,090
Commercial			
– Hong Kong	–	–	181,190
– Singapore	–	–	10,260

17. INVESTMENT PROPERTIES (Cont'd)

i) Fair value hierarchy (Cont'd)

	Fair value measurements as at 31st March, 2018 categorised into		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Investment properties:			
Residential			
– Hong Kong	–	–	25,430
Commercial			
– Hong Kong	–	–	174,020
– Singapore	–	–	10,470

During the year ended 31st March, 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the group's investment properties were revalued as at 31st March, 2019. The valuations were carried out by an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The group's chief financial officer has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of the reporting period.

17. INVESTMENT PROPERTIES (Cont'd)

ii) Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Unobservable inputs	Range
Investment properties with recurring fair value measurement:			
Residential			
– Hong Kong	Market approach	Estimated market price per square foot	HK$11,534 – HK$15,548 (2018: HK$11,100 – HK$15,300)
Commercial			
– Hong Kong	Market approach	Estimated market price per square foot	HK$12,845 – HK$125,733 (2018: HK$7,200 – HK$122,300)
– Singapore	Market approach	Estimated market price per square foot	HK$2,390 (2018: HK$2,400)

The market approach considers the sales, listing or offerings of similar or substitute properties and related market data establishes a value estimate by processes involving comparison.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

iii) Information about Level 3 fair value measurements

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2019 HK$'000	2018 HK$'000
Investment properties:		
At beginning of year	**209,920**	189,270
Transfer from property, plant and equipment	**–**	37,110
Disposal	**–**	(26,650)
Fair value adjustment	**7,620**	10,190
At end of year	**217,540**	209,920

17. INVESTMENT PROPERTIES (Cont'd)

iii) Information about Level 3 fair value measurements (Cont'd)

Fair value adjustment of investment properties is recognised in the line item "fair value gain on investment properties" on the face of the consolidated statement of comprehensive income.

All the gains recognised in the consolidated statement of comprehensive income for the year arise from the properties held at the end of the reporting period.

iv) Pledged of investment properties

The group has pledged certain investment properties with a total of carrying value of HK$207,280,000 (2018: HK$199,450,000) to secure the group's general banking facilities.

18. FINANCIAL ASSETS AT FVOCI (2018: AVAILABLE-FOR-SALE FINANCIAL ASSETS)

	2019	2018
	HK$'000	HK$'000
Financial assets stated at FVOCI		
Investment in life insurance policy *(Note)*	**1,947**	1,947
Unlisted equity securities	**300**	–
	2,247	1,947
Available-for-sale financial assets		
Unlisted equity securities, at cost	**–**	3,900
Impairment	**–**	(3,600)
Carrying value	**–**	300
	2,247	2,247

Note:

During the year ended 31st March, 2018, a subsidiary of the group entered into a contract with an insurance company to insure against the death of a director of the group, with an insured sum of USD600,000 (equivalent to approximately HK$4,690,000). In this contract, both the beneficiary and policy holder are the subsidiary of the group.

The subsidiary has made upfront payment of USD249,000 (approximately HK$1,947,000) in previous period. The insurer will declare interest (including the guarantee interest) to the subsidiary based on the amount of account value, at a rate determined at its own discretion.

At 31st March, 2019, the insurance policy was secured for bank loans amounted to HK$55,562,000.

19. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	112	27
Work in progress	81	9
Office telephone systems, mobile phones and other electronic products and accessories	21,987	35,391
	22,180	35,427

The inventories stated at net realisable value amounted to HK$1,050,000 (2018: HK$1,210,000).

The cost of inventories recognised in profit or loss during the year amounted to HK$237,363,000 (2018: HK$206,660,000).

The analysis of the amount of inventories recognised as an expense is as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount of inventories sold	237,117	204,483
Write-down of inventories	246	2,177
	237,363	206,660

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Financial assets stated at fair value		
Equity securities listed in Hong Kong	413	534

21. CONTRACT ASSETS (2018: GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK)

	2019	2018
	HK$'000	HK$'000
		(restated)
Contract costs incurred	**54,624**	71,409
Recognised profits	**17,080**	10,205
	71,704	81,614
Progress billings	**(59,568)**	(66,572)
	12,136	15,042

In respect of construction contracts in progress at the end of the reporting period, the amount of retentions receivable from customers, recorded within "Trade debtors" at 31st March, 2019 was HK$125,000 (2018: HK$1,022,000).

22. DEBTORS, DEPOSITS AND PREPAYMENTS

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

22. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

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 HK$'000	Special allowance HK$'000	Gross carrying amount before loss allowance HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
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%	3,571	2,560	1,011	202	809
Trade debtors		29,714	2,560	27,154	495	26,659

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.

22. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

a) Ageing analysis (Cont'd)

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 ageing analysis of trade receivables were as follows:

	2018 HK$'000
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	12,495
Trade debtors	37,508

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.

22. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

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

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.

23. CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Pledged time deposits	2,560	2,626
Cash and bank balances	26,310	27,724
	28,870	30,350

The effective interest rate on all of the time deposits with banks was 1% (2018: 1%) per annum at 31st March, 2019.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in the amount of HK$26,310,000 (2018: HK$27,724,000) are the following amounts denominated in a currency other than the functional currency of the company to which they relate:

		2019 '000		2018 '000
Renminbi	RMB	2	RMB	10
United States dollars	USD	13	USD	96

24. CREDITORS AND ACCRUED CHARGES

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

24. CREDITORS AND ACCRUED CHARGES (Cont'd)

The ageing analysis of trade creditors is as follows:

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

25. CONTRACT LIABILITIES

	31.3.2019	1.4.2018	31.3.2018
	HK$'000	HK$'000	HK$'000
Payment received or billings issued in advance of performance – Maintenance service income received from customers	**5,231**	2,966	–

a) Upon the adoption of HKFRS 15, amounts of HK$2,593,000 and HK$373,000 was reclassified from receipt in advance and other payable respectively to contract liabilities.

b) Movement of contract liabilities

	HK$'000
Balance at 1st April, 2018	2,966
Amount recognised as revenue that was included in the balance at 1st April, 2018	(2,966)
Amount received in advance of performance	5,231
Balance at 31st March, 2019	5,231

c) The amount received in advance of performance is expected to be recognised as revenue after more than one year is HK$2,176,000 (2018: HK$ Nil).

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**96**	101	**80**	80
In the second year	**74**	82	**84**	91
In the third to fifth years	**204**	303	**174**	257
	374	486	**338**	428
Less: future finance charges	**(36)**	(58)		
Present value of finance leases	**338**	428		
Less: amount due for settlement within one year shown under current liabilities			**(80)**	(80)
Amount due for settlement after one year			**258**	348

27. BANK BORROWINGS

	2019	2018
	HK$'000	HK$'000
Bank borrowings comprise:		
Bank loans (secured)	**67,749**	86,310
Bank overdraft (secured)	**2,913**	2,971
	70,662	89,281

The effective interest rates of bank borrowings were 2.73% – 5.19% (2018: 2.25% – 5.19%) per annum at 31st March, 2019.

The directors consider that the carrying amounts of bank borrowings approximate to their fair values.

All of the term loans from banks contain a repayment on demand clause. The maturity of these loans as stipulated in the respect loan agreements is as follows:

	2019	2018
	HK$'000	HK$'000
Due within one year	**55,003**	44,762
Due more than one year, but not exceeding five years	**7,373**	20,357
Due more than five years	**8,286**	24,162
	70,662	89,281

28. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000
At 1st April, 2017, 31st March, 2018 and 31st March, 2019	168

At the end of the reporting period, the group has unused tax losses of HK$169,486,000 (2018: HK$155,754,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

The tax losses can be carried forward to offset against the taxable profits of subsequent years. There is no restriction on their expiry except the unused tax losses of PRC subsidiaries of HK$25,652,000 (2018: HK$22,896,000) can only be carried forward for five years from the year of the incurrence.

29. SHARE CAPITAL

	Number of shares		**Amount**	
	2019	2018	**2019** HK$'000	2018 HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning of the year and at end of the year	**2,000,000,000**	2,000,000,000	**20,000**	20,000
Issued and fully paid:				
At beginning of the year	**1,245,331,256**	996,265,022	**12,453**	9,963
Issue of bonus shares	**–**	249,066,234	**–**	2,490
At end of the year	**1,245,331,256**	1,245,331,256	**12,453**	12,453

30. RESERVES

The group

The amounts of the group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36.

The company

	Share premium HK$'000	Special reserve HK$'000	(Accumulated loss)/retained profits HK$'000	Total HK$'000
At 1st April, 2017	42,111	163,453	8,721	214,285
Bonus shares issued	(2,490)	–	–	(2,490)
Loss and total comprehensive expense for the year	–	–	(45,931)	(45,931)
Proposed final dividend	–	–	(2,491)	(2,491)
At 31st March, 2018 and 1st April, 2018	39,621	163,453	(39,701)	163,373
Loss and total comprehensive expense for the year	–	–	(10,832)	(10,832)
Proposed final dividend	–	–	(2,491)	(2,491)
At 31st March, 2019	39,621	163,453	(53,024)	150,050

The special reserve of the company represents the difference between the aggregate net assets of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the company's shares issued for the acquisition prior to the listing of the company's shares in 2001.

The company's reserves available for distribution represent the share premium, special reserve and retained profits. Under the Companies Laws of the Cayman Islands, the share premium of the company is available for paying distributions or dividends to shareholders subject to the provisions of memorandum and articles of association of the company and provided that immediately following the distribution or dividend the company is able to pay its debt as they fall due in the ordinary course of business. The company's reserves available for distributions to shareholders as at 31st March, 2019 amounted to HK$150,050,000 (2018: HK$163,373,000).

31. CAPITAL MANAGEMENT

The group's objectives when managing capital are:

- To safeguard the group's ability to continue as a going concern, so that it continues to provide returns for shareholders;
- To support the group's stability and growth; and
- To provide capital for the purpose of strengthening the group's risk management capability.

The group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

As in prior years, the group monitors capital by reviewing the level of capital that is at the disposal of the group. Capital comprises all components of total equity. The capital of the group at 31st March, 2019 was HK$295,977,000 (2018: HK$298,012,000).

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a) Non-cash transactions

During the year ended 31st March, 2018, the group acquired property, plant and equipment with an aggregate cost of HK$1,149,000 of which HK$454,000 was acquired by means of finance lease. Cash payments of HK$695,000 were made to acquire property, plant and equipment. During the year ended 31st March, 2019, there was no such non-cash transaction.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

b) Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flow from financing activities.

	Bank loans	Finance leases	Total
	HK$'000	HK$'000	HK$'000
At 1st April, 2017	76,303	23	76,326
New finance lease	–	454	454
Changes from financing cash flows:			
Bank loan obtained	27,046	–	27,046
Repayment of capital element of finance lease	–	(49)	(49)
Repayment of principal portion of bank loan	(17,039)	–	(17,039)
Total changes from financing activities	10,007	(49)	9,958
At 31st March, 2018	86,310	428	86,738
Changes from financing cash flows:			
Bank loan obtained	15,707	–	15,707
Repayment of capital element of finance lease	–	(90)	(90)
Repayment of principal portion of bank loan	(34,268)	–	(34,268)
Total changes from financing activities	(18,561)	(90)	(18,651)
At 31st March, 2019	67,749	338	68,087

33. 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).

34. OPERATING LEASE ARRANGEMENTS

a) The group as lessee:

At the end of the reporting period, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**607**	845
In the second to fifth years, inclusive	**40**	299
	647	1,144

Operating lease payments represent rentals payable by the group for its office premises and shops. Leases are negotiated for terms ranging from one to five years (2018: one to five years). In addition to the minimum rental payments disclosed above, the group has commitments to pay additional rent of a proportion of revenue for certain leased shops if the revenue generated from these leased shops exceeds the predetermined levels. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

34. OPERATING LEASE ARRANGEMENTS (Cont'd)

b) The group as lessor:

At the end of the reporting period, the group had contracted with tenants for the following minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**2,989**	1,696
In the second to fifth years, inclusive	**180**	771
	3,169	2,467

The properties held have committed tenants in terms of two to three years (2018: two to three years).

35. CONTINGENT LIABILITIES

The group had no material contingent liabilities as at 31st March, 2019 and 2018.

At the end of the reporting period, contingent liabilities of the company were as follows:

	The company	
	2019 **HK$'000**	2018 HK$'000
Guarantees for general banking facilities granted to subsidiaries	**70,662**	89,281

The group has not recognised any deferred income in respect of guarantees as their fair values cannot be reliably measured and their transaction prices were HK$Nil (2018: HK$Nil).

36. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The remuneration of directors and other members of key management during the year were as follows:

	2019 **HK$'000**	2018 HK$'000
Director's fee	**–**	22
Salaries and other short-term employee benefits	**4,752**	3,746
Post-employment benefits	**182**	276
	4,934	4,044

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At at 31st March, 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**165,030**	178,357
CURRENT ASSETS			
Cash and bank balances		**59**	50
CURRENT LIABILITIES			
Creditors and accrued charges		**95**	90
NET CURRENT LIABILITIES		**(36)**	(40)
NET ASSETS		**164,994**	178,317
CAPITAL AND RESERVES			
Share capital		**12,453**	12,453
Reserves	30	**150,050**	163,373
Proposed final dividend		**2,491**	2,491
TOTAL EQUITY		**164,994**	178,317

The statement of financial position of the company was approved and authorised for issue by the board of directors on 28th June, 2019 and is signed on its behalf by:

Chan Chung Yee, Hubert *Director*	**Wu Kwok Lam** *Director*

38. ISSUED BUT NOT YET EFFECTIVE POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS FOR THE YEAR ENDED 31ST MARCH, 2019

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, *Leases*	1st January, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1st January, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1st January, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint venture*	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.

38. ISSUED BUT NOT YET EFFECTIVE POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS FOR THE YEAR ENDED 31ST MARCH, 2019 (Cont'd)

HKFRS 16, Leases

As disclosed in note 2(h) currently the group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The group enters into some leases as the lessor and other as the leasee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the lessee deprecation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the group's accounting as a lessee of leases for the properties, plant and equipment which are currently classified as operating leases. Most of the lessee entered by group are in short-term or contingent basis. The group considers that initial application of HKFRS 16 will not have no significant impact on the group's financial performance and financial position.

39. PRIOR YEAR ADJUSTMENT

The following reconciliations show the effect on the group's equity 1st April, 2018 and at 31st March, 2018 and the group's loss for the year ended 31st March, 2018.

	31.3.2018 HK$'000
Total equity as per previously reported	307,118
Maintenance service income overstated – note (1)	(2,593)
Gross amounts due from customers for contract work written off – note (2)	(6,513)
Total equity restated	298,012

	2018 HK$'000
Profit for the year ended 31st March, 2018, as previously reported	5,558
Maintenance service income overstated – note (1)	(2,593)
Gross amounts due from customers for contract work written off – note (2)	(6,513)
Loss for the year ended 31st March, 2018 restated	(3,548)

Note:

(1) Under HKAS 18 and HKFRS 15, the group should recognise service income when relevant services are rendered. This adjustment is made for the receipt in advance in prior year which or as wrongly regarded as income for maintenance services which has not yet be rendered.

(2) Under HKAS 11 and HKFRS 15, the group's gross amounts due from customers for contract work should be recognised to the extent that such assets are recoverable. This adjustment represents net non-recoverable amount for contracts concluded as at the end of the last reporting period.

40. SUBSIDIARIES

Particulars of the principal subsidiaries at 31st March, 2019 are as follows:

Name	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group		Principal activities
				2019	2018	
HKC Group Limited	British Virgin Islands	Hong Kong	Ordinary shares US$100,000	**100%**	100%	Investment holding
HKC Properties Limited	British Virgin Islands	Hong Kong	Ordinary shares US$30	**100%**	100%	Investment holding
Superior Charm Limited	British Virgin Islands	Hong Kong	Ordinary shares US$1,200	**100%**	100%	Investment holding
Hong Kong Communications Company Limited	Hong Kong	Hong Kong	Ordinary shares HK$157,935,083	**100%**	100%	Sales of mobile phones and IOT solutions
Circle Mobile Communications Limited	Hong Kong	Hong Kong	Ordinary shares HK$1,000,000	**100%**	100%	Sales of mobile phones and other electronic products
Generalvestor (H.K.) Limited	Hong Kong	Hong Kong	Ordinary shares HK$10,000,000	**100%**	100%	Property investment
HKC Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK$10,000,202	**100%**	100%	Sales and distribution of IOT products
HKC International (Thailand) Co. Ltd.	Thailand	Thailand	Preference shares THB9,999,990 Ordinary shares THB10,000,010	**100%**	100%	Sales and distribution of IOT solutions
Singapore Communications Co. Pte. Ltd.	Singapore	Singapore	Ordinary shares S$6,500,000	**100%**	100%	Sales and distribution of IOT solutions

40. SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group 2019	2018	Principal activities
上海希華通訊科技有限公司 (HKC Technology (Shanghai) Co. Ltd.)	PRC	PRC	Contributed capital US$4,350,000	**100%**	100%	Sales and distribution of IOT solutions
亞衛通智能系統 (上海)有限公司 (ASCT Technology Co. Ltd.)	PRC	PRC	Contributed capital US$610,000	**80%**	80%	Dormant
HKC Comunicacoes Equipamento (Macau) Companhia Limitada	Macau	Macau	Contributed capital MOP 100,000	**100%**	100%	Dormant
HKC Mobile Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK$20,000,000	**100%**	100%	Dormant
Wavex Technologies Pte. Ltd.	Singapore	Singapore	Ordinary shares S$1,026,000	**100%**	100%	Sales and development of RFID products
Hong Kong Communications Services Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	**100%**	100%	Dormant
HKC Retails Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	**100%**	100%	Sales of mobile phones and other electronic products
Circle Digital Limited	Hong Kong	Hong Kong	Ordinary shares HK$1	**100%**	100%	Dormant

40. SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group		Principal activities
				2019	2018	
Good Success Electronics Limited	Hong Kong	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Sales of mobile phones and other electronic products
Carrot Home Solutions Limited	Hong Kong	Hong Kong	Ordinary shares HK$100	**100%**	100%	Sales of home automation solutions

The company directly holds the interest in HKC Group Limited. All other interests shown above are indirectly held by the company.

None of the subsidiaries had any debt securities subsisting at 31st March, 2019 and 2018 or at any time during the year.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31st March				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
				(restated)	
RESULTS					
Revenue	219,737	227,155	170,687	253,899	**283,113**
(Loss)/profit before taxation	(3,421)	(22,716)	(4,376)	(3,424)	**1,128**
Tax (expense)/credit	(239)	434	(51)	(124)	**(87)**
(Loss)/profit attributable to equity holders of the company	(3,660)	(22,282)	(4,427)	(3,548)	**1,041**
ASSETS/(LIABILITIES)					
Total assets	376,382	371,506	360,512	409,220	**388,383**
Total liabilities	(78,114)	(99,692)	(99,877)	(111,208)	**(92,406)**
	298,268	271,814	260,635	298,012	**295,977**

PARTICULARS OF PROPERTIES

(1) PROPERTIES HELD FOR OWNER OCCUPATION

	Use	Lease term	Group's interest
Location in Hong Kong			
Block B, 14th Floor, Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Commercial	Long lease	100%
Workshop B7 on 8th Floor Block B Hong Kong Industrial Centre Nos. 489-491 Castle Peak Road Kowloon Hong Kong	Commercial	Medium-term lease	100%

(2) INVESTMENT PROPERTIES

	Use	Lease term	Group's interest
Location in Hong Kong			
Flat E, 22nd Floor with Balcony and Utility Platform Splendid Place No. 39 Taikoo Shing Road Quarry Bay, Hong Kong	Residential	Long lease	100%
Shop No. 8, 9 and 23B on Ground Floor National Court Nos. 240-252 Nathan Road Nos. 16A-16F Jordan Road Nos. 19-24 Tak Hing Street Mongkok, Kowloon, Hong Kong	Commercial	Medium-term lease	100%
Flat G on 45th Floor of Tower 10 Phase II (known as Le Point) of Metro Town No. 8 King Ling Road Tseung Kwan O New Territories, Hong Kong	Residential	Medium-term lease	100%

PARTICULARS OF PROPERTIES

(2) INVESTMENT PROPERTIES (Cont'd)

	Use	Lease term	Group's interest
Unit 1 on 9th Floor Yue Xiu Building Nos. 160-174 Lockhart Road Hong Kong	Commercial	Long lease	100%
Block A, 14th Floor, Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Commercial	Long lease	100%
Location in Singapore			
The whole of the strata Unit #02-09 Kewalram House No. 8, Jalan Kilang Timor Singapore	Commercial	Long lease	100%