



2014

Annual Report

HKC

香港通訊

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chan Chung Yee, Hubert (*Chairman*)
Chan Chung Yin, Roy (*Chief Executive Officer*)
Chan Ming Him, Denny
Wu Kwok Lam *CPA, FCCA*
Ip Man Hon
Choi Chun Yik (appointed on 1st April, 2014)
Ng Chi Hoi (resigned on 1st April, 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chu Chor Lup
Chiu Ngar Wing *FCCA, ACA, 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 OFFICE

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Codan 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

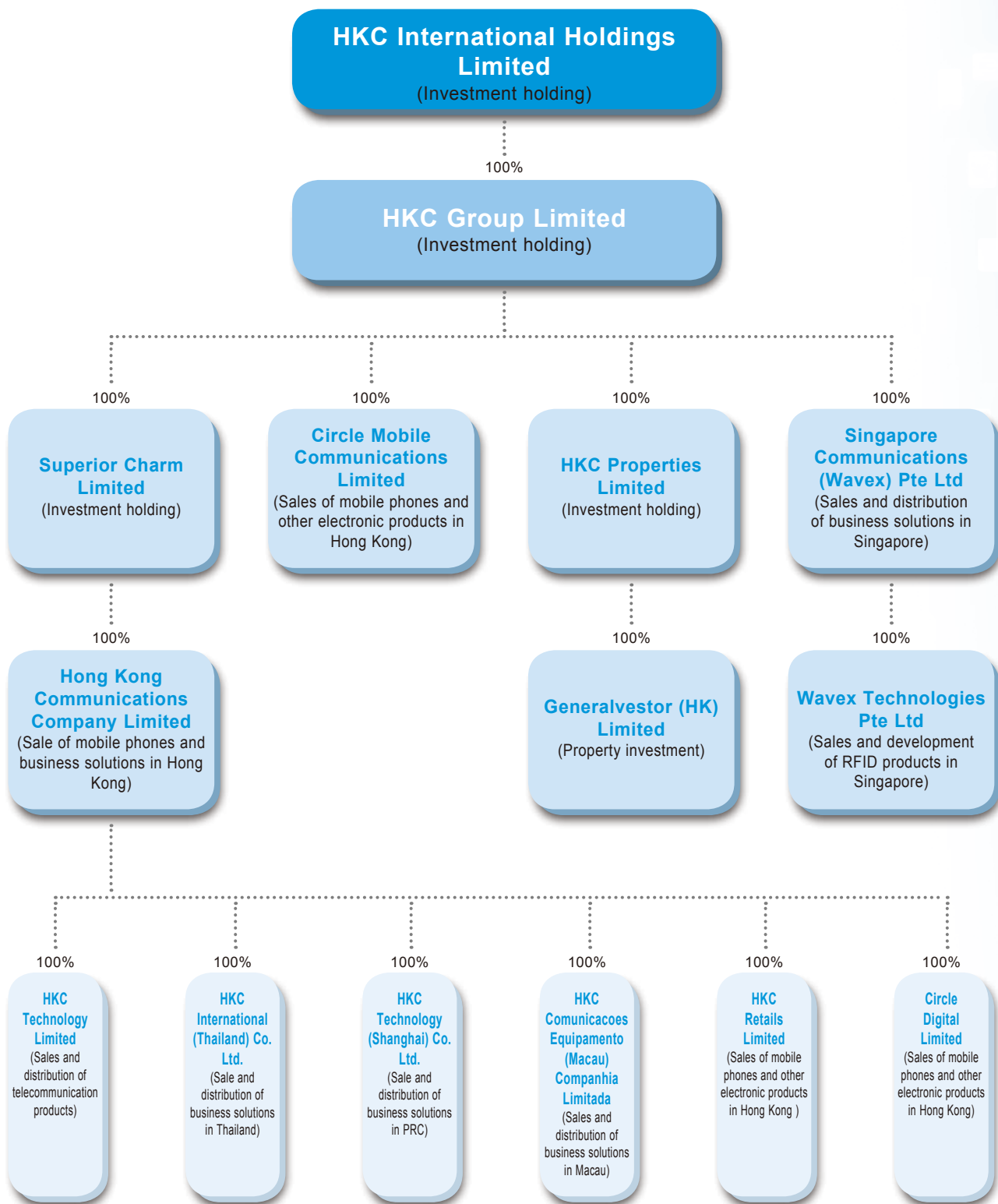
Wing Hang Bank, Limited

STOCK CODE

248

WEBSITE ADDRESS

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



MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2014, the group's turnover decreased by 2% to HK\$263 million (2013: HK\$268 million) and net loss attributable to equity holders of the company was HK\$12 million as compared with the same for the year ended 31 March, 2013 of HK\$5.7 million. The substantial increase in the loss was attributable to the decrease in fair value gain on investment properties amounting to approximately HK\$9 million.

SALES OF MOBILE PHONES

The turnover increased from HK\$154 million to HK\$192 million during the year. The division recorded loss of HK\$12.5 million compared with the loss of HK\$24.9 million last year. During the year under review, three underperforming retail shops were closed when the leases expired. This helps to reduce the loss.

SALES OF BUSINESS SOLUTIONS

During the year under review, the turnover decreased by 39% to HK\$66 million (2013: HK\$109.2 million) due to keen competition. The division recorded loss of HK\$7.4 million compared with the profit of HK\$1.2 million last year.

PROPERTY INVESTMENT

The rental income increased from HK\$4.6 million to HK\$5.3 million and the loss of this division was HK\$0.2 million (2013: profit of HK\$1.2 million) which was mainly due to increase in property tax and interest expenses for newly acquired properties during the year.

PROSPECTS

Regarding the mobile phone business, three more underperforming retail shops have been closed due to the expiry of the leases from April to June 2014. In addition, we will place more resources on the distribution business.

In business solutions segment, we will strengthen our research and development resources to launch more new products to meet market demand. In addition, we will continue to implement cost control measures.

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

LIQUIDITY AND FINANCIAL RESOURCES

The group continues to maintain a strong financial position. As at 31st March, 2014, the group's cash and bank balances amounted to approximately HK\$12 million (2013: HK\$43 million) while the bank borrowing was HK\$50 million (2013: HK\$41 million).

CAPITAL STRUCTURE

There was no change to the group's capital structure for the year ended 31st March, 2014.

CAPITAL EXPENDITURE

The group invested HK\$17 million in property, plant and equipment and HK\$18 million in investment properties during the year.

EMPLOYEES

As at 31st March, 2014, the total number of employees of the group was approximately 150 (2013: 200) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$41 million (2013: HK\$47 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, 2014, 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\$15,176,000 (2013: HK\$Nil) (2) first legal charge on certain investment properties with total fair value of HK\$141,700,000 (2013: HK\$122,240,000) and (3) bank deposits of HK\$7,099,000 (2013: HK\$11,129,000).

GEARING RATIO

The gearing ratio was 17% (2013: 13.2%) which is expressed as a percentage of total borrowings to shareholders' funds.

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, 2014, the company had provided corporate guarantees of HK\$58 million (2013: HK\$97 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 years ended 31st March, 2014 and 2013 but propose to make a bonus issue of one new share credited as fully paid for every eight shares held on the register of members on 3rd September, 2014 (2013: one new share credited as fully paid for every ten shares). The necessary resolution will be proposed at the forthcoming annual general meeting on 25th August, 2014, 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 18th September, 2014.

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 21st August, 2014 to 25th August, 2014 (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 ("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 20th August, 2014.

To qualify for the proposed bonus shares

The register of members of the company will be closed from 1st September, 2014 to 3rd September, 2014 (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 29th August, 2014.

APPRECIATION

The board of directors ("board") 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.

EXECUTIVE DIRECTORS

Mr. CHAN Chung Yee, Hubert, aged 54, is the chairman 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 20 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 52, is the chief executive officer of the company. He is responsible for group's operations and implementing the group's strategies. 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 industry. He is the younger brother of Mr. Chan Chung Yee, Hubert.

Mr. WU Kwok Lam, aged 52, 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, a fellow member of the Association of Chartered Certified Accountants and a full member of The Hong Kong Computer Society. Mr. Wu is also the company secretary of the company.

Mr. CHAN Ming Him, Denny, aged 55, joined the group in 1999 with over 15 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 47, is the project director. He joined the group in 1991 with over 15 years of experience in product development and management. He obtained a Master Degree of Science from the University of Hong Kong and a Bachelor's Degree in Engineering from the Hong Kong Polytechnic University.

Mr. CHOI Chun Yik, aged 53, joined the group in 1990 with over 25 years of experience in the information and communications technology industry. He is responsible for overseeing the operations of sales, customer services and technical services departments in the business solutions division. He has attained an MBA Degree from Murdoch University, Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 60, is a practising accountant. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and a fellow member of 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 61, 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 59, worked as a visiting lecturer (part-time) in the Department of Logistics and Maritime Studies of the Hong Kong Polytechnic University from 2012 to 2014. Dr. Law 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 has been appointed to Baguio Green Group Ltd (stock code: 1397) as an independent non-executive director in May, 2014.

SENIOR MANAGEMENT

Miss. CHOW So Fan, Candy, aged 46, joined the group in 2012 with over 20 years of marketing and business development experience in information and communications technology industry. She obtained an MBA in International Business and Marketing from University of Western Australia.

Miss. YUEN Pui Ling, Pauline, aged 42, joined the group in 2009 with over 15 years of experience in sales and marketing both in the industry of printing and telecommunications. She determines objectives and goals for the sales and marketing department of sale of mobile phones division. She has obtained an MBA Degree from the Hong Kong Polytechnic University.

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, 2014 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 for the deviation in respect of the attendance of the chairman of the board and independent non-executive directors at the general meetings of the company set out in Code Provision A.6.7 and E.1.2 of the Code.

Code Provision A.6.7 of the Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Dr. Law Ka Hung did not attend the annual general meeting of the company held on 12th August, 2013 due to their other commitments.

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Chan Chung Yee, Hubert, the chairman of the board was unable to attend the annual general meeting of the company held on 12th August, 2013 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 the code of conduct regarding directors' securities transactions.

Each of the directors of the company confirmed, following specific enquiry by the company, that he complied with the required standard as set in Model Code throughout the year ended 31st March, 2014.

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 Mr. Choi Chun Yik 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.

CORPORATE GOVERNANCE REPORT

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	11/11
Chan Ming Him, Denny	8/11
Wu Kwok Lam	11/11
Ip Man Hon	11/11
Choi Chun Yik (appointed on 1st April, 2014)	11/11
Ng Chi Hoi (resigned on 1st April, 2014)	11/11
Independent non-executive directors:	
Chiu Ngar Wing	6/11
Chu Chor Lup	0/11
Law Ka Hung	0/11

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer are Mr. Chan Chung Yee, Hubert and Mr. Chan Chung Yin, Roy. Mr. Chan Chung Yee, Hubert is the elder brother of Mr. Chan Chung Yin, Roy. The chairman is responsible for the effective running of the board while the chief executive officer is delegated with the authorities to manage the business of the company.

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 committee will review and monitor the structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the board at least annually and make recommendations on any proposed changes to the board to complement the company's corporate strategy. 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

CORPORATE GOVERNANCE REPORT

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, 2013 and the audited consolidated financial statements for the year ended 31st March, 2014 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 financial reporting 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, 2014, 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 pages 22 and 23 of the annual report of the company for the year ended 31st March, 2014.

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, 2014 is set out below:

	HK\$'000
Audit services	596
Non-audit services	31
	<hr/>
	627
	<hr/> <hr/>

CORPORATE GOVERNANCE REPORT

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 and 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.

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st March, 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The loss of the group for the year ended 31st March, 2014 are set out in the consolidated statement of comprehensive income on pages 24 and 25.

The directors do not recommend the payment of any final dividend for the years ended 31st March, 2014 and 2013 but propose to make a bonus issue of one new share credited as fully paid for every eight shares held on the register of members on 3rd September, 2014 (2013: one new share credited as fully paid for every ten shares). The necessary resolution will be proposed at the forthcoming annual general meeting on 25th August, 2014, 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 18th September, 2014.

PROPERTY, PLANT AND EQUIPMENT

During the year, the group spent HK\$16,961,000 on property, plant and equipment. The group also disposed of certain of its property, plant and equipment with the aggregate carrying amount of HK\$651,000.

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

Particulars of the leasehold land and buildings of the group as at 31st March, 2014 are set out on page 102.

INVESTMENT PROPERTIES

During the year, the group spent HK\$17,589,000 on investment properties. The group also disposed of certain of its investment properties with the aggregate carrying amount of HK\$12,510,000.

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

Particulars of the investment properties of the group as at 31st March, 2014 are set out on pages 103 and 104.

BORROWINGS

Particulars of the borrowings of the group at the balance sheet date are set out in note 27 to the financial statements.

SHARE CAPITAL

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

REPORT OF THE DIRECTORS

DONATIONS

Donations made by the group during the year amounted to HK\$251,000.

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

Chan Chung Yin, Roy – chief executive officer

Chan Ming Him, Denny

Wu Kwok Lam

Ip Man Hon

Choi Chun Yik (appointed on 1st April, 2014)

Ng Chi Hoi (resigned on 1st April, 2014)

Independent non-executive directors:

Chiu Ngar Wing

Chu Chor Lup

Law Ka Hung

In accordance with article 108 of the articles of association and the code on corporate governance practices under the Listing Rules, Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Choi Chun Yik, Mr. Chiu Ngar Wing and Dr. Chu Chor Lup 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.

Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Choi Chun Yik, Mr. Chiu Ngar Wing and Dr. Chu Chor Lup have offered themselves 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 38 to the 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 the balance sheet date, 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	293,248,276 Shares (L) (Note 2)	51.74%
	The company	Beneficial owner	11,057,332 Shares (L) (Note 3)	1.95%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 (L)	100.00%
Chan Chung Yin, Roy	The company	Interest of controlled corporation	66,000,000 Shares (L) (Note 4)	11.65%
	The company	Beneficial owner	453,200 Shares (L) (Note 5)	0.08%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00 (L)	100.00%
Chan Ming Him, Denny	The company	Beneficial owner	1,100,000 Shares (L) (Note 6)	0.19%
Ng Chi Hoi	The company	Beneficial owner	466,400 Shares (L) (Note 7)	0.08%
Ip Man Hon	The company	Beneficial owner	330,000 Shares (L) (Note 8)	0.06%
Choi Chun Yik	The company	Beneficial owner	3 Shares (L) (Note 9)	0.00%

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

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, 10,017,946 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 283,230,330 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 were held by Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy is deemed to be interested in the Shares held by Star Global International Limited.
- (5) These Shares are registered in the name of Mr. Chan Chung Yin, Roy.
- (6) These Shares are registered in the name of Mr. Chan Ming Him, Denny.
- (7) These Shares are registered in the name of Mr. Ng Chi Hoi.
- (8) These Shares are registered in the name of Mr. Ip Man Hon.
- (9) These Shares are registered in the name of Mr. Choi Chun Yik
- (10) Save as disclosed above, as at the balance sheet date, 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, 2014, 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) <i>(Note 1)</i>	Capacity/ nature of interest	Approximate percentage of interest
Matrix World Group Limited	293,248,276(L) <i>(Note 2)</i>	Beneficial owner	51.74%
Star Global International Limited <i>(Note 3)</i>	66,000,000(L)	Beneficial owner	11.65%
Chan Low Wai Han, Edwina <i>(Note 4)</i>	66,453,200(L)	Interests of spouse	11.73%
Josephine Liu <i>(Note 5)</i>	304,305,608(L)	Interests of spouse	53.69%

Notes:

- (1) The Letter "L" represents the person's interests in Shares.
- (2) Among these Shares, 10,017,946 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 283,230,330 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) Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy. Mr. Chan Chung Yin, Roy is a director of Star Global International Limited.
- (4) 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.
- (5) 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.

REPORT OF THE DIRECTORS

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, Underlying Shares and Debentures" above and under the section headed "Share Award Plan" below, 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.

SHARE AWARD PLAN

On 8th September, 2006, the Share Award Plan was adopted by the company in which full time selected employees (including any directors) of the company, any of its subsidiaries or any entity in which any members of the group holds an equity interest will be entitled to participate. The Share Award Plan enables the company to reward and provide incentives to, and strengthen the group's business relationship with, the prescribed classes of participants who contributed and/or may contribute to the growth and development of the group. Unless early terminated by the Board, the Share Award Plan will remain in force for a period of 10 years commencing from the date of its adoption. In any given financial year of the company, the maximum number of shares of the company which may be subscribed for and/or purchased by the trustee of the Share Award Plan is limited to not more than 8 per cent of the total number of shares of the company in issue as at the beginning of that financial year. The amount of funds which may be allocated by the company to the trustee of the Share Award Plan in any given financial year of the company for the purpose of subscribing for and/or purchasing any awarded shares of the company is limited to not more than 10 per cent of the consolidated profit before tax of the group as shown in its audited financial statements of the immediate preceding year. The allocation of funds in respect of any award to a connected person (as defined in the Listing Rules) of the company is subject to the applicable requirements of Chapter 14A of the Listing Rules.

The relevant awarded shares of the company acquired by the trustee of the Share Award Plan (together with any dividends and other distribution in respect of these awarded shares of the company) will be held by the trustee in trust for those selected employees until they are vested in them in accordance with the terms and conditions of the awards made.

Further details in relation to the Share Award Plan are set out in note 30 to the financial statements.

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, 2014, the aggregate turnover attributable to the group's five largest customers accounted for approximately 40% by value of the group's total turnover and the turnover attributable to the group's largest customer was approximately 29% of the total turnover. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 76% by value of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 58% 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, 27th June, 2014

INDEPENDENT AUDITOR'S REPORT



李湯陳會計師事務所

LI, TANG, CHEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

TO THE SHAREHOLDERS OF HKC INTERNATIONAL HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of HKC International Holdings Limited ("the company") and its subsidiaries (collectively "the group") set out on pages 24 to 100, which comprise the consolidated and company balance sheets as at 31st March, 2014, the 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

AUDITOR'S RESPONSIBILITY (Cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st March, 2014 and of the group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Li, Tang, Chen & Co.

Certified Public Accountants (Practising)

10/F Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

27th June, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2014

	Note	2014 HK\$'000	2013 HK\$'000
TURNOVER	6	263,096	268,212
Cost of sales		(212,234)	(200,899)
GROSS PROFIT		50,862	67,313
Loss on disposal of property, plant and equipment		(324)	(1,190)
Gain on disposal of investment properties		1,046	1,802
Other income and gains	7	2,527	1,224
Other losses	7	(1,456)	(1,132)
Fair value gain on investment properties		8,681	17,636
Selling and distribution expenses		(10,358)	(10,999)
Administrative and other operating expenses		(61,658)	(79,125)
Finance costs	8	(1,145)	(924)
LOSS BEFORE TAXATION	9	(11,825)	(5,395)
TAX EXPENSE	12(a)	(62)	(217)
LOSS FOR THE YEAR		(11,887)	(5,612)
OTHER COMPREHENSIVE (EXPENSE)/INCOME NET OF TAX			
Items that may be reclassified subsequently to profit or loss:			
Transferred from translation reserve to the consolidated profit or loss upon dissolution of subsidiaries		-	1,015
Exchange differences on translation of overseas operations		212	352
Fair value (loss)/gain on available-for-sale financial assets		(365)	851
Items that will not be reclassified to profit or loss:			
Revaluation gain on properties transferred from property, plant and equipment and leasehold land to investment properties		-	9,478
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(153)	11,696
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(12,040)	6,084

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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For the year ended 31st March, 2014

	Note	2014 HK\$'000	2013 HK\$'000
(Loss)/profit attributable to			
Equity holders of the company	13	(12,175)	(5,679)
Non-controlling interests		288	67
Loss for the year		(11,887)	(5,612)
Total comprehensive (expense)/income attributable to			
Equity holders of the company		(12,328)	6,017
Non-controlling interests		288	67
Total comprehensive (expense)/income for the year		(12,040)	6,084
LOSS PER SHARE – (HK CENTS)			
– basic	14	(2.25)cents	(1.12)cents
– diluted	14	(2.24)cents	(1.11)cents

BALANCE SHEETS

As at 31st March, 2014

	Note	The group		The company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	16	65,603	53,822	–	–
Investment properties	17	197,440	183,680	–	–
Leasehold land	18	–	–	–	–
Interests in subsidiaries	19	–	–	225,245	222,338
Available-for-sale financial assets	20	3,689	4,798	–	–
Deposits paid for acquisition of investment properties		–	4,618	–	–
		266,732	246,918	225,245	222,338
CURRENT ASSETS					
Inventories	21	25,727	17,588	–	–
Gross amounts due from customers for contract work	22	11,660	21,484	–	–
Debtors, deposits and prepayments	23	51,720	42,200	–	–
Tax recoverable		159	–	–	–
Cash and bank balances	24	12,166	42,832	51	73
		101,432	124,104	51	73
CURRENT LIABILITIES					
Creditors and accrued charges	25	17,597	22,355	68	65
Gross amounts due to customers for contract work	22	4,759	641	–	–
Tax payable		639	720	–	–
Obligations under finance leases	26	19	31	–	–
Bank borrowings	27	50,184	40,535	–	–
		73,198	64,282	68	65
NET CURRENT ASSETS/(LIABILITIES)					
		28,234	59,822	(17)	8
TOTAL ASSETS LESS CURRENT LIABILITIES					
		294,966	306,740	225,228	222,346

As at 31st March, 2014

	Note	The group		The company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
NON-CURRENT LIABILITIES					
Obligations under finance leases	26	43	60	-	-
Deferred tax liabilities	28	168	168	-	-
		211	228	-	-
NET ASSETS					
		294,755	306,512	225,228	222,346
CAPITAL AND RESERVES					
Share capital	29	5,667	5,152	5,667	5,152
Reserves	31	289,088	301,232	219,561	217,194
Equity attributable to equity holders of the company		294,755	306,384	225,228	222,346
Non-controlling interests		-	128	-	-
TOTAL EQUITY					
		294,755	306,512	225,228	222,346

The consolidated financial statements on pages 24 to 100 were approved and authorised for issue by the board of directors on 27th June, 2014 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, 2014

	Attributable to equity holders of the company											
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award plan HK\$'000	Share reserve HK\$'000	Investment Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000	
At 1st April, 2012	5,058	44,501	(1,041)	664	28,325	1,189	32,078	(1,102)	193,237	302,909	61	302,970
(Loss)/profit for the year	-	-	-	-	-	-	-	(5,679)	(5,679)	67	(5,612)	
Other comprehensive income for the year	-	-	-	-	-	851	9,478	1,367	-	11,696	-	11,696
Total comprehensive income/(expense) for the year	-	-	-	-	-	851	9,478	1,367	(5,679)	6,017	67	6,084
Shares issued pursuant to scrip dividend scheme	94	2,421	(48)	-	-	-	-	48	2,515	-	2,515	
Dividend paid	-	-	-	-	-	-	-	(5,057)	(5,057)	-	(5,057)	
At 31st March, 2013	<u>5,152</u>	<u>46,922</u>	<u>(1,089)</u>	<u>664</u>	<u>28,325</u>	<u>2,040</u>	<u>41,556</u>	<u>265</u>	<u>182,549</u>	<u>306,384</u>	<u>128</u>	<u>306,512</u>
At 1st April, 2013	5,152	46,922	(1,089)	664	28,325	2,040	41,556	265	182,549	306,384	128	306,512
(Loss)/profit for the year	-	-	-	-	-	-	-	(12,175)	(12,175)	288	(11,887)	
Other comprehensive (expense)/income for the year	-	-	-	-	-	(365)	-	212	-	(153)	-	(153)
Total comprehensive (expense)/income for the year	-	-	-	-	-	(365)	-	212	(12,175)	(12,328)	288	(12,040)
Bonus shares issued	515	(515)	-	-	-	-	-	-	-	-	-	-
Recognition of equity settled share based payment	-	-	-	699	-	-	-	-	-	699	-	699
Share awarded to staff under the Share Award Plan	-	-	591	(699)	-	-	-	108	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(416)	-	(416)
At 31st March, 2014	<u>5,667</u>	<u>46,407</u>	<u>(498)</u>	<u>664</u>	<u>28,325</u>	<u>1,675</u>	<u>41,556</u>	<u>477</u>	<u>170,482</u>	<u>294,755</u>	<u>-</u>	<u>294,755</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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For the year ended 31st March, 2014

Note	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(11,825)	(5,395)
Adjustments for:		
Depreciation	4,566	6,490
Loss on disposal of property, plant and equipment	324	1,190
Gain on disposal of investment properties	(1,046)	(1,802)
Dividend income from listed investments	(145)	(141)
Changes in fair value of investment properties	(8,681)	(17,636)
Write-down of inventories	29	3,624
Impairment losses on trade debtors	61	4
Employee share-based compensation benefits	699	–
Loss on disposal of a subsidiary	862	–
Loss on disposal of available-for-sale financial assets	267	–
Loss on dissolution of subsidiaries	–	1,015
33(b)		
Interest income	(333)	(414)
Interest expenses	1,145	924
Exchange differences	(45)	301
Operating cash outflow before movements in working capital	(14,122)	(11,840)
(Increase)/decrease in inventories	(8,469)	1,715
Decrease/(increase) in gross amounts due from customers for contract work	6,419	(17,069)
Increase in debtors, deposits and prepayments	(9,667)	(7,107)
Increase in creditors and accrued charges	75	3,352
Increase in gross amounts due to customers for contract work	4,118	207
Net cash used in operations	(21,646)	(30,742)
Interest received	333	414
Interest paid on obligations under finance leases	–	(3)
Interest paid on bank borrowings	(1,145)	(921)
Tax paid:		
Hong Kong	(320)	(79)
NET CASH USED IN OPERATING ACTIVITIES	(22,778)	(31,331)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2014

	Note	2014 HK\$'000	2013 HK\$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	33(c)	(16,961)	(2,064)
Purchases of investment properties		(12,971)	–
Proceeds from disposal of property, plant and equipment		249	205
Proceeds from disposal of investment properties		13,556	23,352
Disposal of a subsidiary (net of cash and cash equivalents disposed of)	33(a)	(2,141)	–
Dividend received from listed investments		145	141
Proceeds from disposal of available-for-sale financial assets		477	163
Decrease/(increase) in pledged time deposits		4,030	(1,944)
Decrease in short-term bank deposits with maturity over three months		–	2,326
Increase in deposits paid for acquisition of investment properties		–	(4,618)
		(13,616)	17,561
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Proceeds from shares issued pursuant to scrip dividend scheme		–	2,515
Bank loan obtained		15,744	14,500
Repayment of obligations under finance leases		(29)	(89)
Repayment of bank loans		(6,095)	(12,108)
Dividend paid		–	(5,057)
		9,620	(239)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES			

CONSOLIDATED STATEMENT OF CASH FLOWS

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For the year ended 31st March, 2014

	2014 HK\$'000	2013 HK\$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,774)	(14,009)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,703	45,691
Effect of foreign exchange rates changes	138	21
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,067	31,703
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits with maturity within three months	76	21,421
Cash and bank balances	4,991	10,282
	5,067	31,703

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL

The company is a public limited company incorporated in the Cayman Islands 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 principal activity of the company is that of investment holding. The principal activities of the subsidiaries are set out in note 40.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*

Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount to those returns.

The adoption does not change any of the control conclusions reached by the group in respect of its involvement with other entities as at 1st April, 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of HKFRS 12 does not have any material impact on these financial statements.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the group, the group has provided those disclosures in notes 4 and 17.

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

HKFRS 9	<i>Financial Instruments</i> ³
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ¹
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment to Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)- Int 21	<i>Levies</i> ¹

NOTES TO THE FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

- ¹ Effective for annual periods beginning on or after 1st January, 2014
- ² Effective for annual periods beginning on or after 1st July, 2014
- ³ No mandatory effective date yet determined but is available for adoption

The group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

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

b) Subsidiaries and non-controlling interests

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 unrealized 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.

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

b) Subsidiaries and non-controlling interests (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 balance sheet 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 balance sheet in accordance with note 3(k).

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 balance sheet, 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).

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

c) 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.

Goodwill is recognised in the consolidated balance sheet 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 balance sheet.

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.

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

d) 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.

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 $\frac{1}{3}$ % p.a.
Office equipment	10% – 20% p.a.
Leasehold improvements	20% – 33 $\frac{1}{3}$ % 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 each balance sheet date. 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).

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

e) 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 balance sheet date.

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 in accordance with note 3(d) shall be its fair value at the date of change in use.

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 the profit or loss in the year of retirement or disposal.

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

f) Financial instruments

i) *Classification*

Available-for-sale financial assets

This category comprises financial assets which are non-derivatives and are designated as available-for-sale financial assets or not classified under other investment categories.

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading and those designated as fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term. Bank deposits with embedded derivatives for yield enhancement whose economic characteristics and risks are not closely related to the host deposits are designated as financial assets at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, and with no intention of trading the receivables. Bank deposits are treated as loans and receivables and are disclosed as cash and bank balances.

ii) *Recognition and initial measurement*

Purchases and sales of investments are recognised on trade-date – the date on which the group commits to purchase or sell the assets. Investments at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses in profit or loss. Investments not designated as fair value through profit or loss are initially recognised at fair value plus transaction costs.

iii) *Derecognition*

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially the risk and rewards of ownership.

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

f) Financial instruments (Cont'd)

iv) *Gains or losses on subsequent measurement and interest income*

Available-for-sale financial assets

- Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in investment revaluation reserve. When the securities are sold, the difference between the sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal.
- Interest income is recognised using the effective interest method and disclosed as interest income.

Financial assets at fair value through profit or loss

- Investments under this category are carried at fair value. Unrealised gains and losses arising from changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal, the difference between the sale proceeds and the carrying value is included in profit or loss.
- Interest income is recognised using the effective interest method and included as net realised and unrealised gains and losses and interest income from these investments.

Loans and receivables

- Loans and receivables are carried at amortised cost using the effective interest method less any impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less any impairment losses.
- Interest income is recognised using the effective interest method and disclosed as interest income.

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

f) Financial instruments (Cont'd)

v) *Fair value measurement principles*

Fair values of quoted investments are based on bid prices. For unlisted securities or financial assets without an active market, the group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

vi) *Impairment*

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. If any such evidence exists for the available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial assets previously recognised in profit or loss – is removed from investment revaluation reserve and recognised in profit or loss.

In case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the securities below their cost is considered in determining whether the securities are impaired. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

A provision of impairment for loans and receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of provision is recognised in profit or loss.

g) 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.

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

h) Construction contract

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, its expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Debtors, deposits and prepayments".

i) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease term and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the group is the lessor, assets leased by the group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease term. Where the group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the relevant lease terms.

Prepaid operating lease payments are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of properties as a finance lease.

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

j) 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.

k) 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.

l) Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service fee income, arising from repairs installation, maintenance and connection services, are recognised when the relevant services are rendered.

Contract revenue:

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

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract or surveys of work performed.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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.

Interest income is recognised using the effective interest method.

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

m) Employee benefits

Equity-settled share-based payment transactions

The fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, in exchange for the grant of the awarded shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognised in share award reserve will be recognised as income immediately in profit or loss.

At each balance sheet date, the group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

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.

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

n) Borrowing costs

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

o) Income tax expense

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years, current tax is recognised in profit or loss, except it relates to items that are recognised in other comprehensive income, in which case, the current tax is also recognised in other comprehensive income.

Deferred taxation is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liabilities arise from the initial recognition of assets or liabilities and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred tax assets relating to the deductible temporary differences arises from the initial recognition of assets or liabilities and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred taxation is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred taxation is also recognised in other comprehensive income or directly in equity respectively.

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

p) Impairment

i) *Impairment of receivables*

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the estimated future cash flows, discounted at the current market rate of return for a similar financial assets where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases.
- For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment; and
- Other tangible assets.

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

p) Impairment (Cont'd)

ii) *Impairment of other assets (Cont'd)*

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is credited to profit or loss in the year in which the reversal is recognised.

q) Foreign currency transaction

i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the company's functional and group's presentation currency.

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

q) Foreign currency transaction (Cont'd)

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the year-end exchange rates. All exchange differences are recognised in profit or loss.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in equity.

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 each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- 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 and accumulated in equity.

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.

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

r) 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 or the group's parent.
- 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).

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.

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

s) **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 to the 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.

t) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the 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.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

4A SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	The group	
	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loan and receivables		
Debtors and deposits	51,144	45,502
Cash and bank balances	12,166	42,832
	<u>63,310</u>	<u>88,334</u>
Available-for-sale financial assets	<u>3,689</u>	<u>4,798</u>

	The group	
	2014 HK\$'000	2013 HK\$'000
Financial liabilities		
At amortised cost		
Creditors and accrued charges	14,388	16,473
Bank borrowings	50,184	40,535
Obligation under finance lease		
– current liabilities	19	31
– non-current liabilities	43	60
	<u>64,634</u>	<u>57,099</u>

NOTES TO THE FINANCIAL STATEMENTS

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

4A SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Cont'd)

	The company	
	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loan and receivables		
Amount due from a subsidiary	97,000	94,000
Cash and bank balances	51	73
	<u>97,051</u>	<u>94,073</u>
Financial liabilities		
At amortised cost		
Amounts due to subsidiaries	38,259	37,468
Accrued charge	68	65
	<u>38,327</u>	<u>37,533</u>

4B 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) *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 each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

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

4B FINANCIAL RISK MANAGEMENT (Cont'd)

a) *Credit risk (Cont'd)*

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 balance sheet 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 23.

Investments are normally only in liquid equity and debt securities, investments funds and equity-linked deposits and notes 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.

b) *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 balance sheet date of the group's and the company'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 balance sheet date) and the earliest date the group and the company can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

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

4B FINANCIAL RISK MANAGEMENT (Cont'd)

b) Liquidity risk (cont'd)

	The group							
	2014				2013			
	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	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	14,388	(14,388)	(14,388)	-	16,473	(16,473)	(16,473)	-
Obligations under finance leases	62	(62)	(19)	(43)	91	(91)	(31)	(60)
Bank borrowings	50,184	(51,431)	(51,431)	-	40,535	(41,514)	(41,514)	-
	64,634	(65,881)	(65,838)	(43)	57,099	(58,078)	(58,018)	(60)
	The company							
	2014				2013			
	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	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
Amount due to subsidiaries	38,259	(38,259)	-	(38,259)	37,468	(37,468)	-	(37,468)
Creditors and accrued charges	68	(68)	(68)	-	65	(65)	(65)	-
	38,327	(38,327)	(68)	(38,259)	37,533	(37,533)	(65)	(37,468)

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

4B FINANCIAL RISK MANAGEMENT (Cont'd)

c) 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.

d) 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.

Sensitivity analysis

The following table indicates the instantaneous change in the group's loss after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	The group					
	2014			2013		
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000
United States						
Dollars	0.5%	-	-	0.5%	15	-
	(0.5%)	-	-	(0.5%)	(15)	-
Japanese Yen	10.0%	-	-	10.0%	1	-
	(10.0%)	-	-	(10.0%)	(1)	-
Renminbi	2.0%	120	-	2.0%	222	-
	(2.0%)	(120)	-	(2.0%)	(222)	-

NOTES TO THE FINANCIAL STATEMENTS

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

4B FINANCIAL RISK MANAGEMENT (Cont'd)

d) *Foreign currency risk (cont'd)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2013.

e) *Price risk*

The group is exposed to price changes arising from available-for-sale financial assets (see note 20). Except as disclosed in note 20, all of these investments are measured at fair value at each balance sheet date 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 retained profits and other components of consolidated equity in response to reasonably possible changes of 15% (2013: 15%) in price in respect of listed equity and debt securities.

The effect of price changes in respect of unlisted investment fund are excluded from the below calculation as the directors consider that their prices depend on complicated market factors and cannot be estimated.

	The group	
	Increase/(decrease) in	
	investment revaluation reserve	
	15% increase	15% decrease
	HK\$'000	HK\$'000
At 31st March, 2014	553	(553)
	<u>553</u>	<u>(553)</u>
At 31st March, 2013	608	(608)
	<u>608</u>	<u>(608)</u>

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

4B FINANCIAL RISK MANAGEMENT (Cont'd)

e) *Price risk (cont'd)*

The sensitivity analysis has been determined assuming that the reasonably possible changes in price had occurred as at the balance sheet date 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 next balance sheet date. The analysis has been performed on the same basis for 2013.

f) *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 balance sheet date 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.

**The group
Fair value measurement
as at 31st March,
2014 categorised into**

Level 1	Level 2	Level 3
HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurement

Assets:

Available-for-sale equity securities:

Listed

3,689	-	-
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NOTES TO THE FINANCIAL STATEMENTS

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

4B FINANCIAL RISK MANAGEMENT (Cont'd)

f) Fair value measurement (cont'd)

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

Fair value hierarchy (cont'd)

The group
Fair value measurement
as at 31st March, 2013
categorised into

Level 1	Level 2	Level 3
HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurement

Assets:

Available-for-sale equity securities:

Listed	4,053	–	–
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During the years ended 31st March, 2014 and 31st March, 2013, there were no transfers between Level 1 and Level 2.

ii) Fair values of financial instruments carried at other than fair value

Except as stated below, 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, 2014 and 31st March, 2013.

The amount due from/(to) subsidiaries companies are unsecured, interest free and are not expected to be recovered/settled within the next twelve months. Given these terms it is not meaningful to disclose fair values. The company has no intention of disposing of these financial assets and liabilities.

Unlisted debt securities of which the fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment loss, if any.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the group's accounting policies which are described in note 3, 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 balance sheet date, 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.

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 each balance sheet date 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.

Construction contracts

As explained in note 3(h), 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 amounts due from/(to) customers for contract work as disclosed in note 22 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 balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

NOTES TO THE FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)**Estimated fair value of investment properties**

The fair values of investment properties are determined at the end of balance sheet date by an independent professional valuer. Valuations were made on the basis of investment approach by capitalising the net rental income receivable from the existing tenancies and the reversionary rental income potentials. 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.

6. 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, 2014 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of business solutions in Hong Kong HK\$'000	Sales of business 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	191,876	38,401	27,563	5,256	263,096
Inter-segment sales	99	560	159	-	818
Reportable segment revenue	<u>191,975</u>	<u>38,961</u>	<u>27,722</u>	<u>5,256</u>	<u>263,914</u>
Reportable segment (loss)/profit	<u>(12,534)</u>	<u>1,588</u>	<u>(8,998)</u>	<u>(183)</u>	<u>(20,127)</u>
Interest income from bank deposits	298	-	35	-	333
Finance costs	-	-	-	(1,145)	(1,145)
Depreciation for the year	(3,075)	(549)	(911)	(31)	(4,566)
Reportable segment assets	105,845	41,158	62,915	154,557	364,475
Additions to non-current assets during the year	15,797	551	581	17,621	34,550
Reportable segment liabilities	<u>5,198</u>	<u>7,053</u>	<u>9,853</u>	<u>51,137</u>	<u>73,241</u>

6. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

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

The reportable segments for the year ended 31st March, 2013 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of business solutions in Hong Kong HK\$'000	Sales of business 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	154,355	63,430	45,802	4,625	268,212
Inter-segment sales	11	2,052	331	–	2,394
Reportable segment revenue	<u>154,366</u>	<u>65,482</u>	<u>46,133</u>	<u>4,625</u>	<u>270,606</u>
Reportable segment (loss)/profit	<u>(24,894)</u>	<u>6,941</u>	<u>(5,726)</u>	<u>1,168</u>	<u>(22,511)</u>
Interest income from bank deposits	263	7	144	–	414
Finance costs	–	–	(3)	(921)	(924)
Depreciation for the year	(4,753)	(475)	(1,238)	(24)	(6,490)
Reportable segment assets	120,585	44,279	62,230	139,130	366,224
Additions to non-current assets during the year	1,419	352	322	66	2,159
Reportable segment liabilities	<u>4,473</u>	<u>10,142</u>	<u>8,482</u>	<u>41,245</u>	<u>64,342</u>

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 3. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of revenues from investment in financial assets, exchange gain and tax (expense)/income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

6. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

b) Geographic information

	Revenues from external customers		Non-current assets*	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong (place of domicile)	235,533	222,410	217,429	206,678
Mainland China	9,562	11,336	32,805	33,406
Singapore	16,019	30,637	12,809	2,036
Other countries in South East Asia	1,982	3,829	–	–
	27,563	45,802	45,614	35,442
	263,096	268,212	263,043	242,120

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

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

	2014 HK\$'000	2013 HK\$'000
REVENUES		
Reportable segment revenue	263,914	270,606
Elimination of inter-segment revenue	(818)	(2,394)
Consolidated turnover	263,096	268,212
PROFIT OR LOSS		
Reportable segment loss	(20,127)	(22,511)
Unallocated other income and gains	355	–
Fair value gain on investment properties	8,681	17,636
Gain on disposal of investment properties	1,046	1,802
Loss on disposal of property, plant and equipment	(324)	(1,190)
Other losses	(1,456)	(1,132)
Consolidated loss before taxation	(11,825)	(5,395)

6. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

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

	2014 HK\$'000	2013 HK\$'000
ASSETS		
Reportable segment assets	364,475	366,224
Non-current financial assets	3,689	4,798
Consolidated total assets	<u>368,164</u>	<u>371,022</u>
LIABILITIES		
Reportable segment liabilities	73,241	64,342
Deferred tax liabilities	168	168
Consolidated total liabilities	<u>73,409</u>	<u>64,510</u>

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.
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

d) Information about major customers

For the year ended 31st March, 2014, revenue from a major customer contributed to the group's revenue of approximately HK\$74,991,000 (2013: HK\$13,449,000) was included in reportable segment "sales of mobile phones in Hong Kong" which individually accounted for 29% or more of the group's total revenue during the year.

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER INCOME, GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
OTHER INCOME		
Bank interest income	333	414
Computer service fee income	280	71
Commission income	15	23
Rental income for application software provider	280	111
Dividend income from listed equity securities	145	141
Others	1,119	464
	<u>2,172</u>	<u>1,224</u>
OTHER GAINS		
Gain on disposal of financial assets at fair value through profit or loss	355	–
	<u>2,527</u>	<u>1,224</u>
OTHER LOSSES		
Net exchange loss	327	117
Loss on disposal of available-for-sale financial assets	267	–
Loss on disposal of a subsidiary	862	–
Loss on dissolution of subsidiaries	–	1,015
	<u>1,456</u>	<u>1,132</u>

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
– Bank borrowings not wholly repayable within five years	1,145	921
– Interest on obligations under finance leases	–	3
	<u>1,145</u>	<u>924</u>

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2014 HK\$'000	2013 HK\$'000
Auditor's remuneration	596	608
Depreciation		
– Owned assets	4,547	6,402
– Leased assets	19	88
	<u>4,566</u>	6,490
Operating lease rentals in respect of rented premises		
– Minimum lease payments	5,561	11,329
– Contingent rent	634	961
	<u>6,195</u>	12,290
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	41,981	48,806
– Retirement benefit scheme contributions	3,515	2,640
– Equity-settled share-based payment expenses	699	–
Total staff costs	<u>46,195</u>	51,446
Write-down of inventories – note 21	29	3,624
Impairment loss on trade debtors	61	4
Bad debts written off	–	62
Donations	251	305
	<u>4,923</u>	<u>4,625</u>
and after crediting:		
Gross rental income from investment properties under operating leases less outgoings	<u>4,923</u>	<u>4,625</u>

NOTES TO THE FINANCIAL STATEMENTS

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance, is as follows:

	2014				Total remuneration HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
Executive directors:					
Chan Chung Yee, Hubert	-	1,004	-	30	1,034
Chan Chung Yin, Roy	-	943	36	15	994
Chan Ming Him, Denny	-	163	-	16	179
Wu Kwok Lam	-	1,068	-	30	1,098
IP Man Hon	-	613	-	30	643
Ng Chi Hoi (resigned on 1st April, 2014)	-	728	37	46	811
	-	4,519	73	167	4,759
Independent non-executive directors:					
Chiu Ngar Wing	85	-	-	-	85
Chu Chor Lup	40	-	-	-	40
Law Ka Hung	30	-	-	-	30
	155	-	-	-	155

10. DIRECTORS' REMUNERATION (Cont'd)

	2013				
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors:					
Chan Chung Yee, Hubert	–	958	–	29	987
Chan Chung Yin, Roy	–	883	–	15	898
Chan Man Min (retired on 13th August, 2012)	–	36	–	–	36
Chan Ming Him, Denny	–	157	–	16	173
Wu Kwok Lam	–	988	–	29	1,017
IP Man Hon	–	549	46	21	616
Ng Chi Hoi (appointed on 14th August, 2012)	–	412	24	36	472
	–	3,983	70	146	4,199
Independent non-executive directors:					
Chiu Ngar Wing	85	–	–	–	85
Chu Chor Lup	30	–	–	–	30
George Leung (resigned on 1st December, 2012)	20	–	–	–	20
	135	–	–	–	135

Note:

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st March, 2014 and 31st March, 2013.

NOTES TO THE FINANCIAL STATEMENTS

II. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the group include four directors (2013: three directors), details of whose emoluments are included in the amounts disclosed in note 10 above. The emoluments of the remaining highest paid employees, other than directors of the company, are as follows:

	2014	2013
	HK\$'000	HK\$'000
Salaries and allowances	1,195	1,997
Retirement benefit schemes contributions	30	44
	1,225	2,041

Their emoluments were within the following bands:

	2014	2013
	Number of employees	Number of employees
HK\$Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$2,000,000	1	1
	1	2

12. TAX EXPENSE

- a) Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014	2013
	HK\$'000	HK\$'000
Hong Kong		
Charge for the year	72	229
Overprovision in respect of prior years	(10)	(12)
Tax expense for the year	62	217

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

	2014	2013
	HK\$'000	HK\$'000
Loss before taxation	(11,825)	(5,395)
Tax at the income tax rate of 16.5% (2013: 16.5%)	(1,951)	(890)
Tax effect of income not taxable	(1,719)	(3,461)
Tax effect of expenses that are not deductible in determining taxable income	942	686
Tax effect of unrecognised tax losses	3,830	4,786
Tax effect of different tax rates in other jurisdiction	(317)	19
Tax effect of utilisation of tax losses previously unrecognised	(326)	(990)
Tax effect of unrecognised temporary difference	(433)	–
Overprovision of profits tax in respect of prior year	(10)	(12)
Others	46	79
Tax expense for the year	62	217

NOTES TO THE FINANCIAL STATEMENTS

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the company includes a profit of HK\$2,183,000 (2013: profit of HK\$3,668,000) which has been dealt with in the financial statements of the company.

14. 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:

	2014	2013
	HK\$'000	HK\$'000
Loss attributable to equity holders of the company	(12,175)	(5,679)
	Number	Number
	of shares	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	541,119,317	505,440,200
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	541,119,317	505,440,200
Effect of dilutive potential ordinary shares:		
Awarded shares	2,494,302	4,955,548
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	543,613,619	510,395,748

15. DIVIDEND AND BONUS SHARE ISSUE

	2014	2013
	HK\$'000	HK\$'000
Final dividend for the year 2013 of HK\$Nil per ordinary share (2013: final dividend for the year 2012 of HK\$0.01 per ordinary share)	-	5,057
Less: Dividends for shares held by Share Award Plan	-	(48)
	<u>-</u>	<u>5,009</u>
	<u><u>-</u></u>	<u><u>5,009</u></u>

The directors do not recommend the payment of any final dividend for the years ended 31st March, 2014 and 2013 but propose to make a bonus issue of one new share credited as fully paid for every eight shares held on the register of members on 3rd September, 2014 (2013: one new share credited as fully paid for every ten shares). The necessary resolution will be proposed at the forthcoming annual general meeting on 25th August, 2014, 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 18th September, 2014.

NOTES TO THE FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	The group 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, 2012	47,465	1,887	13,541	24,937	3,085	1,270	92,185
Currency realignment	-	3	23	(20)	-	-	6
Additions	-	524	374	1,149	112	-	2,159
Transfer to investment properties	(1,661)	-	-	-	-	-	(1,661)
Disposals	-	(531)	(841)	(3,914)	-	-	(5,286)
At 31st March, 2013	45,804	1,883	13,097	22,152	3,197	1,270	87,403
Accumulated depreciation							
At 1st April, 2012	(1,468)	(1,321)	(11,695)	(13,552)	(2,610)	(1,270)	(31,916)
Currency realignment	-	(3)	(20)	23	-	-	-
Charge for the year	(671)	(272)	(877)	(4,522)	(148)	-	(6,490)
Written back on transfer to investment properties	951	-	-	-	-	-	951
Written back on disposal	-	531	841	2,502	-	-	3,874
At 31st March, 2013	(1,188)	(1,065)	(11,751)	(15,549)	(2,758)	(1,270)	(33,581)
Net book value							
At 31st March, 2013	44,616	818	1,346	6,603	439	-	53,822

NOTES TO THE FINANCIAL STATEMENTS

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

	Leasehold land and buildings HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	The group 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, 2013	45,804	1,883	13,097	22,152	3,197	1,270	87,403
Currency realignment	-	8	(10)	62	-	-	60
Additions	15,367	256	421	876	41	-	16,961
Disposals	-	(125)	(978)	(2,323)	-	-	(3,426)
At 31st March, 2014	61,171	2,022	12,530	20,767	3,238	1,270	100,998
Accumulated depreciation							
At 1st April, 2013	(1,188)	(1,065)	(11,751)	(15,549)	(2,758)	(1,270)	(33,581)
Currency realignment	-	(4)	19	(38)	-	-	(23)
Charge for the year	(861)	(254)	(642)	(2,640)	(169)	-	(4,566)
Written back on disposal	-	84	767	1,924	-	-	2,775
At 31st March, 2014	(2,049)	(1,239)	(11,607)	(16,303)	(2,927)	(1,270)	(35,395)
Net book value							
At 31st March, 2014	59,122	783	923	4,464	311	-	65,603

NOTES TO THE FINANCIAL STATEMENTS

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

Notes:

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

	2014	2013
	HK\$'000	HK\$'000
Land and buildings held under long lease		
– Hong Kong	43,946	44,616
Land and buildings held under medium-term lease		
– Hong Kong	15,176	–
	59,122	44,616

- ii) At 31st March, 2014, the aggregate net book value of property, plant and equipment held under finance lease was HK\$60,000 (2013: HK\$91,000).
- iii) There were no transfer of property, plant and equipment to investment property for the year ended 31st March, 2014. In financial year ended 31st March, 2013, a property with carrying value of HK\$1,082,000 was transferred from property, plant and equipment and leasehold land to investment properties due to change in use from owner occupation to earning rental from outsiders. At the date of change in use, the fair value of the property was HK\$10,560,000, the excess of fair value over the carrying value of the property at that date of HK\$9,478,000 was recognised in property revaluation reserve.
- iv) The group has pledged some of its leasehold land and buildings with aggregate net book value of HK\$15,176,000 (2013: HK\$Nil) to secure the group's general banking facilities.

17. INVESTMENT PROPERTIES

	The group	
	2014	2013
	HK\$'000	HK\$'000
At fair value:		
At the beginning of the year	183,680	177,034
Transfer from property, plant and equipment	–	1,310
Transfer from leasehold land	–	9,250
Addition	17,589	–
Disposal	(12,510)	(21,550)
Fair value gain	8,681	17,636
	197,440	183,680
	197,440	183,680
The carrying amounts of investment properties shown above comprises:		
Land and buildings held under long lease		
– Hong Kong	27,510	15,790
– Singapore	12,300	12,930
Land and buildings held under medium-term lease		
– Hong Kong	114,190	111,280
– PRC	43,440	43,680
	197,440	183,680
	197,440	183,680

NOTES TO THE FINANCIAL STATEMENTS

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 balance sheet date 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, 2014 categorised into**

	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurement

Investment properties:

Residential

– Hong Kong	–	–	18,690
– PRC	–	–	11,930

Commercial

– Hong Kong	–	–	123,010
– Singapore	–	–	12,300
– PRC	–	–	31,510

	–	–	–
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17. INVESTMENT PROPERTIES (Cont'd)**i) Fair value hierarchy (cont'd)**

During the year ended 31st March, 2014, 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, 2014. 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 each annual balance sheet date.

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\$8,705 – HK\$10,459
– PRC	Market approach	Estimated market price per square foot	HK\$5,649
Commercial			
– Hong Kong	Market approach	Estimated market price per square foot	HK\$4,381 – HK\$112,595
– Singapore	Market approach	Estimated market price per square foot	HK\$2,864
– PRC	Market approach	Estimated market price per square foot	HK\$4,276 – HK\$4,336

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.

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Cont'd)**ii) Information about Level 3 fair value measurements (cont'd)**

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

	HK\$'000
<hr/>	
Investment properties:	
At 1st April, 2013	183,680
Addition	17,589
Disposal	(12,510)
Fair value adjustment	8,681
	<hr/>
At 31st March, 2014	197,440
	<hr/> <hr/>

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 reporting period.

iii) Pledged of investment properties

The group has pledged some of its investment properties with a total carrying value of HK\$141,700,000 (2013: HK\$122,240,000) to secure the group's general banking facilities.

18. LEASEHOLD LAND

	The group	
	2014	2013
	HK\$'000	HK\$'000
At the beginning of the year	-	372
Transfer to investment properties	-	(372)
At the end of the year	-	-

19. INTERESTS IN SUBSIDIARIES

	The company	
	2014	2013
	HK\$'000	HK\$'000
Unlisted shares, at cost	163,654	163,654
Capital contribution in respect of employee share-based compensation	2,850	2,151
Amount due from a subsidiary	97,000	94,000
Amounts due to subsidiaries	263,504 (38,259)	259,805 (37,467)
	225,245	222,338

The amounts due from/(to) subsidiaries are non-interest bearing, unsecured and classified as non-current as they are not expected to be recovered/settled within the next twelve months.

The fair values of the amounts due from/(to) subsidiaries have not been determined as the timing of expected cash flows of these balances cannot be reasonably determined because of the relationship.

Particulars of the subsidiaries as at 31st March, 2014 are set out in note 40.

NOTES TO THE FINANCIAL STATEMENTS

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The group	
	2014 HK\$'000	2013 HK\$'000
Financial assets stated at fair value		
Equity securities listed in Hong Kong	3,689	4,053
Financial assets stated at cost		
Unlisted debt securities	–	335
Financial assets stated at cost less impairment loss		
Unlisted equity securities	–	410
	<u>3,689</u>	<u>4,798</u>
Representing:		
Equity securities		
Corporate entities	<u>3,689</u>	<u>4,463</u>
Unlisted debt securities		
Club debenture	<u>–</u>	<u>335</u>

21. INVENTORIES

	The group	
	2014	2013
	HK\$'000	HK\$'000
Raw materials	226	170
Work in progress	800	218
Office telephone systems, mobile phones and other electronic products and accessories	24,701	17,200
	25,727	17,588

The inventories stated at net realisable value amounted to HK\$2,381,000 (2013: HK\$2,269,000).

The cost of inventories recognised in profit or loss during the year amounted to HK\$209,731,000 (2013: HK\$199,041,000).

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

	The group	
	2014	2013
	HK\$'000	HK\$'000
Carrying amount of inventories sold	209,702	195,417
Write-down of inventories	29	3,624
	209,731	199,041

NOTES TO THE FINANCIAL STATEMENTS

22. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	The group	
	2014 HK\$'000	2013 HK\$'000
Contract costs incurred	47,071	43,684
Recognised profits	11,827	13,090
Progress billings	58,898 (51,997)	56,774 (35,931)
Due from customers	<u>6,901</u>	<u>20,843</u>
Classified as:		
Gross amounts due from customers	<u>11,660</u>	<u>21,484</u>
Gross amounts due to customers	<u>(4,759)</u>	<u>(641)</u>

The directors consider that the carrying amounts of gross amounts due from/(to) customers for contract work approximate to their fair values.

In respect of construction contracts in progress at the balance sheet date, the amount of retentions receivable from customers, recorded within "Trade debtors" as at 31st March, 2014 was HK\$1,940,000 (2013: HK\$2,308,000).

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	The group	
	2014	2013
	HK\$'000	HK\$'000
Trade debtors	46,225	33,788
Less: allowance for doubtful debts	(2,342)	(2,429)
	43,883	31,359
Deposits, other debtors and prepayments	7,837	10,841
	51,720	42,200

a) Ageing analysis

The ageing analysis of trade debtors of HK\$43,883,000 (2013: HK\$31,359,000) which are included in the debtors, deposits and prepayments are as follows:

	The group	
	2014	2013
	HK\$'000	HK\$'000
0-30 days	20,244	19,715
31-60 days	13,004	2,341
61-90 days	2,690	1,720
91-120 days	846	468
121-360 days	4,313	3,962
Over 360 days	2,786	3,153
	43,883	31,359

NOTES TO THE FINANCIAL STATEMENTS

23. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)**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:

	The group	
	2014	2013
	HK\$'000	HK\$'000
Neither overdue nor impaired	20,244	19,715
Less than 1 month overdue	12,885	2,341
1 to 3 months overdue	2,993	2,188
More than 3 months overdue	7,761	7,115
	23,639	11,644
	43,883	31,359

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.

23. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)**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:

	The group	
	2014	2013
	HK\$'000	HK\$'000
At 1st April	2,429	2,425
Impairment losses recognised	61	4
Currency realignment	(148)	–
At 31st March	2,342	2,429

At 31st March, 2014, the group's trade debtors of HK\$2,342,000 (2013: HK\$2,429,000) 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\$2,342,000 (2013: HK\$2,429,000) 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\$1,329,000 (2013: HK\$3,373,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

24. CASH AND BANK BALANCES

	The group		The company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Pledged time deposits	7,099	11,129	–	–
Time deposits with banks with maturity within 3 months	76	21,421	–	–
Cash and bank balances	4,991	10,282	51	73
	12,166	42,832	51	73

The effective interest rates on all of the time deposits with banks was 1.8% (2013: ranged from 0.01% to 3.1%) per annum at 31st March, 2014.

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

Included in the amount of HK\$12,166,000 (2013: HK\$42,832,000) are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group			2013 '000
	2014 '000			
United States Dollars	USD 3	USD	465	
Japanese Yen	JPY –	JPY	53	
Renminbi	RMB 5,661	RMB	10,810	

The directors consider that the carrying amounts of cash and bank balances approximate to their fair values.

25. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$7,777,000 (2013: HK\$11,000,000) which is included in the group's creditors and accrued charges is as follows:

	The group	
	2014	2013
	HK\$'000	HK\$'000
0 – 30 days	4,608	6,601
31 – 60 days	546	503
61 – 90 days	459	630
Over 90 days	2,164	3,266
	7,777	11,000

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

Included in trade creditors are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2014	2013
	'000	'000
United States Dollars	USD –	USD 52

NOTES TO THE FINANCIAL STATEMENTS

26. OBLIGATIONS UNDER FINANCE LEASES

	The group			
	Minimum lease payments		Present value of minimum lease payments	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Amounts payable under finance leases				
Within one year	19	31	19	31
In the second year	19	19	19	19
In the third to fifth years	24	41	24	41
	<u>62</u>	<u>91</u>	<u>62</u>	<u>91</u>
Less: future finance charges	-	-		
Present value of finance leases	<u>62</u>	<u>91</u>		
Less: amount due for settlement within one year shown under current liabilities			<u>(19)</u>	<u>(31)</u>
Amount due for settlement after one year			<u>43</u>	<u>60</u>

The effective interest rate on obligations under finance leases was 7.5% (2013: 7.5%) per annum at 31st March, 2014.

The directors consider that the carrying amount of obligations under finance leases approximates to its fair value.

27. BANK BORROWINGS

	The group	
	2014	2013
	HK\$'000	HK\$'000
Bank borrowings comprise:		
Bank loans (secured)	50,184	40,535

The effective interest rates of bank borrowings were 2.1% – 2.75% (2013: 2.1% – 2.75%) per annum at 31st March, 2014.

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

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

	The group	
	2014	2013
	HK\$'000	HK\$'000
Due within one year	3,422	2,657
Due more than one year, but not exceeding two years	3,510	2,723
Due more than two years, but not exceeding five years	11,080	8,582
Due more than five years	32,172	26,573
	50,184	40,535

NOTES TO THE FINANCIAL STATEMENTS

28. DEFERRED TAX

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

	The group Accelerated tax depreciation
	HK\$'000
<hr/>	
At 1st April, 2012, 31st March, 2013 and 31st March, 2014	
– Overprovision in respect of prior year	168
	<hr/> <hr/>

At the balance sheet date, the group has unused tax losses of HK\$133,205,000 (2013: HK\$116,506,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses (2013: HK\$Nil) 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\$22,972,000 (2013: HK\$17,073,000) can only be carried forward for five years from the year of the incurrence.

At the balance sheet date, the company had unused tax losses of HK\$9,909,000 (2013: HK\$9,204,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

29. SHARE CAPITAL

	Number of shares		Amount	
	2014	2013	2014 HK\$'000	2013 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	515,240,124	505,784,524	5,152	5,058
Issued pursuant to scrip dividend scheme for 2012 final dividend	-	9,455,600	-	94
Issue of bonus shares	51,524,009	-	515	-
At end of the year	566,764,133	515,240,124	5,667	5,152

30. SHARE AWARD PLAN

Pursuant to a resolution passed by the shareholders of the company in general meeting on 8th September, 2006 (Adoption date), the company adopted the Share Award Plan under which the shares of the company may be awarded to the directors and employees of the group in accordance with the terms and conditions of the Share Award Plan. Pursuant to the rules of the Share Award Plan, the group has appointed a Share Award Plan Trustee ("the Trustee") for the purpose of administering the Share Award Plan and holding the shares of the company before they vested. Unless early terminated by the Board, the Share Award Plan shall be valid and effective for a term for 10 years commencing on the Adoption Date. Vested shares will be transferred at no cost to the relevant awardees. Under the Share Award Plan, the directors will, in their absolute discretion, determine whether the award is to be satisfied by way of allotment and issue the new shares of the company or pursuant of the relevant number of shares of the company on the Stock Exchange of Hong Kong Limited by the Trustee.

On 1st April, 2013, the directors of the company informed the employees that the bonus for the directors and certain employees for the year ended 31st March, 2013 is to be satisfied by award the shares of the company to those directors and employees of the group. On 12th April, 2013, the directors approved 2,688,000 (2013: Nil) shares of the company to be awarded to eligible directors and employees in lieu of cash bonus. The fair value of these shares was HK\$699,000 (2013: HK\$Nil). Those shares of the company were subsequently transferred to those eligible directors and employees at nil consideration on 12th April, 2013.

The fair value of the awarded shares for the year ended 31st March, 2014 was based on the market value of the shares of the company at the date of grant.

31. RESERVES (Cont'd)

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, shares held for share award plan, share award reserve, 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, 2014 amounted to HK\$219,561,000 (2013: HK\$217,194,000).

32. 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 equity. The capital of the group at 31st March, 2014 was HK\$294,755,000 (2013: HK\$306,384,000).

NOTES TO THE FINANCIAL STATEMENTS

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**a) Disposal of subsidiaries**

In July, 2013, the group disposed of its 80% equity interest in HKC Systems Limited for a cash consideration of HK\$800,000. A loss of HK\$862,000 arose from the disposal.

Details of the net assets disposed of in respect of HKC Systems Limited are summarised below:

	2014	2013
	HK\$'000	HK\$'000
Property, plant and equipment	78	—
Inventories	305	—
Debtors, deposits and prepayments	148	—
Gross amount due from customer for contract work	3,413	—
Amount due from a fellow subsidiary	1,181	—
Cash and bank balances	2,941	—
Creditors, deposits received and accrued charges	(5,986)	—
Tax payable	(2)	—
Non-controlling interests	(416)	—
Loss on disposal	(862)	—
	<hr/>	<hr/>
Total consideration satisfied by:		
Cash received	800	—
	<hr/> <hr/>	<hr/> <hr/>
Net cash outflow arising on disposal:		
Cash consideration received	800	—
Bank balances and cash disposal of	(2,941)	—
	<hr/> <hr/>	<hr/> <hr/>
Net outflow of cash and cash equivalent in respect of the disposal of a subsidiary	(2,141)	—

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)**b) Dissolution of subsidiaries**

In financial year ended 31st March, 2013, two subsidiaries, HKC International (M) Sdn. Bhd. and Circle Mobile Communications (M) Sdn. Bhd. both incorporated in Malaysia were dissolved, resulted in a loss of HK\$1,015,000.

Aggregate net assets disposed on date of dissolution:

	2014	2013
	HK\$'000	HK\$'000
Translation reserve transferred to the consolidated profit or loss	-	1,015
Loss on dissolution of subsidiaries	-	1,015

c) Non-cash transactions

There were no non-cash transactions incurred on purchase of property, plant and equipment for the year ended 31st March, 2014. In financial year ended 31st March, 2013, the group acquired property, plant and equipment with an aggregate cost of HK\$2,159,000 of which of HK\$95,000 was acquired by means of finance leases. Cash payment of HK\$2,064,000 were made to acquire property, plant and equipment.

34. PLEDGE OF ASSETS

As at 31st March, 2014, 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\$15,176,000 (2013: HK\$Nil), (2) first legal charge on certain investment properties with total fair value of HK\$141,700,000 (2013: HK\$122,240,000) and (3) bank deposits of HK\$7,099,000 (2013: HK\$11,129,000).

NOTES TO THE FINANCIAL STATEMENTS

35. OPERATING LEASE ARRANGEMENTS**a) The group as lessee:**

At the balance sheet date, 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:

	The group	
	2014	2013
	HK\$'000	HK\$'000
Within one year	1,896	4,159
In the second to fifth years, inclusive	1,162	1,804
	3,058	5,963

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 (2013: 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 turnover for certain leased shops if the turnover 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.

b) The group as lessor:

At the balance sheet date, 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:

	The group	
	2014	2013
	HK\$'000	HK\$'000
Within one year	5,148	4,254
In the second to fifth years, inclusive	8,532	4,276
	13,680	8,530

The properties held have committed tenants in terms of two to five years (2013: two to five years).

c) The company had no operating lease commitments as at 31st March, 2014 and 31st March, 2013.

36. CAPITAL COMMITMENTS

Contracted but not provided for at the balance sheet date:

	The group	
	2014 HK\$'000	2013 HK\$'000
Acquisition of investment properties	–	26,870

37. CONTINGENT LIABILITIES

	The group		The company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Guarantees for general banking facilities granted to subsidiaries	–	–	57,765	96,705
Counter-indemnity given to a bank in respect of guarantee given to a supplier of the subsidiary	–	1,500	–	–
	–	1,500	57,765	96,705

The group and the company have not recognised any deferred income in respect of guarantees as their fair values cannot be reliably measured and their transaction prices were HK\$Nil (2013: HK\$Nil).

38. RELATED PARTY TRANSACTIONS**Key management personnel compensation**

	2014 HK\$'000	2013 HK\$'000
Salaries and other short-term employee benefits	6,122	6,049
Post-employment benefits	218	189
Equity-settled share-based payment	594	–
	6,934	6,238

NOTES TO THE FINANCIAL STATEMENTS

39. SUBSEQUENT EVENT

On 3rd June, 2014, the group entered into a provisional sale and purchase agreement with a third party to dispose of one of its investment properties located at PRC with carrying value of HK\$11,930,000 at a cash consideration of HK\$11,970,000. This transaction is expected to be completed in September, 2014.

40. SUBSIDIARIES

Particulars of the principal subsidiaries at 31st March, 2014 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
				2014	2013	
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\$79,009,780	100%	100%	Sales of mobile phones and business 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\$6,000,100	100%	100%	Sales and distribution of telecommunication products

NOTES TO THE FINANCIAL STATEMENTS

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
				2014	2013	
HKC International (Thailand) Co. Ltd.	Thailand	Thailand	Preference shares THB9,999,990 Ordinary shares THB10,000,010	100%	100%	Sales and distribution of business solutions
Singapore Communications (Wavex) Pte. Ltd.	Singapore	Singapore	Ordinary shares S\$4,000,000	100%	100%	Sales and distribution of business solutions
HKC Technology (Shanghai) Co. Ltd. (note 1)	PRC	PRC	Contributed capital US\$5,850,000	100%	100%	Sales and distribution of business solutions
ASCT Technology Co. Ltd. (note 2)	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%	Sales and distribution of business solutions
HKC Mobile Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$20,000,000	100%	100%	Dormant

NOTES TO THE FINANCIAL STATEMENTS

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
				2014	2013	
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%	Sales of mobile phones and other electronic products

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, 2014 and 31st March, 2013 or at any time during the year.

Note 1: The subsidiary is a wholly foreign owned enterprise.

Note 2: The subsidiary is a sino-foreign owned enterprise.

FIVE YEAR FINANCIAL SUMMARY

	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
RESULTS					
Turnover	870,594	940,006	361,691	268,212	263,096
Profit/(loss) before taxation	22,966	35,303	(6,363)	(5,395)	(11,825)
Tax expense	(3,271)	(2,416)	(181)	(217)	(62)
Profit/(loss) for the year	19,695	32,887	(6,544)	(5,612)	(11,887)
Profit/(loss) attributable to:					
Equity holders of the company	19,768	33,283	(6,601)	(5,679)	(12,175)
Non-controlling interests	(73)	(396)	57	67	288
	19,695	32,887	(6,544)	(5,612)	(11,887)
ASSETS/(LIABILITIES) AND NON-CONTROLLING INTERESTS					
Total assets	314,910	380,558	361,440	371,022	368,164
Total liabilities	(61,918)	(69,984)	(58,470)	(64,510)	(73,409)
Non-controlling interests	–	(4)	(61)	(128)	–
	252,992	310,570	302,909	306,384	294,755

PARTICULARS OF PROPERTIES

(I) PROPERTIES HELD FOR OWNER OCCUPATION

	Use	Lease term	Group's interest
Location in Hong Kong			
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%
Unit 1 on 9th Floor Yue Xiu Building Nos. 160-174 Lockhart Road Hong Kong	Commercial	Long lease	100%

PARTICULARS OF PROPERTIES

(2) INVESTMENT PROPERTIES (Cont'd)

	Use	Lease term	Group's interest
Location in the Mainland China			
Flat 19B on Level 19 Sea of Clouds Gardens No. 138 Qing Hai Road Jiangan District, Shanghai The People's Republic of China	Residential	Medium-term lease	100%
Units 1101, 1102, 1103, 1104, 1105, 1106, 1107 and 1108 on Level 11 East Huai Hai International Building Nos. 45-49 Huai Hai Road East Huang Pu District, Shanghai The People's Republic of China	Commercial	Medium-term 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%