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HKC INTERNATIONAL HOLDINGS LIMITED

香港通訊國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 248)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2017

The board of directors (the “board”) of HKC International Holdings Limited (the “company”) is pleased to announce the audited consolidated results of the company and its subsidiaries (collectively, the “group”) for the year ended 31st March, 2017 together with audited comparative figures for the year ended 31st March, 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	4	170,687	227,155
Cost of sales		<u>(131,943)</u>	<u>(176,481)</u>
Gross profit		38,744	50,674
Other income and gains	5	4,855	3,529
Other losses	5	(1,254)	(1,683)
Fair value gain/(loss) on investment properties		13,267	(14,950)
Selling and distribution expenses		(11,411)	(11,808)
Administrative and other operating expenses		(46,684)	(46,660)
Finance costs	6	<u>(1,893)</u>	<u>(1,818)</u>

* *For identification purpose only*

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Loss before taxation	7	(4,376)	(22,716)
Tax (expense)/credit	8(a)	<u>(51)</u>	<u>434</u>
Loss for the year attributable to equity holders of the company		(4,427)	(22,282)
Other comprehensive expense <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		(1,476)	348
Available-for-sale financial assets:			
– Fair value changes during the year		–	(1,358)
– Reclassification adjustments transferred to profit or loss			
– Released upon disposal of available-for-sale financial assets		(3,398)	(3,162)
Other comprehensive expense for the year		<u>(4,874)</u>	<u>(4,172)</u>
Total comprehensive expense attributable to equity holders of the company		<u>(9,301)</u>	<u>(26,454)</u>
LOSS PER SHARE – (HK CENTS)			
– basic	9	<u>(0.44) cents</u>	<u>(2.24) cents*</u>
– diluted	9	<u>(0.44) cents</u>	<u>(2.24) cents*</u>

* *Adjusted for the bonus share issue*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		57,953	60,837
Investment properties		189,270	177,830
Available-for-sale financial assets		3,900	8,592
		<u>251,123</u>	<u>247,259</u>
CURRENT ASSETS			
Inventories		11,876	27,385
Financial assets at fair value through profit or loss		384	298
Gross amounts due from customers for contract work		25,319	40,208
Debtors, deposits and prepayments	10	53,954	40,936
Tax recoverable		140	–
Cash and bank balances		17,716	15,420
		<u>109,389</u>	<u>124,247</u>
CURRENT LIABILITIES			
Creditors and accrued charges	11	17,355	22,282
Tax payable		43	65
Obligations under finance leases		11	25
Bank borrowings		79,288	77,129
		<u>96,697</u>	<u>99,501</u>
NET CURRENT ASSETS		<u>12,692</u>	<u>24,746</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>263,815</u>	<u>272,005</u>

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Obligations under finance leases	12	23
Deferred tax liabilities	168	168
	<u>180</u>	<u>191</u>
NET ASSETS	263,635	271,814
CAPITAL AND RESERVES		
Share capital	9,963	7,970
Reserves	253,672	263,844
TOTAL EQUITY	263,635	271,814

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

The group has adopted the following amendments to HKFRSs issued by HKICPA for the first time in the current year.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Annual Improvements to HKFRSs 2012-2014 Cycle	Amendments to HKFRSs
Amendments to HKAS 27	Equity method in separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the new and amendments to HKFRSs in the current year has had no material impact on the group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Up to the date of approval of these consolidated financial statements, the HKICPA has issued the following amendments and new or amended standards which are not yet effective for the accounting period ended 31st March, 2017 and which have not been early adopted in these consolidated financial statements:

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴

¹ Effective for annual periods beginning on or after 1st January, 2017

² Effective for annual periods beginning on or after 1st January, 2018

³ Effective for annual periods beginning on or after 1st January, 2019

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

The group has been evaluating the impact of these new or revised standards and amendments but not yet in a position to state whether all these new or revised standards and amendments would have a significant impact on the group's results of operations and financial position.

4. REVENUE/SEGMENTAL INFORMATION

Revenue represents sales of mobile phones and internet of things (“IOT”) solutions and gross rental income.

a) Segment results, assets and liabilities

The reportable segments for the year ended 31st March, 2017 are as follows:

	Sales of mobile phones in Hong Kong <i>HK\$'000</i>	Sales of IOT solutions in Hong Kong <i>HK\$'000</i>	Sales of IOT solutions in Mainland China and other countries in South East Asia <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUES					
Revenue from external customers	93,606	50,898	20,187	5,996	170,687
Inter-segment sales	9	674	-	-	683
Reportable segment revenue	<u>93,615</u>	<u>51,572</u>	<u>20,187</u>	<u>5,996</u>	<u>171,370</u>
Reportable segment (loss)/profit	<u>(4,324)</u>	<u>(10,699)</u>	<u>(7,776)</u>	<u>2,745</u>	<u>(20,054)</u>
Interest income from bank deposits	112	-	1	-	113
Finance cost	(714)	(75)	-	(1,104)	(1,893)
Depreciation for the year	(1,646)	(399)	(395)	(437)	(2,877)
Reportable segment assets	90,384	31,800	44,774	189,270	356,228
Additions to non-current assets during the year	115	14	151	291	571
Reportable segment liabilities	<u>39,261</u>	<u>8,840</u>	<u>7,975</u>	<u>40,633</u>	<u>96,709</u>

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

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

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

b) Geographic information

	Revenues from external customers		Non-current assets*	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	150,028	197,407	218,761	208,914
Mainland China	9,200	22,844	26,889	27,972
Singapore	10,870	6,599	1,573	1,781
Other countries in South East Asia	589	305	–	–
	20,659	29,748	28,462	29,753
	170,687	227,155	247,223	238,667

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

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

	2017	2016
	HK\$'000	HK\$'000
REVENUES		
Reportable segment revenue	171,370	227,560
Elimination of inter-segment revenue	(683)	(405)
Consolidated revenue	170,687	227,155
PROFIT OR LOSS		
Reportable segment loss	(20,054)	(8,513)
Gain on disposal of available-for-sale financial assets	3,665	2,430
Fair value gain/(loss) on investment properties	13,267	(14,950)
Other losses	(1,254)	(1,683)
Consolidated loss before taxation	(4,376)	(22,716)

	2017	2016
	HK\$'000	HK\$'000
ASSETS		
Reportable segment assets	356,228	362,616
Non-current financial assets	3,900	8,592
Unallocated corporate assets	384	298
	<hr/>	<hr/>
Consolidated total assets	360,512	371,506
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES

Reportable segment liabilities	96,709	99,524
Deferred tax liabilities	168	168
	<hr/>	<hr/>
Consolidated total liabilities	96,877	99,692
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to reportable segments other than available-for-sale financial assets and financial assets at fair value through profit or loss.
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

d) Information about major customers

For the year ended 31st March, 2017, revenue from a major customer contributed to the group's revenue of approximately HK\$11,267,000 (2016: HK\$13,942,000) was included in reportable segment "sales of IOT solutions in Hong Kong" which individually accounted for 7% (2016: 18%) of the group's total revenue during the year.

5. OTHER INCOME, GAINS AND OTHER LOSSES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER INCOME AND GAINS		
Bank interest income	113	240
Computer service fee income	89	163
Commission income	1	6
Rental income for application software provider	99	149
Dividend income from listed equity securities	–	153
Gain on disposal of available-for-sale financial assets	3,665	2,430
Bad debts recovered	124	–
Others	764	388
	<hr/>	<hr/>
	4,855	3,529
	<hr/> <hr/>	<hr/> <hr/>

OTHER LOSSES

Net exchange loss	1,254	1,612
Fair value loss of financial assets at fair value through profit or loss	–	71
	<hr/>	<hr/>
	1,254	1,683
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	1,893	1,818
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2017	2016
	HK\$'000	HK\$'000
Auditor's remuneration	587	577
Depreciation		
– Owned assets	2,852	3,187
– Leased assets	25	25
	2,877	3,212
Operating lease rentals in respect of rented premises		
– Minimum lease payments	1,150	1,441
– Contingent rent	1,271	1,303
	2,421	2,744
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	33,616	38,485
– Retirement benefit scheme contributions	2,388	2,585
Total staff costs	36,004	41,070
(Write-back)/write-down of inventories	(3,500)	1,033
Impairment loss on trade debtors	1,505	57
Bad debts written off	50	961
Loss on disposal of property, plant and equipment	42	–
Property, plant and equipment written off	447	61
Donations	201	270
	5,423	5,863
and after crediting:		
Gross rental income from investment properties under operating leases less outgoings	5,423	5,863

8. TAX EXPENSE/(CREDIT)

- a) Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong		
Charge for the year	71	205
Overprovision in respect of prior years	<u>(20)</u>	<u>(20)</u>
	51	185
Overseas		
Overprovision in respect of prior years	<u>–</u>	<u>(619)</u>
Tax expense/(credit) for the year	<u><u>51</u></u>	<u><u>(434)</u></u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before taxation	<u><u>(4,376)</u></u>	<u><u>(22,716)</u></u>
Tax at the income tax rate of 16.5% (2016: 16.5%)	(722)	(3,748)
Tax effect of income not taxable	(2,468)	(478)
Tax effect of expenses that are not deductible in determining taxable income	579	2,636
Tax effect of unrecognised tax losses	4,135	1,457
Tax effect of different tax rates in other jurisdiction	(359)	(224)
Tax effect of utilisation of tax losses previously unrecognized	(42)	(47)
Tax effect of unrecognized temporary difference	(593)	462
Others	<u>(479)</u>	<u>(492)</u>
Tax expense/(credit) for the year	<u><u>51</u></u>	<u><u>(434)</u></u>

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

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (restated)
Loss attributable to equity holders of the company	<u>(4,427)</u>	<u>(22,282)</u>
	Number of shares	Number of shares
Basic		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic loss per share	<u>994,996,517</u>	<u>992,757,411</u>
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	994,996,517	992,757,411
Effect of dilutive potential ordinary shares:		
Awarded shares	<u>1,268,505</u>	<u>3,507,611</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>996,265,022</u>	<u>996,265,022</u>

Note:

The weighted average number of ordinary shares for the year ended 31st March, 2016 for the purpose of calculating basic and diluted loss per share have been restated and adjusted for bonus share issue which took place on 26th August, 2016.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade debtors	46,251	34,023
Less: allowance for doubtful debts	<u>(3,693)</u>	<u>(2,312)</u>
	42,558	31,711
Deposits, other debtors and prepayments	<u>11,396</u>	<u>9,225</u>
	<u><u>53,954</u></u>	<u><u>40,936</u></u>

a) Ageing analysis

The ageing analysis of trade debtors of HK\$42,558,000 (2016: HK\$31,711,000) which are included in the debtors, deposits and prepayments are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	15,015	13,207
31-60 days	12,337	3,336
61-90 days	609	1,975
91-120 days	503	767
121-360 days	6,883	4,262
Over 360 days	<u>7,211</u>	<u>8,164</u>
	<u><u>42,558</u></u>	<u><u>31,711</u></u>

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither overdue nor impaired	<u>15,015</u>	<u>13,207</u>
Less than 1 month overdue	12,409	4,225
1 to 3 months overdue	1,041	1,826
More than 3 months overdue	<u>14,093</u>	<u>12,453</u>
	<u><u>27,543</u></u>	<u><u>18,504</u></u>
	<u><u>42,558</u></u>	<u><u>31,711</u></u>

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

Receivables that were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were overdue but not impaired relate to independent customers that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group does not hold any collateral over these balances.

c) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded fully on allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for doubtful debts during the year is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1st April	2,312	2,405
Impairment losses recognised	1,505	57
Bad debt recovered	(124)	–
Currency realignment	–	(150)
	<hr/>	<hr/>
At 31st March	<u>3,693</u>	<u>2,312</u>

At 31st March, 2017, the group's trade debtors of HK\$3,693,000 (2016: HK\$2,312,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that such trade receivables cannot be fully recovered. Consequently, specific allowances for doubtful debts of HK\$3,693,000 (2016: HK\$2,312,000) 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\$1,017,000 (2016: HK\$1,070,000). All of the remaining deposits, other debtors and prepayments are expected to be recovered or recognised as expense within one year.

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

11. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$7,226,000 (2016: HK\$14,582,000) which is included in the group's creditors and accrued charges is as follows:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	5,233	9,169
31 – 60 days	153	1,639
61 – 90 days	238	180
Over 90 days	1,602	3,594
	<hr/> 7,226 <hr/>	<hr/> 14,582 <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2017, the group's turnover decreased by 25% to HK\$171 million (2016: HK\$227 million) and net loss attributable to equity holders of the company was HK\$4 million as compared with the same for the year ended 31 March, 2016 of HK\$22 million. The main reason for the substantial decrease in loss was due to the fair value gain on investment properties amounting to approximately HK\$13 million while there was fair value loss on investment properties amounting to approximately HK\$15 million for the year ended 31 March, 2016.

SALES OF MOBILE PHONES

The turnover decreased from HK\$118 million to HK\$94 million during the year under review. The division recorded loss of HK\$4 million (2016: HK\$2 million). The decrease in turnover was due to lesser models were launched by the supplier.

SALES OF IOT SOLUTIONS

During the year under review, the turnover decreased by 32% to HK\$71 million (2016: HK\$103 million) due to fewer projects have been completed. The loss increased from HK\$8 million to HK\$18 million.

PROPERTY INVESTMENT

The rental income was HK\$6.0 million (2016: HK\$6.2 million) and the profit of this division was HK\$2.7 million (2016: HK\$1.3 million).

PROSPECTS

Regarding the mobile phone business, the Nokia brand has re-entered the market since December, 2016. As an authorised distribution partner, we expect that the sales will increase in the coming year.

In IOT solutions segment, we will develop new and innovative products to meet market demand. In addition, we will continue to implement cost control measures.

Regarding the property investment segment, we expect that the rental income will be decreased by HK\$1.5 million in the coming year due to the disposal of properties in Mainland China and rental reduction upon renewal of tenancy agreement for an existing tenant.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2017, the group's cash and bank balances amounted to approximately HK\$18 million (2016: HK\$15 million) while the bank borrowings were HK\$79 million (2016: HK\$77 million). The Board believes that the group has sufficient resources to satisfy its commitments and working capital requirements.

GEARING RATIO

The gearing ratio was 30% (2016: 28%) which is expressed as a percentage of total borrowings to shareholders' funds.

CAPITAL STRUCTURE

There was no change to the group's capital structure for the year ended 31st March, 2017.

CAPITAL EXPENDITURE

During the year, the group spent HK\$0.6 million on property, plant and equipment.

EMPLOYEES

As at 31st March, 2017, the total number of employees of the group was approximately 120 (2016: 160) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$31 million (2016: HK\$36 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. The group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 31st March, 2017, the group's general banking facilities were secured by (1) first legal charge on certain leasehold land and building with total carrying value of HK\$55,738,000 (2016: HK\$56,866,000), (2) first legal charge on certain investment properties with total fair value of HK\$152,610,000 (2016: HK\$139,500,000), (3) bank deposits of HK\$2,584,000 (2016: HK\$2,441,000) and (4) financial assets at fair value through profit and loss with total fair value of HK\$384,000 (2016: HK\$298,000).

FOREIGN EXCHANGE FLUCTUATIONS

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

CONTINGENT LIABILITIES

As at 31st March, 2017, the company had provided corporate guarantees of HK\$79 million (2016: HK\$77 million) to secure general banking facilities granted to the subsidiaries.

EVENT AFTER THE REPORTING PERIOD

On 11th March, 2017, a subsidiary of the group has entered into an agreement with a third party to dispose of its investment properties in Mainland China at a consideration of RMB23,800,000. This sale of properties will be completed in July 2017. Upon completion, a gain approximately RMB200,000 is expected to accrue to the group.

DIVIDEND AND BONUS SHARE ISSUE

The directors do not recommend the payment of any final dividend for the year ended 31st March, 2017 (2016: HK\$Nil) but propose to make a bonus issue of one new share credited as fully paid for every four shares held on the register of members on 6th September, 2017 (2016: one new share credited as fully paid for every four shares). The necessary resolution will be proposed at the forthcoming annual general meeting on 28th August, 2017, 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, 2017.

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 17th August, 2017 to 21st August, 2017 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar ("Branch Registrar"), Pilare Limited, at Room 1021, 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 16th August, 2017.

To qualify for the proposed bonus shares

The register of members of the company will be closed from 4th September, 2017 to 6th September, 2017 (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 1st September, 2017.

CORPORATE GOVERNANCE

The board considers that good corporate governance is central to safeguarding the interests of the shareholders, customers, employees and other stakeholders of the group. The company had complied throughout the year ended 31st March, 2017 with the code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules, except the following provisions:

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

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Dr. Chu Chor Lup and Mr. Chiu Ngar Wing did not attend the annual general meeting of the company held on 22nd August, 2016 due to their other commitments.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March 2017 as set out in the preliminary announcement have been agreed by the Group’s auditors, Li, Tang, Chen & Co., to the amounts set out in the group’s audited consolidated financial statements for the year. The work performed by Li, Tang, Chen & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Li, Tang, Chen & Co. on the preliminary announcement.

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

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, each of the directors confirmed that he had complied with the required standard set out in the Model Code during the year ended 31st March, 2017.

AUDIT COMMITTEE

During the year, the audit committee reviewed the unaudited interim financial statements for the six months ended 30th September, 2016 and the audited financial statements for the year ended 31st March, 2017 with recommendations to the board for approval, reviewed reports on internal control system of the group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the group and financial reporting matters.

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

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

APPRECIATION

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

ANNUAL GENERAL MEETING AND DESPATCH OF ANNUAL REPORT

The annual general meeting (“AGM”) of the company will be held on Monday, 28th August, 2017. The annual report of the company for the year ended 31st March, 2017 together with the notice of the AGM will be dispatched to shareholders of the company and will be published on the company’s website at “www.hkc.com.hk” and the website of The Hong Kong Exchange and Clearing Limited at “www.hkexnews.hk” in due course.

BOARD OF DIRECTORS

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

On behalf of the board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 23rd June, 2017