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HKC INTERNATIONAL HOLDINGS LIMITED

香港通訊國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(stock code: 248)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2016

The board of directors (the “Board”) of HKC International Holdings Limited (the “company”) is pleased to announce the audited consolidated results of the company and its subsidiaries (collectively, the “group”) for the year ended 31st March, 2016 together with audited comparative figures for the year ended 31st March, 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Turnover	4	227,155	219,737
Cost of sales		<u>(176,481)</u>	<u>(170,823)</u>
Gross profit		50,674	48,914
Loss on disposal of property, plant and equipment		–	(342)
Loss on disposal of investment properties		–	(13)
Other income and gains	5	3,529	1,315
Other losses	5	(1,683)	(1,454)
Fair value (loss)/gain on investment properties		(14,950)	7,270
Selling and distribution expenses		(11,808)	(13,677)
Administrative and other operating expenses		(46,660)	(43,695)
Finance costs	6	<u>(1,818)</u>	<u>(1,739)</u>

* *For identification purpose only*

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Loss before taxation	7	(22,716)	(3,421)
Tax credit/(expense)	8(a)	<u>434</u>	<u>(239)</u>
Loss for the year attributable to equity holders of the company		(22,282)	(3,660)
Other comprehensive (expense)/income <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		348	930
Available-for-sale financial assets:			
– Fair value changes during the year		(1,358)	6,243
– Reclassification adjustments transferred to profit or loss			
– Released upon disposal of available-for-sale financial assets		(3,162)	–
Other comprehensive (expense)/income for the year		<u>(4,172)</u>	<u>7,173</u>
Total comprehensive (expense)/income attributable to equity holders of the company		<u><u>(26,454)</u></u>	<u><u>3,513</u></u>
LOSS PER SHARE – (HK CENTS)			
– basic	9	<u><u>(3.06) cents</u></u>	<u><u>(0.61) cents</u></u>
– diluted	9	<u><u>(3.04) cents</u></u>	<u><u>(0.60) cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2016

	Note	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		60,837	62,790
Investment properties		177,830	192,780
Available-for-sale financial assets		8,592	13,832
		<u>247,259</u>	<u>269,402</u>
CURRENT ASSETS			
Inventories		27,385	20,902
Financial assets at fair value through profit or loss		298	369
Gross amounts due from customers for contract work		40,208	17,041
Debtors, deposits and prepayments	10	40,936	56,090
Tax recoverable		–	4
Cash and bank balances		15,420	12,574
		<u>124,247</u>	<u>106,980</u>
CURRENT LIABILITIES			
Creditors and accrued charges	11	22,282	10,790
Gross amounts due to customers for contract work		–	539
Tax payable		65	812
Obligations under finance leases		25	19
Bank borrowings		77,129	65,762
		<u>99,501</u>	<u>77,922</u>
NET CURRENT ASSETS		<u>24,746</u>	<u>29,058</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>272,005</u>	<u>298,460</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Obligations under finance leases	23	24
Deferred tax liabilities	168	168
	<u>191</u>	<u>192</u>
NET ASSETS	<u>271,814</u>	<u>298,268</u>
CAPITAL AND RESERVES		
Share capital	7,970	6,376
Reserves	263,844	291,892
TOTAL EQUITY	<u>271,814</u>	<u>298,268</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The group has adopted the following revised standards for the first time for the current year’s consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual improvements to HKFRSs 2010-2012 Cycle
Annual improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these consolidated financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 9	<i>Financial Instruments</i> ¹
Amendments HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ³
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ³
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKAS 1	<i>Disclosure Initiative</i> ³
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ³
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ³
Amendments HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ³
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs ³

In addition, the company has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact on the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

- ¹ Effective for annual periods beginning on or after 1st January 2018
- ² No mandatory effective date yet determined but is available for adoption
- ³ Effective for annual periods beginning on or after 1st January 2016
- ⁴ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January 2016 and therefore is not applicable to the group

Further information about those HKFRSs that are expected to be applicable to the group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The group expects to adopt HKFRS 9 from 1st April, 2018. The group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the group's financial assets.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which any entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September, 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1st January, 2018. The group expects to adopt HKFRS 15 on 1st April, 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- i) the materiality requirements in HKAS 1;
- ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are represented in the statement of financial position and the statement of comprehensive income. The group expects to adopt the amendments from 1st April, 2016. The amendments are not expected to have any significant impact on the group's financial statements.

4. TURNOVER/SEGMENTAL INFORMATION

Turnover represents sales of mobile phones and business solutions and gross rental income.

a) Segment results, assets and liabilities

The reportable segments for the year ended 31st March, 2016 are as follows:

	Sales of mobile phones in Hong Kong <i>HK\$'000</i>	Sales of business solutions in Hong Kong <i>HK\$'000</i>	Sales of business solutions in Mainland China and other countries in South East Asia <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUES					
Revenue from external customers	117,553	75,955	27,419	6,228	227,155
Inter-segment sales	26	365	14	-	405
Reportable segment revenue	<u>117,579</u>	<u>76,320</u>	<u>27,433</u>	<u>6,228</u>	<u>227,560</u>
Reportable segment (loss)/profit	<u>(2,168)</u>	<u>(1,730)</u>	<u>(5,889)</u>	<u>1,274</u>	<u>(8,513)</u>
Interest income from bank deposits	184	-	-	56	240
Finance cost	(648)	-	-	(1,170)	(1,818)
Depreciation for the year	(1,808)	(481)	(463)	(460)	(3,212)
Reportable segment assets	113,802	41,102	46,648	161,064	362,616
Additions to non-current assets during the year	70	640	667	-	1,377
Reportable segment liabilities	<u>38,597</u>	<u>6,407</u>	<u>8,467</u>	<u>46,053</u>	<u>99,524</u>

The reportable segments for the year ended 31st March, 2015 are as follows:

	Sales of mobile phones in Hong Kong <i>HK\$'000</i>	Sales of business solutions in Hong Kong <i>HK\$'000</i>	Sales of business solutions in Mainland China and other countries in South East Asia <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUES					
Revenue from external customers	136,644	45,480	31,431	6,182	219,737
Inter-segment sales	267	194	14	-	475
Reportable segment revenue	<u>136,911</u>	<u>45,674</u>	<u>31,445</u>	<u>6,182</u>	<u>220,212</u>
Reportable segment (loss)/profit	<u>(9,366)</u>	<u>5,080</u>	<u>(6,033)</u>	<u>1,437</u>	<u>(8,882)</u>
Interest income from bank deposits	215	-	-	5	220
Finance cost	(492)	-	-	(1,247)	(1,739)
Depreciation for the year	(1,944)	(520)	(514)	(468)	(3,446)
Reportable segment assets	98,940	44,471	58,420	160,350	362,181
Additions to non-current assets during the year	174	731	176	5	1,086
Reportable segment liabilities	<u>21,895</u>	<u>2,381</u>	<u>5,821</u>	<u>47,849</u>	<u>77,946</u>

The accounting policies of the reportable segments are the same as the group's accounting policies. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of revenues from investment in financial assets, exchange loss and tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b) Geographic information

	Revenues from external customers		Non-current assets*	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong (place of domicile)	197,407	188,306	208,914	212,371
Mainland China	22,844	15,310	27,972	31,335
Singapore	6,599	15,550	1,781	11,864
Other countries in South East Asia	305	571	–	–
	29,748	31,431	29,753	43,199
	227,155	219,737	238,667	255,570

* Non-current assets excluding available-for-sales financial assets.

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

	2016 HK\$'000	2015 HK\$'000
REVENUES		
Reportable segment revenue	227,560	220,212
Elimination of inter-segment revenue	(405)	(475)
Consolidated turnover	227,155	219,737
PROFIT OR LOSS		
Reportable segment loss	(8,513)	(8,882)
Gain on disposal of available-for-sale financial assets	2,430	–
Fair value (loss)/gain on investment properties	(14,950)	7,270
Loss on disposal of investment properties	–	(13)
Loss on disposal of property, plant and equipment	–	(342)
Other losses	(1,683)	(1,454)
Consolidated loss before taxation	(22,716)	(3,421)

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS		
Reportable segment assets	362,616	362,181
Non-current financial assets	8,592	13,832
Unallocated corporate assets	298	369
	<hr/>	<hr/>
Consolidated total assets	371,506	376,382
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Reportable segment liabilities	99,524	77,946
Deferred tax liabilities	168	168
	<hr/>	<hr/>
Consolidated total liabilities	99,692	78,114
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to reportable segments other than 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, 2016, revenue from a major customer contributed to the group's revenue of approximately HK\$13,942,000 (2015: HK\$51,810,000) was included in reportable segment "sales of mobile phones in Hong Kong" which individually accounted for 18% (2015: 24%) of the group's total revenue during the year.

5. OTHER INCOME, GAINS AND OTHER LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
OTHER INCOME		
Bank interest income	240	220
Computer service fee income	163	172
Commission income	6	21
Rental income for application software provider	149	192
Dividend income from listed equity securities	153	158
Gain on disposal of available-for-sale financial assets	2,430	–
Bad debts recovered	–	62
Others	388	490
	<hr/> 3,529 <hr/>	<hr/> 1,315 <hr/>

OTHER LOSSES

Net exchange loss	1,612	1,245
Fair value loss of financial assets at fair value through profit or loss	71	152
Loss on disposal of financial assets at fair value through profit or loss	–	57
	<hr/> 1,683 <hr/>	<hr/> 1,454 <hr/>

6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank borrowings not wholly repayable within five years	1,818	1,739
	<hr/> 1,818 <hr/>	<hr/> 1,739 <hr/>

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditor's remuneration	577	606
Depreciation		
– Owned assets	3,187	3,427
– Leased assets	25	19
	3,212	3,446
Operating lease rentals in respect of rented premises		
– Minimum lease payments	1,441	2,213
– Contingent rent	1,303	1,042
	2,744	3,255
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	38,485	34,662
– Retirement benefit scheme contributions	2,585	3,675
Total staff costs	41,070	38,337
Write-down of inventories	1,033	–
Impairment loss on trade debtors	57	72
Bad debts written off	961	578
Property, plant and equipment written off	61	–
Donations	270	262
	<u> </u>	<u> </u>
and after crediting:		
Gross rental income from investment properties under operating leases less outgoings	<u> </u>	<u> </u>
	5,863	5,820

8. TAX (CREDIT)/EXPENSE

- a) Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong		
Charge for the year	205	249
Overprovision in respect of prior years	(20)	(10)
	<u>185</u>	<u>239</u>
Overseas		
Overprovision in respect of prior years	(619)	–
Tax (credit)/expense for the year	<u>(434)</u>	<u>239</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before taxation	<u>(22,716)</u>	<u>(3,421)</u>
Tax at the income tax rate of 16.5% (2015: 16.5%)	(3,748)	(565)
Tax effect of income not taxable	(478)	(1,672)
Tax effect of expenses that are not deductible in determining taxable income	2,636	462
Tax effect of unrecognised tax losses	1,457	2,965
Tax effect of different tax rates in other jurisdiction	(224)	(374)
Tax effect of utilisation of tax losses previously unrecognised	(47)	(466)
Tax effect of unrecognised temporary difference	462	(261)
Overprovision of profits tax in respect of prior year	(639)	(10)
Others	147	160
Tax (credit)/expense for the year	<u>(434)</u>	<u>239</u>

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss attributable to equity holders of the company	<u>(22,282)</u>	<u>(3,660)</u>
	Number of shares	Number of shares
Basic		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic loss per share	<u>729,306,749</u>	<u>601,807,015</u>
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	729,306,749	601,807,015
Effect of dilutive potential ordinary shares: Awarded shares	<u>3,507,611</u>	<u>2,806,089</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>732,814,360</u>	<u>604,613,104</u>

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade debtors	34,023	41,833
Less: allowance for doubtful debts	<u>(2,312)</u>	<u>(2,405)</u>
	31,711	39,428
Deposits, other debtors and prepayments	<u>9,225</u>	<u>16,662</u>
	<u>40,936</u>	<u>56,090</u>

a) Ageing analysis

The ageing analysis of trade debtors of HK\$31,711,000 (2015: HK\$39,428,000) which are included in the debtors, deposits and prepayments are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	13,207	23,294
31-60 days	3,336	1,713
61-90 days	1,975	1,499
91-120 days	767	478
121-360 days	4,262	3,610
Over 360 days	8,164	8,834
	<hr/> 31,711 <hr/>	<hr/> 39,428 <hr/>

b) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither overdue nor impaired	13,207	23,294
Less than 1 month overdue	4,225	1,537
1 to 3 months overdue	1,826	1,908
More than 3 months overdue	12,453	12,689
	<hr/> 18,504 <hr/>	<hr/> 16,134 <hr/>
	<hr/> 31,711 <hr/>	<hr/> 39,428 <hr/>

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.

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.

c) 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1st April	2,405	2,342
Impairment losses recognised	57	72
Currency realignment	(150)	(9)
	<hr/>	<hr/>
At 31st March	2,312	2,405
	<hr/> <hr/>	<hr/> <hr/>

At 31st March, 2016, the group's trade debtors of HK\$2,312,000 (2015: HK\$2,405,000) 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\$2,312,000 (2015: HK\$2,405,000) 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\$1,070,000 (2015: HK\$900,000). All of the remaining deposits, other debtors and prepayments are expected to be recovered or recognised as expense within one year.

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

11. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$14,582,000 (2015: HK\$3,653,000) which is included in the group's creditors and accrued charges is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	9,169	1,392
31 – 60 days	1,639	816
61 – 90 days	180	490
Over 90 days	3,594	955
	<hr/>	<hr/>
	14,582	3,653
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the carrying amounts of creditors and accrued charges approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2016, the group's turnover increased by 3% to HK\$227 million (2015: HK\$220 million) and net loss attributable to equity holders of the company was HK\$22 million as compared with the same for the year ended 31st March, 2015 of HK\$4 million. The main reason for the substantial increase in loss was due to the fair value loss on investment properties amounting to approximately HK\$15 million during the year under review while there was fair value gain on investment properties amounting to approximately HK\$7 million for the year ended 31st March, 2015. By excluding the effect of fair value changes of the investment properties, the net loss attributable to equity holders of the company reduced from HK\$22 million to HK\$7 million.

SALES OF MOBILE PHONES

The turnover decreased from HK\$137 million to HK\$118 million during the year under review. The division recorded loss of HK\$2 million compared with the loss of HK\$9 million last year. The decrease in turnover and loss was due to the closure of underperforming retail shops.

SALES OF BUSINESS SOLUTIONS

During the year under review, the turnover increased by 34% to HK\$103 million (2015: HK\$77 million). Although there was increase in turnover, the division recorded loss of HK\$8 million compared with the loss of HK\$1 million last year due to decrease in profit margin.

PROPERTY INVESTMENT

The rental income was HK\$6.2 million (2015: HK\$6.2 million) and the profit of this division was HK\$1.3 million (2015: HK\$1.4 million).

PROSPECTS

Regarding the mobile phone business, the slowing down of the economy will limit the growth. We will be prudent about the development of both retail and distribution businesses.

In business solutions segment, the keen competition leads to the decrease in profit margin. We will develop new and innovative products to meet market demand. In addition, we will continue to implement cost control measures.

As at the date of this announcement, all the group's investment properties have been fully let. We expect that the rental income will be stable.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2016, the group's cash and bank balances amounted to approximately HK\$15 million (2015: HK\$13 million) while the bank borrowing was HK\$77 million (2015: HK\$66 million). The Board believes that the group has sufficient resources to satisfy its commitments and working capital requirements.

GEARING RATIO

The gearing ratio was 28% (2015: 22%) 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, 2016.

CAPITAL EXPENDITURE

The group invested HK\$1 million in property, plant and equipment during the year.

EMPLOYEES

As at 31st March, 2016, the total number of employees of the group was approximately 160 (2015: 140) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$36 million (2015: HK\$33 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There is a share award plan in place designed to award employees for their performance at the discretion of the directors. The group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 31st March, 2016, 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\$56,867,000 (2015: HK\$57,994,000), (2) first legal charge on certain investment properties with total fair value of HK\$139,500,000 (2015: HK\$150,940,000), (3) bank deposits of HK\$2,441,000 (2015: HK\$7,099,000) and (4) financial assets at fair value through profit and loss which total fair value of HK\$297,556 (2015: HK\$Nil).

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, 2016, the company had provided corporate guarantees of HK\$77 million (2015: HK\$58 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND AND BONUS SHARE ISSUE

The directors do not recommend the payment of any final dividend for the year ended 31st March, 2016 (2015: HK\$Nil) but propose to make a bonus issue of one new share credited as fully paid for every four shares held on the register of members on 31st August, 2016 (2015: one new share credited as fully paid for every four shares). The necessary resolution will be proposed at the forthcoming annual general meeting on 22nd August, 2016, and if passed and obtained the approval from the Listing Committee of The Stock Exchange of Hong Kong Limited for granting of listing and permission to deal in the bonus shares, share certificates will be posted on or about 14th September, 2016.

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 18th August, 2016 to 22nd August, 2016 (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 17th August, 2016.

To qualify for the proposed bonus shares

The register of members of the company will be closed from 29th August, 2016 to 31st August, 2016 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for the proposed bonus share issue, 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 26th August, 2016.

CORPORATE GOVERNANCE

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders, customers, employees and other stakeholders of the group. The company had complied throughout the year ended 31st March, 2016 with the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules, except the following provisions:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The company does not segregate the roles of chairman and chief executive officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Dr. Chu Chor Lup did not attend the annual general meeting of the company held on 24th August, 2015 due to his other commitments.

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

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, each of the directors confirmed that he had complied with the required standard set out in the Model Code during the year ended 31st March, 2016.

AUDIT COMMITTEE

During the year, the audit committee reviewed the unaudited interim financial statements for the six months ended 30th September, 2015 and the audited financial statements for the year ended 31st March, 2016 with recommendations to the Board for approval, reviewed reports on internal control system of the group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the group and financial reporting matters.

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

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

APPRECIATION

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

ANNUAL GENERAL MEETING AND DESPATCH OF ANNUAL REPORT

The annual general meeting ("AGM") of the company will be held on Monday, 22nd August, 2016. The annual report of the company for the year ended 31st March, 2016 together with the notice of the AGM will be dispatched to shareholders of the company and will be published on the company's website at "www.hkc.com.hk" and the website of The Hong Kong Exchange and Clearing Limited at "www.hkexnews.hk" in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Ming Him, Denny, Mr. Wu Kwok Lam, Mr. Ip Man Hon, Mr. Leung Shing Koon and Miss. Chow So Fan, Candy as executive directors and Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung as independent non-executive directors.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 29th June, 2016