

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



## **HKC INTERNATIONAL HOLDINGS LIMITED**

**香港通訊國際控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 248)

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2018**

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, 2018 together with audited comparative figures for the year ended 31st March, 2017 as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31st March, 2018*

	<i>Note</i>	<b>2018</b> <b>HK\$'000</b>	<b>2017</b> <b>HK\$'000</b>
<b>Revenue</b>	4	<b>256,413</b>	170,687
Cost of sales		<u><b>(206,715)</b></u>	<u>(131,943)</u>
<b>Gross profit</b>		<b>49,698</b>	38,744
Other income and gains	5	<b>4,212</b>	4,855
Other losses	5	<b>(3,600)</b>	(1,254)
Fair value gain on investment properties		<b>10,190</b>	13,267
Selling and distribution expenses		<b>(10,888)</b>	(11,411)
Administrative and other operating expenses		<b>(41,814)</b>	(46,684)
Finance costs	6	<u><b>(2,116)</b></u>	<u>(1,893)</u>

\* *For identification purpose only*

	<i>Note</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Profit/(loss) before taxation</b>	7	<b>5,682</b>	(4,376)
<b>Tax expense</b>	8(a)	<u><b>(124)</b></u>	<u>(51)</u>
<b>Profit/(loss) for the year attributable to equity holders of the company</b>		<u><b>5,558</b></u>	<u>(4,427)</u>
<b>Other comprehensive income/(expense)</b>			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Surplus on revaluation of leasehold land and building upon transfer to investment properties		<b>36,594</b>	–
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		<b>1,331</b>	(1,476)
Available-for-sale financial assets:			
– Reclassification adjustments transferred to profit or loss			
– Released upon disposal of available-for-sale financial assets		–	(3,398)
		<u><b>1,331</b></u>	<u>(4,874)</u>
Other comprehensive income/(expense) for the year		<u><b>37,925</b></u>	<u>(4,874)</u>
<b>Total comprehensive income/(expense) attributable to equity holders of the company</b>		<u><b>43,483</b></u>	<u>(9,301)</u>
<b>PROFIT/(LOSS) PER SHARE – (HK CENTS)</b>			
– basic	9	<u><b>0.45 cents</b></u>	<u>(0.36) cents*</u>
– diluted	9	<u><b>0.45 cents</b></u>	<u>(0.36) cents*</u>

\* Adjusted for the bonus share issue

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		56,456	57,953
Investment properties		209,920	189,270
Available-for-sale financial assets		2,247	3,900
		<u>268,623</u>	<u>251,123</u>
<b>CURRENT ASSETS</b>			
Inventories		35,427	11,876
Financial assets at fair value through profit or loss		534	384
Gross amounts due from customers for contract work		21,555	25,319
Debtors, deposits and prepayments	10	59,223	53,954
Tax recoverable		21	140
Cash and bank balances		30,350	17,716
		<u>147,110</u>	<u>109,389</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accrued charges	11	18,584	17,355
Tax payable		154	43
Obligations under finance leases		80	11
Bank borrowings		89,281	79,288
		<u>108,099</u>	<u>96,697</u>
<b>NET CURRENT ASSETS</b>		<u>39,011</u>	<u>12,692</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>307,634</u>	<u>263,815</u>

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Obligations under finance leases	<b>348</b>	12
Deferred tax liabilities	<b>168</b>	168
	<u>516</u>	<u>180</u>
<b>NET ASSETS</b>	<b>307,118</b>	263,635
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>12,453</b>	9,963
Reserves	<b>294,665</b>	253,672
<b>TOTAL EQUITY</b>	<b>307,118</b>	263,635

## 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.

#### **New and amended standards adopted by the Group**

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

None of the above amendments to HKFRSs has had a significant financial effect on these consolidated financial statements.

### 3. NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

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, 2018 and which have not been early adopted in these consolidated financial statements:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, <i>First-time adoption of Hong Kong Financial Reporting Standards</i> <sup>1</sup>
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, <i>Investments in Associates and Joint Ventures</i> <sup>1</sup>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Revenue from Contracts with Customers (Clarification to HKFRS 15)</i> <sup>1</sup>
Amendments to HKAS 40 HK(IFRIC) – Int 22	<i>Transfers of Investment Property</i> <sup>1</sup> <i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup> <i>Leases</i> <sup>2</sup>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatment</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2018

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2019

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1st January, 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

#### **HKFRS 9, Financial instruments**

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

The group considers that initial application of HKFRS 9 will not have a significant impact on the groups results of operation and financial position.

## **HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between the periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRS. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principals versus agent and licence of intellectual property and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

The group has performed a detailed assessment on the impact of the adoption of HKFRS 15 and expect that the impact should not be material. The group's principal activities consist of sales and distribution of mobile phones and internet of things solutions. The expected changes in accounting policies will not have any significant impact on the group's consolidated financial statements.

## **HKFRS 16, Leases**

The group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The group enters into some leases as the lessor and other as the lessee.

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

HKFRS 16 will primarily affect the group's accounting as a lessee of leases for the properties, plant and equipment which are currently classified as operating leases. Most of the lessee entered by group are in short-term or contingent basis. The group considers that initial application of HKFRS 16 will not have any significant impact on the groups results of operation 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, 2018 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 and other countries in South East Asia <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUES</b>					
Revenue from external customers	189,655	40,909	20,470	5,379	256,413
Inter-segment sales	–	9	–	–	9
Reportable segment revenue	<u>189,655</u>	<u>40,918</u>	<u>20,470</u>	<u>5,379</u>	<u>256,422</u>
Reportable segment profit/(loss)	<u>2,537</u>	<u>(3,230)</u>	<u>(2,322)</u>	<u>2,107</u>	<u>(908)</u>
Interest income from bank deposits	18	–	3	–	21
Finance cost	(1,084)	–	–	(1,032)	(2,116)
Depreciation for the year	(1,141)	(643)	(376)	(15)	(2,175)
Reportable segment assets	131,259	50,941	20,245	210,507	412,952
Additions to non-current assets during the year	35	567	542	5	1,149
Reportable segment liabilities	<u>61,054</u>	<u>7,773</u>	<u>5,079</u>	<u>34,541</u>	<u>108,447</u>



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>
<b>REVENUES</b>					
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 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 impairment loss on available-for-sales financial assets, fair value gain on investment properties and exchange loss. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**b) Geographic information**

	Revenues from external customers		Non-current assets*	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	235,481	150,028	264,263	218,761
Mainland China	8,762	9,200	175	26,889
Singapore	11,629	10,870	1,938	1,573
Other countries in South East Asia	541	589	–	–
	<u>20,932</u>	<u>20,659</u>	<u>2,113</u>	<u>28,462</u>
	<u>256,413</u>	<u>170,687</u>	<u>266,376</u>	<u>247,223</u>

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

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

	2018	2017
	HK\$'000	HK\$'000
<b>REVENUES</b>		
Reportable segment revenue	256,422	171,370
Elimination of inter-segment revenue	(9)	(683)
Consolidated revenue	<u>256,413</u>	<u>170,687</u>
<b>PROFIT OR LOSS</b>		
Reportable segment loss	(908)	(20,054)
Gain on disposal of available-for-sale financial assets	–	3,665
Fair value gain on investment properties	10,190	13,267
Other losses	(3,600)	(1,254)
Consolidated profit/(loss) before taxation	<u>5,682</u>	<u>(4,376)</u>

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>ASSETS</b>		
Reportable segment assets	<b>412,952</b>	356,228
Non-current financial assets	<b>2,247</b>	3,900
Unallocated corporate assets	<b>534</b>	384
	<hr/>	<hr/>
Consolidated total assets	<b>415,733</b>	360,512
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Reportable segment liabilities	<b>108,447</b>	96,709
Deferred tax liabilities	<b>168</b>	168
	<hr/>	<hr/>
Consolidated total liabilities	<b>108,615</b>	96,877
	<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, 2018, revenue from a major customer contributed to the group's revenue of approximately HK\$41,816,000 was included in reportable segment "Sales of mobile phones in Hong Kong" (2017: HK\$11,267,000 was included in reportable segment "Sales of IOT solutions in Hong Kong") which individually accounted for 16% (2017: 7%) of the group's total revenue during the year.

**5. OTHER INCOME, GAINS AND OTHER LOSSES**

	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OTHER INCOME AND GAINS</b>		
Bank interest income	21	113
Computer service fee income	24	89
Commission income	9	1
Rental income for application software provider	46	99
Gain on disposal of available-for-sale financial assets	–	3,665
Gain on disposal of investment property	481	–
Gain on disposal of property, plant and equipment	10	–
Exchange gain	1,423	–
Bad debts recovered	–	124
Others	2,198	764
	<u>4,212</u>	<u>4,855</u>

**OTHER LOSSES**

Net exchange loss	–	1,254
Impairment loss on available-for-sale financial assets	3,600	–
	<u>3,600</u>	<u>1,254</u>

**6. FINANCE COSTS**

	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	2,116	1,893

## 7. PROFIT/(LOSS) BEFORE TAXATION

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

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Auditor's remuneration	<b>648</b>	587
Depreciation		
– Owned assets	<b>2,138</b>	2,852
– Leased assets	<b>37</b>	25
	<b>2,175</b>	2,877
Operating lease rentals in respect of rented premises		
– Minimum lease payments	<b>1,049</b>	1,150
– Contingent rent	<b>1,547</b>	1,271
	<b>2,596</b>	2,421
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	<b>32,491</b>	33,616
– Retirement benefit scheme contributions	<b>1,838</b>	2,388
Total staff costs	<b>34,329</b>	36,004
Write-down/(write-back) of inventories	<b>1,179</b>	(3,500)
Impairment loss on trade debtors	<b>889</b>	1,505
Impairment loss on gross amount due from customers for contract work	<b>750</b>	–
Impairment loss on available-for-sale financial assets	<b>3,600</b>	–
Bad debts written off	–	50
(Gain)/loss on disposal of property, plant and equipment	<b>(10)</b>	42
Property, plant and equipment written off	–	447
Donations	<b>240</b>	201
	<b>3,998</b>	5,423
and after crediting:		
Gross rental income from investment properties under operating leases less outgoings	<b>3,998</b>	5,423

## 8. TAX EXPENSE

- a) Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong		
Charge for the year	<b>83</b>	71
Underprovision/(overprovision) in respect of prior years	<b>41</b>	(20)
	<u>124</u>	<u>(20)</u>
Tax expense for the year	<b><u>124</u></b>	<b><u>51</u></b>

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit/(loss) before taxation	<b><u>5,682</u></b>	<b><u>(4,376)</u></b>
Tax at the income tax rate of 16.5% (2017: 16.5%)	<b>937</b>	(722)
Tax effect of income not taxable	<b>(2,287)</b>	(2,468)
Tax effect of expenses that are not deductible in determining taxable income	<b>782</b>	579
Tax effect of unrecognised tax losses	<b>651</b>	4,135
Tax effect of different tax rates in other jurisdiction	<b>(201)</b>	(359)
Tax effect of utilisation of tax losses previously unrecognized	<b>(926)</b>	(42)
Tax effect of unrecognized temporary difference	<b>1,043</b>	(593)
Underprovision of profit tax for prior year	<b>41</b>	–
Tax concession	<b>(30)</b>	–
Others	<b>114</b>	(479)
	<u>114</u>	<u>(479)</u>
Tax expense for the year	<b><u>124</u></b>	<b><u>51</u></b>

**9. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit/(loss) attributable to equity holders of the company	<u><b>5,558</b></u>	<u>(4,427)</u>
	<b>Number of shares</b>	Number of shares
<b>Basic</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic profit/(loss) per share	<u><b>1,245,331,256</b></u>	<u>1,243,745,624</u>
<b>Diluted</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	<b>1,245,331,256</b>	1,243,745,624
Effect of dilutive potential ordinary shares:		
Awarded shares	<u>—</u>	<u>1,585,632</u>
Weighted average number of ordinary shares for the purpose of calculating diluted profit/(loss) per share	<u><b>1,245,331,256</b></u>	<u>1,245,331,256</u>

*Note:*

The weighted average number of ordinary shares for the year ended 31st March, 2017 for the purpose of calculating basic and diluted loss per share have been restated and adjusted for bonus share issue which took place on 28th August, 2017.

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade debtors	42,319	46,251
Less: allowance for doubtful debts	<u>(4,811)</u>	<u>(3,693)</u>
	37,508	42,558
Deposits, other debtors and prepayments	<u>21,715</u>	<u>11,396</u>
	<u><u>59,223</u></u>	<u><u>53,954</u></u>

### a) Ageing analysis

The ageing analysis of trade debtors of HK\$37,508,000 (2017: HK\$42,558,000) which are included in the debtors, deposits and prepayments are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	15,128	15,015
31 – 60 days	4,301	12,337
61 – 90 days	706	609
91 – 120 days	738	503
121 – 360 days	4,140	6,883
Over 360 days	<u>12,495</u>	<u>7,211</u>
	<u><u>37,508</u></u>	<u><u>42,558</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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Neither overdue nor impaired	<u>15,128</u>	<u>15,015</u>
Less than 1 month overdue	4,325	12,409
1 to 3 months overdue	1,420	1,041
More than 3 months overdue	<u>16,635</u>	<u>14,093</u>
	<u><u>22,380</u></u>	<u><u>27,543</u></u>
	<u><u>37,508</u></u>	<u><u>42,558</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:

	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April	<b>3,693</b>	2,312
Impairment losses recognised	<b>889</b>	1,505
Bad debt recovered	–	(124)
Currency realignment	<b>229</b>	–
	<hr/>	<hr/>
At 31st March	<b>4,811</b>	3,693
	<hr/> <hr/>	<hr/> <hr/>

At 31st March, 2018, the group's trade debtors amounted to HK\$4,811,000 (2017: HK\$3,693,000) 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\$4,811,000 (2017: HK\$3,693,000) 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\$974,000 (2017: HK\$1,017,000). 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\$9,434,000 (2017: HK\$7,226,000) which is included in the group's creditors and accrued charges is as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	<b>5,887</b>	5,233
31 – 60 days	<b>174</b>	153
61 – 90 days	<b>188</b>	238
Over 90 days	<b>3,185</b>	1,602
	<hr/> <b>9,434</b> <hr/>	<hr/> 7,226 <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, 2018, the group's turnover increased by 50% to HK\$256 million (2017: HK\$171 million) and net profit attributable to equity holders of the company was HK\$6 million as compared with the loss of HK\$4 million for the year ended 31st March, 2017. The turnover from loss to profit was mainly attributable to, among other things, the increase in turnover and reduction in administrative and other operating expenses.

The substantial increase in inventories from HK\$12 million to HK\$35 million during the year under review was because more inventories of mobile phones were kept in order to cope with the increase in demand. The group will closely monitor the inventory level in light of the market demand.

### SALES OF MOBILE PHONES

The turnover increased from HK\$94 million to HK\$190 million during the year under review. The division recorded profit of HK\$3 million (2017: loss of HK\$4 million). The substantial increase in turnover was due to new models launched by Nokia and vivo which were well received by the customers.

### SALES OF IOT SOLUTIONS

During the year under review, the turnover decreased by 14% to HK\$61 million (2017: HK\$71 million) due to fewer projects have been completed. However, the loss decreased from HK\$18 million to HK\$6 million due to effective cost reduction measures.

## **PROPERTY INVESTMENT**

During the year under review, the rental income decreased from HK\$6 million to HK\$5 million due to the disposal of an investment property in Shanghai. The profit of this division was HK\$2 million (2017: HK\$3 million).

## **PROSPECTS**

Regarding the mobile phone business, we are the authorised distributors of both Nokia and vivo brands. With their increased popularity and launch of new models, we expect that there will be an increase in sales in the coming year.

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

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2018, the group's cash and bank balances amounted to approximately HK\$30 million (2017: HK\$18 million) while the bank borrowings were HK\$89 million (2017: HK\$79 million). The board believes that the group has sufficient resources to satisfy its commitments and working capital requirements.

## **GEARING RATIO**

The gearing ratio was 29% (2017: 30%) which is expressed as a percentage of total borrowings to shareholders' funds.

## **CAPITAL STRUCTURE**

There was no change to the group's capital structure for the year ended 31st March, 2018.

## **CAPITAL EXPENDITURE**

During the year, the group spent HK\$1 million on property, plant and equipment.

## **EMPLOYEES**

As at 31st March, 2018, the total number of employees of the group was approximately 120 (2017: 120) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$30 million (2017: HK\$31 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, 2018, 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\$54,100,000 (2017: HK\$55,738,000), (2) first legal charge on certain investment properties with total fair value of HK\$199,450,000 (2017: HK\$152,610,000), (3) bank deposits of HK\$2,626,000 (2017: HK\$2,584,000), (4) financial assets at fair value through profit and loss with total fair value of HK\$534,000 (2017: HK\$384,000) and (5) available-for-sale financial assets of HK\$1,947,000 (2017: HK\$ Nil).

## **FOREIGN EXCHANGE FLUCTUATIONS**

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

## **CONTINGENT LIABILITIES**

As at 31st March, 2018, the company had provided corporate guarantees of HK\$89 million (2017: HK\$79 million) to secure general banking facilities granted to the subsidiaries.

## **DIVIDEND**

Final dividend of HK0.2 cents (2017: HK\$ Nil) per ordinary shares for the year ended 31st March, 2018 has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming annual general meeting (2017: The directors did not recommend the payment of any final dividend but proposed to make a bonus issued of one new share credited as fully paid for every four shares).

## **CLOSURE OF REGISTER OF MEMBERS**

### **To be eligible to attend and vote in the coming annual general meeting**

The register of members of the company will be closed from Wednesday, 29th August, 2018 to Friday, 31st August, 2018 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the company's Hong Kong branch registrar ("Branch Registrar"), Pilare Limited, at Room 1021, 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28th August, 2018.

### **To qualify for the proposed dividend**

The register of members of the company will be closed from Wednesday, 12th September, 2018 to Friday, 14th September, 2018 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for the proposed dividend, all transfers accompanied by the relevant share certificates must be lodged with the Branch Registrar, Pilare Limited, at Room 1021, 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11th September, 2018.

### **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, 2018 with the code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules, except the following provisions:

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

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Dr. Chu Chor Lup did not attend the annual general meeting of the company held on 28th August, 2017 due to his other commitments.

### **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR**

The figures in respect of the group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March 2018 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 HKICPA 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, 2018.

## **AUDIT COMMITTEE**

During the year, the audit committee reviewed the unaudited condensed interim financial statements for the six months ended 30th September, 2017 and the audited financial statements for the year ended 31st March, 2018 with recommendations to the board for approval, reviewed reports on internal control system of the group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the group and financial reporting matters.

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

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

## **APPRECIATION**

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

## **ANNUAL GENERAL MEETING AND DESPATCH OF ANNUAL REPORT**

The annual general meeting (“AGM”) of the company will be held on Friday, 31st August, 2018. The annual report of the company for the year ended 31st March, 2018 together with the notice of the AGM will be dispatched to shareholders of the company and will be published on the company’s website at “www.hkc.com.hk” and the website of The Hong Kong Exchange and Clearing Limited at “www.hkexnews.hk” in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the board comprises Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Ming Him, Denny, Mr. Wu Kwok Lam, Mr. Ip Man Hon and 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, 22nd June, 2018