

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HKC INTERNATIONAL HOLDINGS LIMITED

香港通訊國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 248)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The board of directors (the “Board”) of HKC International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2022 together with audited comparative figures for the year ended 31 March 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | <i>Notes</i> | 2022 HK\$’000 | 2021 HK\$’000 |
|--|--------------|--------------------------------|------------------|
| Revenue | 3 | 199,096 | 217,122 |
| Cost of sales | | <u>(156,280)</u> | <u>(177,378)</u> |
| Gross profit | | 42,816 | 39,744 |
| Other income, gains and losses | 4 | 381 | 6,285 |
| Fair value gain on investment properties | | 1,952 | 6,353 |
| Fair value (loss) gain on financial assets at fair value through profit and loss (“FVTPL”) | | (354) | 378 |
| Impairment loss on trade receivables and contract assets, net of reversal | | (785) | 99 |
| Selling and distribution expenses | | (7,078) | (8,319) |
| Administrative and other operating expenses | | (36,194) | (37,905) |
| Finance costs | 5 | <u>(2,681)</u> | <u>(2,120)</u> |

* *For identification purpose only*

| | <i>Notes</i> | 2022 HK\$'000 | 2021 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| (Loss) profit before taxation | 6 | (1,943) | 4,515 |
| Tax credit | 7 | <u>–</u> | <u>232</u> |
| (Loss) profit for the year attributable to equity holders of the Company | | <u>(1,943)</u> | <u>4,747</u> |
| Other comprehensive income | | | |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of overseas operations | | 164 | 214 |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | |
| Change in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”) | | <u>1,435</u> | <u>1,609</u> |
| Other comprehensive income for the year | | <u>1,599</u> | <u>1,823</u> |
| Total comprehensive (expense) income attributable to equity holders of the Company | | <u>(344)</u> | <u>6,570</u> |
| (LOSS) EARNINGS PER SHARE – (HK CENTS) | | | |
| – basic and diluted | 8 | <u>(0.16)</u> | <u>0.38</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

| | <i>Notes</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 51,995 | 53,029 |
| Investment properties | | 202,420 | 212,720 |
| Financial assets at FVTPL | | 1,947 | 1,947 |
| Financial assets at FVTOCI | | 8,235 | 6,800 |
| | | <hr/> 264,597 | <hr/> 274,496 |
| CURRENT ASSETS | | | |
| Inventories | | 15,874 | 27,000 |
| Contract assets | 9 | 44,466 | 32,128 |
| Financial assets at FVTPL | | 442 | 796 |
| Trade receivables | 10 | 13,165 | 17,429 |
| Prepayments, deposits and other receivables | | 13,548 | 15,560 |
| Tax recoverable | | 210 | 98 |
| Pledged bank deposits | | 2,620 | 3,142 |
| Cash and bank balances | | 25,746 | 21,080 |
| | | <hr/> 116,071 | <hr/> 117,233 |
| CURRENT LIABILITIES | | | |
| Trade payables | 11 | 3,366 | 11,217 |
| Accruals and other payables | 11 | 9,071 | 8,795 |
| Contract liabilities | | 1,410 | 1,521 |
| Lease liabilities | | 376 | 155 |
| Bank borrowings | | 85,161 | 88,372 |
| Tax payable | | 357 | 381 |
| | | <hr/> 99,741 | <hr/> 110,441 |

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| NET CURRENT ASSETS | <u>16,330</u> | <u>6,792</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>280,927</u> | <u>281,288</u> |
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | 75 | 92 |
| Deferred tax liabilities | <u>50</u> | <u>50</u> |
| | <u>125</u> | <u>142</u> |
| NET ASSETS | <u><u>280,802</u></u> | <u><u>281,146</u></u> |
| CAPITAL AND RESERVES | | |
| Share capital | 12,453 | 12,453 |
| Reserves | <u>268,349</u> | <u>268,693</u> |
| TOTAL EQUITY | <u><u>280,802</u></u> | <u><u>281,146</u></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 (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”). They have been prepared under the historical cost convention, except for certain financial instruments and investment properties, which have been measured at fair values. These consolidated financial statements are presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand except where otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for its first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2021.

| | |
|--|--|
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates.

The amendments have had no impact on the consolidated financial statements as none of the contracts with Hong Kong Interbank Offered Rate has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

New and amendments to HKFRSs issued but not yet effective

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

| | |
|--|---|
| HKFRS 17 | Insurance Contracts and related Amendments ³ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ³ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ³ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³ |
| Amendments to HKAS 16 | Property, plant and equipment: Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts: Cost of Fulfilling a Contract ² |
| Amendment to HKFRSs | Annual improvements to HKFRSs 2018-2020 cycle ² |

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

3. SEGMENTAL INFORMATION

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

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

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

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

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

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

Segment revenues and results

For the year ended 31 March 2022

| | Sales of mobile phones in Hong Kong <i>HK\$'000</i> | Sales of IOT solutions in Hong Kong <i>HK\$'000</i> | Sales of IOT solutions in Mainland China and other countries in South East Asia <i>HK\$'000</i> | Property Investment <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|--|--|--|--------------------------|
| REVENUES | | | | | |
| Reportable segment revenue-external | 134,366 | 53,778 | 8,497 | 2,455 | 199,096 |
| Reportable segment profit (loss) | 2,551 | 316 | (5,538) | (870) | (3,541) |
| Other segment information: | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets | | | | | |
| Interest income from bank deposits | 1 | - | - | - | 1 |
| Gain on disposal of property, plant and equipment | - | - | 13 | - | 13 |
| Finance costs | 2,034 | 6 | 60 | 581 | 2,681 |
| Depreciation | 1,404 | 175 | 469 | 84 | 2,132 |
| Write-down of inventories | - | - | 299 | - | 299 |
| Impairment loss of trade receivables | 45 | 448 | 220 | - | 713 |
| Impairment loss on contract assets | - | 67 | 5 | - | 72 |
| Additions to non-current assets | 442 | 37 | 569 | 89 | 1,137 |
| Reportable segment assets | 94,399 | 53,128 | 12,198 | 210,319 | 370,044 |
| Reportable segment liabilities | 69,388 | 4,477 | 5,280 | 20,671 | 99,816 |

For the year ended 31 March 2021

| | Sale of mobile phones in Hong Kong <i>HK\$'000</i> | Sales of IOT solutions in Hong Kong <i>HK\$'000</i> | Sales of IOT solutions in Mainland China and other countries in South East Asia <i>HK\$'000</i> | Property Investment <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|---|---|--------------------------|
| REVENUES | | | | | |
| Reportable segment revenue-external | 148,333 | 54,390 | 12,350 | 2,049 | 217,122 |
| Reportable segment profit (loss) | 4,214 | (2,904) | (2,059) | (1,467) | (2,216) |
| Other segment information: | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets | | | | | |
| Interest income from bank deposits | 12 | – | – | – | 12 |
| Finance costs | 1,461 | 2 | 7 | 650 | 2,120 |
| Depreciation | 1,261 | 239 | 473 | 69 | 2,042 |
| Gain on disposal of netblock | 1,425 | – | – | – | 1,425 |
| Write-down of inventories | 132 | – | – | – | 132 |
| Reversal of impairment of trade receivables | 264 | – | 4 | – | 268 |
| Impairment loss on contract assets | – | – | 169 | – | 169 |
| Additions to non-current assets | 541 | 6 | 54 | 11 | 612 |
| Reportable segment assets | 124,820 | 33,047 | 11,316 | 213,003 | 382,186 |
| Reportable segment liabilities | 74,201 | 6,563 | 5,443 | 24,326 | 110,533 |

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of fair value change in financial assets at FVTPL and fair value gain on investment properties. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

| | Revenues from external customers | | Non-current assets* | |
|------------------------------------|----------------------------------|----------------|---------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong (place of domicile) | <u>190,258</u> | <u>204,432</u> | <u>242,111</u> | <u>254,180</u> |
| Mainland China | 3,593 | 7,106 | 349 | 387 |
| Singapore | 4,856 | 5,161 | 11,955 | 11,182 |
| Other countries in South East Asia | <u>389</u> | <u>423</u> | <u>–</u> | <u>–</u> |
| | <u>8,838</u> | <u>12,690</u> | <u>12,304</u> | <u>11,569</u> |
| | <u>199,096</u> | <u>217,122</u> | <u>254,415</u> | <u>265,749</u> |

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

Reconciliations of reportable segment profit or loss before taxation

| | 2022 | 2021 |
|--|----------------|--------------|
| | HK\$'000 | HK\$'000 |
| PROFIT OR LOSS | | |
| Total reportable segment loss | (3,541) | (2,216) |
| Fair value gain on investment properties | 1,952 | 6,353 |
| Fair value (loss) gain on financial asset at FVTPL | <u>(354)</u> | <u>378</u> |
| Consolidated (loss) profit before taxation | <u>(1,943)</u> | <u>4,515</u> |

Reconciliations of reportable segment assets and liabilities

| | 2022 | 2021 |
|--------------------------------------|----------------|----------------|
| | HK\$'000 | HK\$'000 |
| ASSETS | | |
| Total reportable segment assets | 370,044 | 382,186 |
| Unallocated corporate assets | <u>10,624</u> | <u>9,543</u> |
| Consolidated total assets | <u>380,668</u> | <u>391,729</u> |
| LIABILITIES | | |
| Total reportable segment liabilities | 99,816 | 110,533 |
| Deferred tax liabilities | <u>50</u> | <u>50</u> |
| Consolidated total liabilities | <u>99,866</u> | <u>110,583</u> |

Information about major customers

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Customer A [#] | <u>N/A*</u> | <u>30,802</u> |

[#] Revenue from sale of mobile phones segment

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME, GAINS AND LOSSES

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Bank interest income | 1 | 12 |
| Dividend income | 2 | 2 |
| Gain on disposal of property, plant and equipment | 13 | – |
| Exchange (loss) gain | (2) | 64 |
| Government grant ¹ | 137 | 4,652 |
| Gain on disposal of netblock ² | – | 1,425 |
| Others | 230 | 130 |
| | <u>381</u> | <u>6,285</u> |

¹ During the year ended 31 March 2021, the Group recognised government grants of HK\$4,652,000 in respect of COVID-19-related subsidies, of which an amount of HK\$4,053,000 (2022: nil) is related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The remaining HK\$599,000 (2022: HK\$137,000) is related to subsidy from the Singapore government. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidiaries

² During the year ended 31 March 2021, the Group sold the partial Internet Protocol block rights owned by the Group to the sole customer at a cash consideration of HK\$1,425,000 (2022: nil).

5. FINANCE COSTS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Interest on bank borrowings | 2,378 | 1,850 |
| Interest on lease liabilities | <u>23</u> | <u>15</u> |
| Total interest expenses | 2,401 | 1,865 |
| Bank charges | <u>280</u> | <u>255</u> |
| | <u><u>2,681</u></u> | <u><u>2,120</u></u> |

6. (LOSS) PROFIT BEFORE TAXATION

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Auditor's remuneration | 707 | 666 |
| Depreciation on: | | |
| – Property, plant and equipment | 1,767 | 1,732 |
| – Right-of-use assets | <u>365</u> | <u>310</u> |
| | <u>2,132</u> | <u>2,042</u> |
| Employee benefits expenses (including directors' emoluments) | | |
| – Salaries, allowances and benefits in kind | 23,512 | 24,549 |
| – Retirement benefit scheme contributions (<i>Note (i)</i>) | <u>1,878</u> | <u>1,886</u> |
| Total staff costs | <u>25,390</u> | <u>26,435</u> |
| Reversal of impairment on trade receivables | – | (268) |
| Impairment loss on trade receivables | 713 | – |
| Impairment loss on contract assets | 72 | 169 |
| Write-off/write-down of inventories (included in cost of sales) (<i>Note (ii)</i>) | 299 | 132 |
| Donations | 150 | 210 |
| Gross rental income from investment properties under operating leases less outgoings of HK\$622,000 (2021: HK\$592,000) | <u>(1,833)</u> | <u>(1,457)</u> |

Notes:

- (i) Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.
- (ii) During the year ended 31 March 2021, the Group wrote down certain inventories to their net realisable values of HK\$132,000. During the year ended 31 March 2022, the Group wrote off certain inventories of HK\$299,000 as they are no longer suitable for use.

7. TAX CREDIT

The Group's subsidiaries operating in Hong Kong are subject to Hong Kong Profits tax. Under the two tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In general, the Group's subsidiaries operating in the PRC are subject to the Enterprise Income Tax rate of 25% and those operating in Singapore are subject to Singapore Corporate Tax rate of 17%.

No provision for Enterprise Income Tax of the PRC and Singapore Corporate Tax has been made as the Group did not have any assessable profits subject to tax in the PRC and Singapore respectively for the years ended 31 March 2022 and 2021.

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-------------------------|-------------------------|-------------------------|
| Hong Kong Profits Tax | | |
| Charge for the year | – | – |
| Deferred tax | | |
| Credit for the year | – | (232) |
| Tax credit for the year | – | (232) |

8. (LOSS) EARNINGS PER SHARE

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| (Loss) earnings attributable to equity holders of the Company | (1,943) | 4,747 |

| | Number of shares | Number of shares |
|--|---------------------|---------------------|
|--|---------------------|---------------------|

Number of shares

| | | |
|---|----------------------|----------------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share | <u>1,245,331,256</u> | <u>1,245,331,256</u> |
|---|----------------------|----------------------|

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

9. CONTRACT ASSETS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Smart systems construction service | 44,822 | 32,412 |
| Less: Loss allowance | <u>(356)</u> | <u>(284)</u> |
| | <u>44,466</u> | <u>32,128</u> |

10. TRADE RECEIVABLES

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Trade debtors | 16,018 | 19,569 |
| Less: Loss allowance | <u>(2,853)</u> | <u>(2,140)</u> |
| | <u>13,165</u> | <u>17,429</u> |

The Group does not hold any collateral over these receivables.

At as 31 March 2022, the gross amount of trade receivable arising from contracts with customers amounted to HK\$16,018,000 (2021: HK\$19,569,000).

Ageing analysis

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within 30 days | 6,790 | 11,764 |
| 31 to 60 days | 1,778 | 969 |
| 61 to 90 days | 501 | 1,036 |
| 91 to 180 days | 2,499 | 1,675 |
| 181 to 365 days | 1,537 | 530 |
| Over 365 days | <u>2,913</u> | <u>3,595</u> |
| | <u>16,018</u> | <u>19,569</u> |

11. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Trade payables | 3,366 | 11,217 |
| Accruals and deposits received | <u>9,071</u> | <u>8,795</u> |
| | <u><u>12,437</u></u> | <u><u>20,012</u></u> |

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0 – 30 days | 2,145 | 10,074 |
| 31 – 60 days | 327 | 93 |
| 61 – 90 days | 44 | 62 |
| Over 90 days | <u>850</u> | <u>988</u> |
| | <u><u>3,366</u></u> | <u><u>11,217</u></u> |

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2022, the Group's turnover decreased by 8% to HK\$199 million (2021: HK\$217 million) and loss attributable to equity holders of the Company was HK\$2 million as compared with the profit of HK\$5 million for the year ended 31 March 2021. The Group received HK\$0.1 million government COVID-19 subsidies during the year under review while HK\$4.7 million was received for the year ended 31 March, 2021.

SALES OF MOBILE PHONES

The turnover decreased from HK\$148 million to HK\$134 million during the year under review and the division recorded profit of HK\$3 million (2021: HK\$4 million).

SALES OF IOT SOLUTIONS

During the year under review, the turnover was HK\$62 million (2021: HK\$67 million) and the loss was HK\$5 million (2021: HK\$5 million).

PROPERTY INVESTMENT

During the year under review, the rental income increased from HK\$2.0 million to HK\$2.5 million and the division recorded loss of HK\$0.9 million (2021: HK\$1.5 million).

PROSPECTS

Regarding the mobile phone business, we are the authorised distributors of both Nokia and vivo brands. The sales for the coming year will largely depend upon the recovery progress of retail environment.

For 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, the weak demand of the leasing market will affect both the rental level and occupancy rate. The rental income will be under downward pressure.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the Group's cash and bank balances amounted to HK\$28 million (2021: HK\$24 million) while the bank borrowings were HK\$85 million (2021: HK\$88 million). The Board believes that the Group has sufficient cash balances and banking facilities to satisfy its commitments and working capital requirements.

GEARING RATIO

The gearing ratio was 30% (2021: 31%) which is expressed as a percentage of total borrowings to shareholders' equity.

CAPITAL STRUCTURE

There was no change to the Group's capital structure for the year ended 31 March 2022.

CAPITAL EXPENDITURE

During the year, the Group spent HK\$1.1 million on property, plant and equipment.

EMPLOYEES

As at 31 March 2022, the total number of employees of the Group was 92 (2021: 90) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$18 million (2021: HK\$22 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 31 March 2022, 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\$49,909,000 (2021: HK\$50,972,000), (2) first legal charge on certain investment properties with total fair value of HK\$192,000,000 (2021: HK\$190,300,000), (3) bank deposits of HK\$2,620,000 (2021: HK\$3,142,000) and (4) financial assets at FVTPL with total fair value of HK\$2,389,000 (2021: HK\$2,743,000).

FOREIGN EXCHANGE FLUCTUATIONS

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

CONTINGENT LIABILITIES

As at 31 March 2022, the Company had provided corporate guarantees of HK\$71 million (2021: HK\$71 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND

No dividend was proposed by the directors of the Company for the years ended 31 March 2022 and 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 August 2022 to Friday, 26 August 2022 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Pilare Limited, at 17th Floor, Leighton Center, 77 Leighton Road, Causeway Bay, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 August 2022.

CORPORATE GOVERNANCE

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders, customers, employees and other stakeholders of the Group. The Company had complied throughout the year ended 31 March, 2022 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 27 August 2021 due to his other commitments.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, each of the directors confirmed that he had complied with the required standard set out in the Model Code during the year ended 31 March 2022.

AUDIT COMMITTEE

During the year, the audit committee reviewed the unaudited condensed interim financial statements for the six months ended 30 September 2021 and the audited financial statements for the year ended 31 March 2022 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the Group and financial reporting matters.

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

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

APPRECIATION

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

ANNUAL GENERAL MEETING AND DESPATCH OF ANNUAL REPORT

The annual general meeting (“AGM”) of the Company will be held on Friday, 26 August 2022. The annual report of the Company for the year ended 31 March 2022 together with the notice of the AGM will be dispatched to shareholders of the Company and will be published on the Company’s website at “www.hkc.com.hk” and the website of The Hong Kong Exchange and Clearing Limited at “www.hkexnews.hk” in due course.

BOARD OF DIRECTORS

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

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 24 June 2022