



ANNUAL REPORT **2018**



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 & Chief Executive Officer)

Chan Chung Yin, Roy

Chan Ming Him, Denny

Wu Kwok Lam *CPA, FCCA*

Ip Man Hon

Chow So Fan, Candy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chu Chor Lup

Chiu Ngar Wing *FCCA, FCA, 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 PLACE OF BUSINESS IN HONG KONG

14/F., Block B, Vita Tower

29 Wong Chuk Hang Road

Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR

Conyers 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

OCBC Wing Hang Bank, Limited

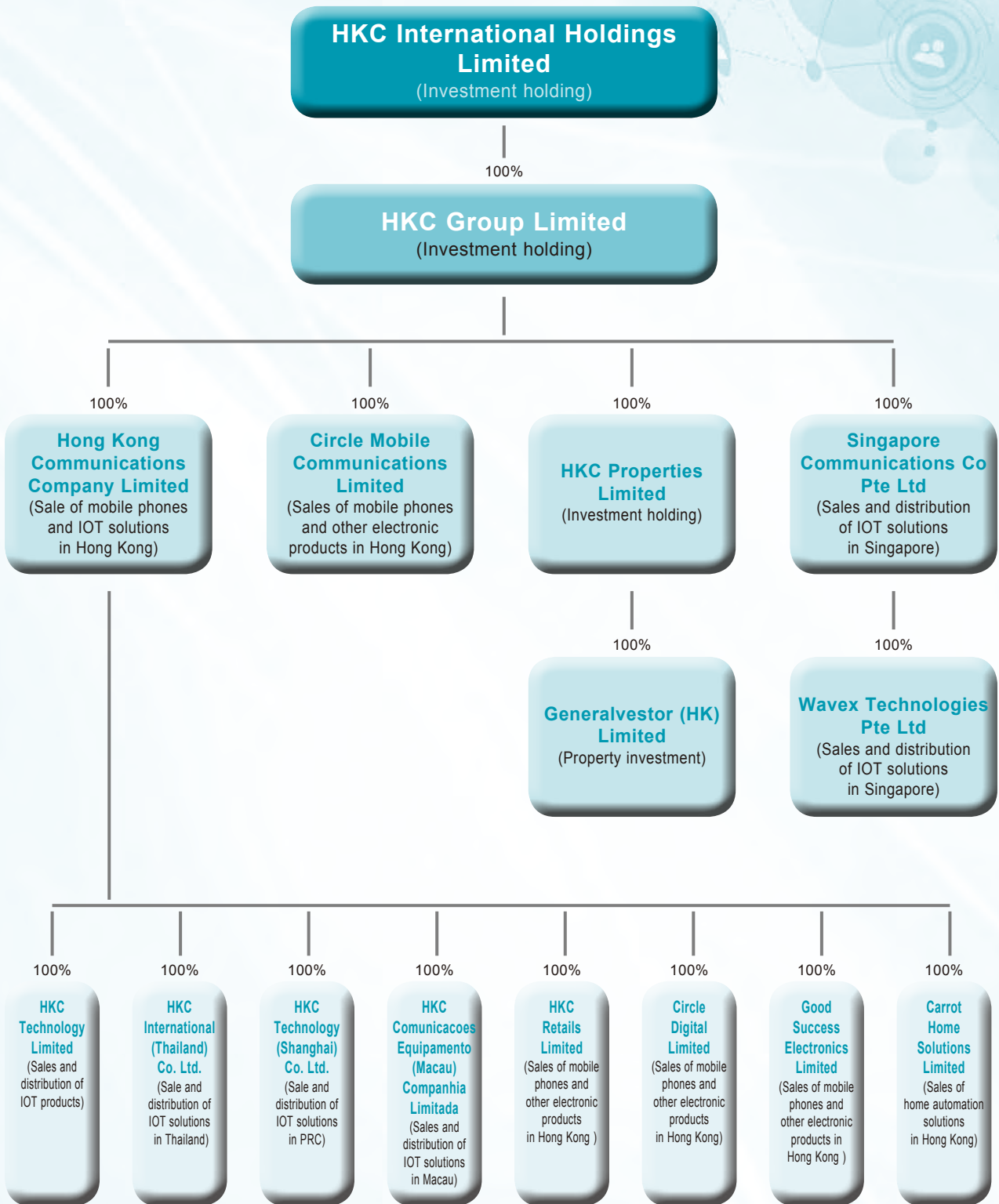
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WEBSITE ADDRESS

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

GROUP STRUCTURE



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.

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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 buildings 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.

DIVIDENDS

Final dividend of HK0.2 cents 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 issue of one new share credited as fully paid for every four shares).

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 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.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAN Chung Yee, Hubert, aged 58, joined the group in 1987. He is the chairman and chief executive officer 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 30 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 56, joined the group in 2005. 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. He is the younger brother of Mr. Chan Chung Yee, Hubert.

Mr. WU Kwok Lam, aged 56, 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 and a fellow member of the Association of Chartered Certified Accountants. Mr. Wu is also the company secretary of the company.

Mr. CHAN Ming Him, Denny, aged 59, joined the group in 1999 with over 20 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 51, is the chief technical officer. He joined the group in 1991 with over 25 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.

Ms. CHOW So Fan, Candy, aged 50, joined the group in 2012 with over 20 years of marketing and business development experience in telecommunication and information technology industry. She obtained an MBA in International Business and Marketing from University of Western Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 64, joined the group in 2001. He is a practising accountant. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the fellow members of the Institute of Chartered Accountants in England and Wales and 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 65, joined the group in 2001. He 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 63, joined the group in 2012. He 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 is also the independent non-executive director of Baguio Green Group Ltd (stock code: 1397).

SENIOR MANAGEMENT

Mr. LAM Man Hau, aged 47, joined the group in 2015 with over 20 years of experience in intelligent system control, system integration, home and building automation. He is the general manager of Carrot Home Solutions Limited and is responsible for sales management, product marketing and business development. He earned his Bachelor Degree of Science from University of California, Berkeley in the United States and Master Degree of Science from the University of Hong Kong.

Ms. YUEN Pui Ling, aged 46, joined the group in 2009 and has over 15 years of experience in sales and marketing both in the industries of printing and telecommunication. She is the general manager of mobile division. She obtained an MBA Degree from the Hong Kong Polytechnic University.

Ms. LIU Kit Shan, Candy, aged 43, joined the group in 2018 with over 15 years of experience in information and communications technology industry. She is the general manager of HKCT Technology Limited focusing on sales of internet of things, radio frequency identification and robotic solutions. Before joining the group, she was the sales director of SevOne Incorporation and was responsible for hunting new business and buildup sales team among North East Asia regions. She obtained a Bachelor Degree of Science in information technology from City University of Hong Kong.

CORPORATE GOVERNANCE REPORT

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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.

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 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 as set out in Model Code throughout the year ended 31st March, 2018.

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 Miss. Chow So Fan, Candy 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 ten meetings during the year and the attendance records of individual director are as follows:

Executive directors:	Number of meetings attended
Chan Chung Yee, Hubert	10/10
Chan Chung Yin, Roy	10/10
Chan Ming Him, Denny	6/10
Wu Kwok Lam	10/10
Ip Man Hon	10/10
Leung Shing Koon (resigned on 31st August, 2017)	4/10
Chow So Fan, Candy	8/10
Independent non-executive directors:	
Chiu Ngar Wing	7/10
Chu Chor Lup	0/10
Law Ka Hung	0/10

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

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.

CORPORATE GOVERNANCE REPORT

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 major duty of the committee is to review the structure, size and composition of the board and identify and nominate qualified individuals for appointment as additional directors or to fill vacancies as and when they arise. One meeting of the nomination 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
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, 2017 and the audited consolidated financial statements for the year ended 31st March, 2018 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 three 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	3/3
Chu Chor Lup	3/3
Law Ka Hung	3/3

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.

CORPORATE GOVERNANCE REPORT

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 group 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 accounting 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, 2018, 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 page 30 of the annual report of the company for the year ended 31st March, 2018.

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, 2018 is set out below:

	HK\$'000
Audit services	648
Non-audit services	—
	<hr/>
	648
	<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, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report introduces the group's policies and measures regarding environmental, social and governance issues and is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

A. ENVIRONMENTAL

A1: Emissions

The group is a non-production company and the business activities do not involve air and greenhouse gas emissions (except from electricity consumption and staff travelling), discharges into water and land, and generation of hazardous waste.

A2: Use of Resources

We are committed to foster the sustainable use of the earth's resources and minimize as far as commercially practicable any adverse impact on the environment. We encourage our employees to reduce wastage and adopt of 4R policies to reduce, reuse, recycle and replace. Established procedures includes:

- Using products with energy saving label
- Using recycled or recyclable literature and packaging materials
- Recycling of electronic components and electronic products which are harmful to the environment
- Collection of recyclable products and rechargeable batteries and sending to the collection points or stations
- Donation of computer devices and accessories to charitable organisations
- Reducing business travel by using audio/video-conferencing equipment

We have been awarded "2017 Hong Kong Awards for Environment Excellence", Certificate of Merit, by Hong Kong Productivity Council.

The water and electricity consumption during the reporting period is as follows:

	Electricity Consumption		Water Consumption	
	2018 KwH	2017 KwH	2018 M ³	2017 M ³
Hong Kong	190,956	209,915	97	110
Mainland China	26,058	37,725	97	236
Singapore (Note)	37,738	44,708	–	–
	254,752	292,348	194	346

Note: The water was provided by the building management. Since there was no separate charge, no figure is available.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3: The Environment and Natural Resources

Save as disclosed in section A2 above, the group's operating activities have no significant impact on the environment and natural resources.

B. SOCIAL

B1: Employment

We regard honesty, integrity and fair play as our core values that must be upheld by all directors and staff (including full-time, part-time and temporary staff) of the group at all times.

Our workforce by age group and geographical regions is as follows:

Age group	Mainland			Total
	Hong Kong	China	Singapore	
Below 30	11	1	3	15
30 to 39	21	9	6	36
40 to 49	33	4	2	39
50 to 59	21	1	3	25
60 or Above	2	2	2	6
	<u>88</u>	<u>17</u>	<u>16</u>	<u>121</u>

All staff is permanent and full time. The labour turnover rate is 3% (2017: 34%).

B2: Health and Safety

To ensure our employees' health and safety, we observed all the requirements under the Occupational Safety and Health Ordinance. There was no fatality or work injury during the reporting period.

B3: Development and Training

We provided an average of 5 training hours to each employee. To encourage the staff for continuing education, all staff is eligible for tuition fee refund program for attending job-related courses including short courses, workshops, degree programmes up to the master's level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4: Labour Standards

Our human resources policies complies strictly with relevant guidelines, legislation and codes of conducts and practice, including prohibiting child labour or forced labour for any position.

The group maintained good relationship with the employees. There was no legal case brought against the company or our employees for violation of laws or regulations during the reporting period.

B5: Supply Chain Management

The fundamental goal for supply chain management is to obtain the right products and services for the stated purpose; at the right time, place and cost; in a manner that balances the overall requirements for economy, transparency and accountability and the needs of line management for flexibility and responsiveness to their particular operational circumstances. This activity is accomplished with the highest level of ethical standards for fair and equitable treatment of suppliers providing goods and services to the group.

We maintain a list of qualified suppliers. They are subject to our periodical review for product quality, safety, business reputation and other criteria.

B6: Product Responsibility

We strictly abide to all applicable laws and regulations for our products and services. Periodically, our quality control staff will visit the suppliers' factories for inspection of production processes and testing the product samples before delivery.

To ensure the quality of our products and services, we conduct customer satisfaction survey to monitor our performance and ensure that our products and services meet the customers' expectation and needs. There was no products or services recalls for safety and health reasons during the reporting period.

B7: Anti-corruption

Our staff handbook includes the codes of conduct setting out the basic standard of conduct expected of all directors and staff, and the company's policy on personal data protection, acceptance of advantage and handling of conflict of interest when dealing with the company's business. These codes and practice are adapted from the Sample Code of Conduct issued by the Independent Commission Against Corruption and Codes of Practice issued by the Office of the Privacy Commission for Personal Data. We will introduce to all new staff by our Human Resources Department during orientation session.

Any employee can report alleged irregularities and concerns of a general, operational or finance nature in accordance with group's whistleblower policy.

There was no legal case regarding corrupt practices brought against the company or our employees during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8: Community Investment

We provide financial assistance through financial contributions and equipment donations, collaborate with charities and encourage our employees to participate in volunteer activities.

- Donations made by the group for the year ended 31st March, 2018 amounted to HK\$240,000 (2017: HK\$201,000).

We have been awarded “Caring Company Logo” by The Hong Kong Council of Social Service since 2005 to recognise our efforts to promote corporate social responsibility.

We have been a corporate sponsor of 30-Hour Famine organized by World Vision Hong Kong since 2010.

We have been awarded the “Family-Friendly Employer” by The Family Council since 2011 in recognition of our dedication to continuously promoting family-friendly policies and practices.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31st March, 2018.

PRINCIPAL ACTIVITIES

The company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the group for the year ended 31st March, 2018 are set out in the consolidated statement of comprehensive income on page 33.

The directors recommend the payment of final dividend at HK0.2 cents per ordinary share payable to shareholders of the company whose names appear on the register of members of the company on 14th September, 2018. Subject to the approval of the shareholders of the company at the forthcoming annual general meeting of the company, the dividend will be paid on or before 28th September, 2018. (2017: The directors did not recommend the payment of any final dividend but proposed to make a bonus issue of one new share credited as fully paid for every four shares.)

PROPERTY, PLANT AND EQUIPMENT

During the year, the group spent HK\$1,149,000 on property, plant and equipment. The group has not written off its property, plant and equipment.

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

Particulars of the leasehold land and buildings of the group as at 31st March, 2018 are set out on page 103.

INVESTMENT PROPERTIES

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

Particulars of the investment properties of the group as at 31st March, 2018 are set out on pages 103 and 104.

REPORT OF THE DIRECTORS

BORROWINGS

Particulars of the borrowings of the group at the end of the reporting period are set out in note 26 on the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the company during the year are set out in note 28 on the consolidated financial statements.

DONATIONS

Donations made by the group during the year amounted to HK\$240,000.

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 and chief executive officer

Chan Chung Yin, Roy

Chan Ming Him, Denny

Wu Kwok Lam

Ip Man Hon

Leung Shing Koon (resigned on 31st August, 2017)

Chow So Fan, Candy

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. Ip Man Hon, 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.

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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Other than the interests disclosed in note 36 on the consolidated 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 31st March, 2018, 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	644,344,353 Shares (L) (Note 2)	51.74%
	The company	Beneficial owner	26,795,893 Shares (L) (Note 3)	2.15%
	Matrix World Group Limited	Beneficial owner	1 Share of US\$1.00	100.00%
Chan Chung Yin, Roy	The company	Beneficial owner	92,995,191 Shares (L) (Note 4)	7.47%
Chan Ming Him, Denny	The company	Beneficial owner	2,616,991 Shares (L) (Note 5)	0.21%

REPORT OF THE DIRECTORS

Name of Director	The company/associated corporation	Capacity	Number and class of securities (long position) (Note 1)	Approximate percentage of interest
Ip Man Hon	The company	Beneficial owner	1,537,598 Shares (L) (Note 6)	0.12%
Wu Kwok Lam	The company	Beneficial owner	3,000 Shares (L) (Note 7)	0.00%
Chow So Fan, Candy	The company	Beneficial owner	625,000 Shares (L) (Note 8)	0.05%

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, 22,012,087 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 622,332,266 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 are registered in the name of Mr. Chan Chung Yin, Roy.
- (5) These Shares are registered in the name of Mr. Chan Ming Him, Denny.
- (6) These Shares are registered in the name of Mr. Ip Man Hon.
- (7) These Shares are registered in the name of Mr. Wu Kwok Lam.
- (8) These Shares are registered in the name of Ms. Chow So Fan, Candy
- (9) Same as disclosed above, as at the end of the reporting period, 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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st March, 2018, 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) (Note 1)	Capacity/ nature of interest	Approximate percentage of interest
Matrix World Group Limited	644,344,353(L) (Note 2)	Beneficial owner	51.74%
Chan Low Wai Han, Edwina (Note 3)	92,995,191(L)	Interests of spouse	7.47%
Josephine Liu (Note 4)	671,140,246(L)	Interests of spouse	53.89%

Notes:

- (1) The Letter "L" represents the person's interests in Shares.
- (2) Among these Shares, 22,012,087 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 622,332,266 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) 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.
- (4) 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 and Underlying Shares and Debentures" above, 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.

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, 2018, the aggregate revenue attributable to the group's five largest customers accounted for approximately 35% by value of the group's total revenue and the revenue attributable to the group's largest customer was approximately 16% of the total revenue. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 75% by value of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 49% 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.

REPORT OF THE DIRECTORS

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, 22nd June, 2018

INDEPENDENT AUDITOR'S REPORT



李湯陳會計師事務所

LI, TANG, CHEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

**TO THE MEMBERS OF
HKC INTERNATIONAL HOLDINGS LIMITED**

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HKC International Holdings Limited ("the company") and its subsidiaries ("the group") set out on pages 33 to 101, which comprise the consolidated statements of financial position as at 31st March, 2018, and 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 notes on the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31st March, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Key audit matters identified in our audit are summarised as follows:

Key audit matter**How our audit addressed the key audit matter****Valuation of investment properties**

Refer to note 17 on the consolidated financial statements

The aggregate fair values of the group's investment properties as at 31st March, 2018 amounted to HK\$209,920,000, representing 50% of the group's total assets as at that date. The net increase in fair values recorded in the consolidated statement of comprehensive income for the year ended 31st March, 2018 amounted to HK\$10,190,000. The group's investment properties, which are located in Hong Kong and Singapore, comprise office premises, industrial premises and residential premises. The fair values of the group's investment properties were assessed by the Management based on independent valuations prepared by an external property valuer. We identified valuation of the group's investment properties as a key audit matter because of the significance of investment properties to the group's consolidated financial statements and because the determination of the fair values involves significant judgment and estimation, including selecting the appropriate valuation methodology and market data.

Our audit procedures to assess the valuation of investment properties included the following:

- evaluating the competence, capabilities, objectivity and independence of the external property valuer;
- evaluating the valuation methodology used by the external property valuer based on our knowledge for similar types of properties;
- discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors;

The valuer is member of recognised professional bodies for external valuers. We found the valuation methodologies used to be in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found that disclosures in the consolidated financial statements to be adequate.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Revenue recognition on long-term construction contracts

Refer to note 21 on the consolidated financial statements

One of the group's significant revenue streams is derived from long-term construction contracts, in relation to home automation and library RFID automation. The group recognised contract revenue amounted to HK\$17,319,000 for the year ended 31st March, 2018 and work-in-progress balances in relation to construction contracts were stated at HK\$21,555,000 as at 31st March, 2018. The accounting for long-term construction contracts and the determination of percentage of completion are complex. Revenue is recognized based upon management's estimation of the stage of projects completed. There are also estimation uncertainties associated with the costs to complete the projects.

The recoverability of amounts due from customers on construction contracts is therefore based on management's evaluation and best estimate of the ultimate realization of these figures.

How our audit addressed the key audit matter

Our audit procedures to assess the appropriateness of revenue recognition and recoverability of work-in-progress balances in relation to construction contracts included the following:

- performing substantive procedures over significant contracts and costs allocated to projects in order to assess the accounting treatment and principles applied.
- assessing management's estimated cost to completion and contribution margin for construction contracts in order to evaluate valuation of construction contracts and recognised revenue. We compared the estimated contribution margins to actual contribution margins for finished projects in 2017 and 2018 and to prior year's estimates.
- evaluating management's estimated percentage of completion by assessing subsequent development in costs allocated to the projects and management's updated estimates for cost to completion and contribution margin.
- reviewing the collectability of significant contracts by reference to the recent credit review assessment of each customer prepared by management;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Key audit matter

How our audit addressed the key audit matter

- assessing the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition and contract work-in-progress;

We found that management's judgment regarding the recognition of revenue for the financial year was appropriate. We also found that the work-in-progress balances on construction contracts were appropriately assessed to be recoverable.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the company are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the company are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the company either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors of the company are assisted by the Audit Committee in discharging their responsibilities for overseeing the group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify, our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters, that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wan Hing Chuen.

Li, Tang, Chen & Co.

Certified Public Accountants (Practising)

10/F Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

22nd June, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	7	256,413	170,687
Cost of sales		(206,715)	(131,943)
Gross profit		49,698	38,744
Other income and gains	8	4,212	4,855
Other losses	8	(3,600)	(1,254)
Fair value gain on investment properties		10,190	13,267
Selling and distribution expenses		(10,888)	(11,411)
Administrative and other operating expenses		(41,814)	(46,684)
Finance costs	9	(2,116)	(1,893)
Profit/(loss) before taxation	10	5,682	(4,376)
Tax expense	13(a)	(124)	(51)
Profit/(loss) for the year attributable to equity holders of the company		5,558	(4,427)
Other comprehensive income/(expense) <i>Item that will not be reclassified subsequently to profit or loss</i>			
Surplus on revaluation of leasehold land and buildings upon transfer to investment properties		36,594	–
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		1,331	(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)
		1,331	(4,874)
Other comprehensive income/(expense) for the year		37,925	(4,874)
Total comprehensive income/(expense) attributable to equity holders of the company		43,483	(9,301)
PROFIT/(LOSS) PER SHARE – (HK CENTS)			
– basic	14	0.45 cents	(0.36)cents*
– diluted	14	0.45 cents	(0.36)cents*

* Adjusted for the bonus share issue

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2018

	Note	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	56,456	57,953
Investment properties	17	209,920	189,270
Available-for-sale financial assets	18	2,247	3,900
		268,623	251,123
CURRENT ASSETS			
Inventories	19	35,427	11,876
Financial assets at fair value through profit or loss	20	534	384
Gross amounts due from customers for contract work	21	21,555	25,319
Debtors, deposits and prepayments	22	59,223	53,954
Tax recoverable		21	140
Cash and bank balances	23	30,350	17,716
		147,110	109,389
CURRENT LIABILITIES			
Creditors and accrued charges	24	18,584	17,355
Tax payable		154	43
Obligations under finance leases	25	80	11
Bank borrowings	26	89,281	79,288
		108,099	96,697
NET CURRENT ASSETS		39,011	12,692
TOTAL ASSETS LESS CURRENT LIABILITIES		307,634	263,815

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2018

	Note	2018 HK\$'000	2017 HK\$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	25	348	12
Deferred tax liabilities	27	168	168
		<u>516</u>	<u>180</u>
NET ASSETS			
		<u><u>307,118</u></u>	<u><u>263,635</u></u>
CAPITAL AND RESERVES			
Share capital	28	12,453	9,963
Reserves	30	294,665	253,672
		<u><u>307,118</u></u>	<u><u>263,635</u></u>
TOTAL EQUITY			

The consolidated financial statements on pages 33 to 101 were approved and authorised for issue by the board of directors on 22nd June, 2018 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, 2018

Attributable to equity holders of the company

	Share capital	Share premium	Shares	Share award reserve	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Retained profits	Proposed final dividend	Total
			held for share award plan								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2016	7,970	44,104	(498)	664	28,325	3,398	41,556	1,755	144,540	-	271,814
Loss for the year	-	-	-	-	-	-	-	-	(4,427)	-	(4,427)
Other comprehensive expense for the year	-	-	-	-	-	(3,398)	-	(1,476)	-	-	(4,874)
Total comprehensive expense for the year	-	-	-	-	-	(3,398)	-	(1,476)	(4,427)	-	(9,301)
Bonus shares issued	1,993	(1,993)	-	-	-	-	-	-	-	-	-
Recognition of share-based payment	-	-	-	1,122	-	-	-	-	-	-	1,122
Share award to staff under share award plan	-	-	498	(1,122)	-	-	-	-	624	-	-
Share award scheme expired	-	-	-	(664)	-	-	-	-	664	-	-
At 31st March, 2017	<u>9,963</u>	<u>42,111</u>	<u>-</u>	<u>-</u>	<u>28,325</u>	<u>-</u>	<u>41,556</u>	<u>279</u>	<u>141,401</u>	<u>-</u>	<u>263,635</u>
At 1st April, 2017	9,963	42,111	-	-	28,325	-	41,556	279	141,401	-	263,635
Profit for the year	-	-	-	-	-	-	-	-	5,558	-	5,558
Other comprehensive income for the year	-	-	-	-	-	-	36,594	1,331	-	-	37,925
Total comprehensive income for the year	-	-	-	-	-	-	36,594	1,331	5,558	-	43,483
Bonus shares issued	2,490	(2,490)	-	-	-	-	-	-	-	-	-
Transfer to retained profits upon disposal of properties	-	-	-	-	-	-	(3,510)	-	3,510	-	-
Proposed final dividend	-	-	-	-	-	-	-	-	(2,491)	2,491	-
At 31st March, 2018	<u>12,453</u>	<u>39,621</u>	<u>-</u>	<u>-</u>	<u>28,325</u>	<u>-</u>	<u>74,640</u>	<u>1,610</u>	<u>147,978</u>	<u>2,491</u>	<u>307,118</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2018

	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation	5,682	(4,376)
Adjustments for:		
Depreciation	2,175	2,877
(Gain)/loss on disposal of property, plant and equipment	(10)	42
Property, plant and equipment written-off	–	447
Gain on disposal of investment properties	(481)	–
Fair value gain on investment properties	(10,190)	(13,267)
Write-down/(write-back) of inventories	1,179	(3,500)
Impairment losses on trade debtors	889	1,505
Impairment loss on gross amount due from customers for contract work	750	–
Impairment loss on available-for-sale financial assets	3,600	–
Bad debts written off	–	50
Gain on disposal of available-for-sale financial assets	–	(3,665)
Interest income	(21)	(113)
Interest expenses	2,116	1,893
Employee share-based compensation benefits	–	1,122
Exchange differences	1,115	479
Operating cash inflow/(outflow) before movements in working capital	6,804	(16,506)
(Increase)/decrease in inventories	(24,863)	19,012
Decrease in gross amounts due from customers for contract work	3,002	14,857
Increase in financial assets at fair value through profit or loss	(150)	(86)
Increase in debtors, deposits and prepayments	(6,255)	(14,614)
Increase/(decrease) in creditors and accrued charges	1,553	(4,910)
Net cash used in operations	(19,909)	(2,247)
Interest received	21	113
Interest paid on bank borrowings	(2,116)	(1,893)
Hong Kong profits tax refunded/(paid)	106	(213)
NET CASH USED IN OPERATING ACTIVITIES	(21,898)	(4,240)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2018

	Note	2018 HK\$'000	2017 HK\$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	32(a)	(695)	(571)
Proceeds from disposal of property, plant and equipment		10	49
Proceeds from disposal of investment properties		27,131	–
Proceeds from disposal of available-for-sale financial assets		–	4,959
Purchases of available-for-sale financial assets		(1,947)	–
Increase in pledged time deposits		(42)	(143)
NET CASH GENERATED FROM INVESTING ACTIVITIES		24,457	4,294
FINANCING ACTIVITIES			
Bank loan obtained	32(b)	27,046	9,898
Repayment of obligations under finance leases	32(b)	(49)	(25)
Repayment of bank loans	32(b)	(17,039)	(7,745)
NET CASH GENERATED FROM FINANCING ACTIVITIES		9,958	2,128
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,517	2,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		12,147	10,000
Effect of foreign exchange rates changes		89	(35)
CASH AND CASH EQUIVALENTS AT END OF YEAR		24,753	12,147
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		27,724	15,132
Bank overdraft		(2,971)	(2,985)
		24,753	12,147

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. 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 38.

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

The group has adopted the following amendments to HKFRSs issued by the Hong Kong Certified Public Accountants ("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. Disclosure has been made in note 32(b) on the consolidated financial statements upon the adoption of amendments to HKAS 7, which requires an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

NOTES ON THE 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	<i>Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards¹</i>
Annual Improvements to HKFRSs 2014-2016 Cycle	<i>Amendments to HKAS 28, Investments in Associates and Joint Ventures¹</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Revenue from Contracts with Customers (Clarification to HKFRS 15)¹</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
HKFRS 16	<i>Leases²</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatment²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>

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

² Effective for annual periods beginning on or after 1st January, 2019

³ 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 group's financial performance and financial position.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

3. NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE (Cont'd)

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

As disclosed in note 4(i) currently 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

3. NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE (Cont'd)

HKFRS 16, Leases (Cont'd)

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 group's financial performance and financial position.

4. 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 years presented, unless otherwise stated.

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs (which also include 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. 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.

b) Subsidiaries and non-controlling interest

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. Unrealized 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

b) Subsidiaries and non-controlling interest (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 statement of financial position 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 statement of financial position in accordance with note 4(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 statement of financial position, 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).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

4. 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 statement of financial position 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 statement of financial position.

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.

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

d) Property, plant and equipment (Cont'd)

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 the end of each reporting period. 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).

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 end of the reporting period.

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 4(d) shall be its fair value at the date of change in use.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

e) Investment properties (Cont'd)

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 profit or loss in the year of retirement or disposal.

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

f) Financial instruments (Cont'd)

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.

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

Available-for-sale financial assets

- Available-for-sale financial assets (including investment in life insurance policies) 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

f) Financial instruments (Cont'd)

iv) *Gains or losses on subsequent measurement and interest income (Cont'd)*

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.

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 the end of each reporting period 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

h) Construction contract

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of each reporting period. 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 end of each reporting period are recorded in the consolidated statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated statement of financial position 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 consolidated statement of financial position 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

i) Leases (Cont'd)

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.

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

m) Employee benefits

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.

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 end of each reporting period, 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 end of each reporting period 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

o) Income tax expense (Cont'd)

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 the end of each reporting period 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 end of each reporting period. 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.

p) Impairment

i) *Impairment of receivables*

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

p) Impairment (Cont'd)

i) *Impairment of receivables (Cont'd)*

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 the end of each reporting period 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.

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 currency.

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 end of each reporting period 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 consolidated statement of financial position presented are translated at the closing rate at the end of each reporting period;
- 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

4. 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).
 - viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

4. 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 on the consolidated 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 consolidated 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5A SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Loan and receivables		
Debtors and deposits	46,947	48,322
Cash and bank balances	30,350	17,716
	77,297	66,038
Available-for-sale financial assets	2,247	3,900
Financial assets at fair value through profit or loss	534	384
	2,781	4,284
Financial liabilities		
At amortised cost		
Creditors and accrued charges	17,264	15,327
Bank borrowings	89,281	79,288
Obligations under finance leases		
– current liabilities	80	11
– non-current liabilities	348	12
	106,973	94,638

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5B 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) Financial risk factors:

i) 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 the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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 consolidated statement of financial position 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 22.

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5B FINANCIAL RISK MANAGEMENT (Cont'd)

a) Financial risk factors: (Cont'd)

ii) 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 end of the reporting period of the group'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 end of the reporting period) and the earliest date the group can be required to pay.

	2018			
	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	17,264	(17,264)	(17,264)	-
Obligations under finance leases	428	(428)	(80)	(348)
Bank borrowings	89,281	(93,046)	(93,046)	-
	<u>106,973</u>	<u>(110,738)</u>	<u>(110,390)</u>	<u>(348)</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5B FINANCIAL RISK MANAGEMENT (Cont'd)

a) Financial risk factors: (Cont'd)

ii) Liquidity risk (Cont'd)

	2017			
	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000
Creditors and accrued charges	15,327	(15,327)	(15,327)	-
Obligations under finance leases	23	(23)	(11)	(12)
Bank borrowings	79,288	(83,395)	(83,395)	-
	<u>94,638</u>	<u>(98,745)</u>	<u>(98,733)</u>	<u>(12)</u>

iii) 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5B FINANCIAL RISK MANAGEMENT (Cont'd)

a) Financial risk factors: (Cont'd)

iv) 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 and United States dollar.

Sensitivity analysis

Due to the fact that the changes in foreign exchange rates would have no material impact on the result of the group for the year ended 31st March, 2018 and accordingly, sensitivity analysis in respect of change in interest rates is not required.

v) Price risk

The group is exposed to price changes arising from financial assets at fair value through profit or loss (see note 20). These investments are measured at fair value at the end of each reporting period 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 other components of consolidated equity in response to reasonably possible changes of 15% (2017: 15%) in price in respect of listed equity and debt securities.

The effect of price changes in respect of unlisted equity securities and other derivative financial instruments are excluded from the below calculation as the directors consider that their prices depend on complicated market factors and cannot be estimated.

	Decrease/(increase)		Increase/(decrease)	
	in profit/(loss) after tax		in investment revaluation reserve	
	15% increase	15% decrease	15% increase	15% decrease
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March, 2018	<u>67</u>	<u>(67)</u>	<u>-</u>	<u>-</u>
At 31st March, 2017	<u>48</u>	<u>(48)</u>	<u>-</u>	<u>-</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5B FINANCIAL RISK MANAGEMENT (Cont'd)

a) Financial risk factors: (Cont'd)

v) Price risk (Cont'd)

The sensitivity analysis has been determined assuming that the reasonably possible changes in price had occurred as at the end of the reporting period 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 end of the next reporting period. The analysis has been performed on the same basis for 2017.

b) 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 end of each reporting period 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5B FINANCIAL RISK MANAGEMENT (Cont'd)

b) Fair value measurement: (Cont'd)

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

	Fair value at	Fair value measurement as at		
	31st March, 2018	31st March, 2018 categorised into		
		Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement				
Assets:				
Available-for-sale financial assets:				
Investment in life insurance policy	1,947	-	1,947	-
Financial assets at fair value through profit or loss:				
Listed equity securities	534	534	-	-
	2,481	534	1,947	-

	Fair value at	Fair value measurement as at		
	31st March, 2017	31st March, 2017 categorised into		
		Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement				
Assets:				
Financial assets at fair value through profit or loss:				
Listed equity securities	384	384	-	-

During the years ended 31st March, 2018 and 31st March, 2017, there were no transfers between Level 1 and Level 2.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5B FINANCIAL RISK MANAGEMENT (Cont'd)

b) Fair value measurement: (Cont'd)

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

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, 2018 and 31st March, 2017.

Unlisted equity securities of which the fair value cannot be reliably measured are recognised in the consolidated statement of financial position at cost less impairment loss, if any.

iii) *Estimation of fair values*

The following summaries the major methods and assumptions used in estimating the fair value of financial instruments.

Listed equity securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

Investment in life insurance policy

Fair value is determined based on cash surrender value issued by insurer.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the group's accounting policies which are described in note 4, 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 end of each reporting period, 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

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 the end of each reporting period 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.

Estimated fair value of investment properties

The fair values of investment properties are determined at the end of each reporting period by an independent professional valuer. Valuations were made on the basis of investment approach by comparing selling price of recently sold properties that are similar to the properties being valued. 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.

Construction contracts

As explained in note 4(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 21 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 end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

7. 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 HK\$'000	Sales of IOT solutions in Hong Kong HK\$'000	Sales of IOT 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	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 costs	(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>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

7. REVENUE/SEGMENTAL INFORMATION (Cont'd)

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

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

	Sales of mobile phones in Hong Kong HK\$'000	Sales of IOT solutions in Hong Kong HK\$'000	Sales of IOT 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	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 costs	(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 described in note 4. 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

7. REVENUE/SEGMENTAL INFORMATION (Cont'd)

b) Geographic information

	Revenues from external customers		Non-current assets*	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 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	-	-
	20,932	20,659	2,113	28,462
	256,413	170,687	266,376	247,223

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

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

	2018 HK\$'000	2017 HK\$'000
REVENUES		
Reportable segment revenue	256,422	171,370
Elimination of inter-segment revenue	(9)	(683)
Consolidated revenue	256,413	170,687
PROFIT OR LOSS		
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	5,682	(4,376)

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

7. REVENUE/SEGMENTAL INFORMATION (Cont'd)

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

	2018 HK\$'000	2017 HK\$'000
ASSETS		
Reportable segment assets	412,952	356,228
Non-current financial assets	2,247	3,900
Unallocated corporate assets	534	384
Consolidated total assets	415,733	360,512
LIABILITIES		
Reportable segment liabilities	108,447	96,709
Deferred tax liabilities	168	168
Consolidated total liabilities	108,615	96,877

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER INCOME, GAINS AND OTHER LOSSES

	2018 HK\$'000	2017 HK\$'000
OTHER INCOME AND GAINS		
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
	4,212	4,855
OTHER LOSSES		
Net exchange loss	–	1,254
Impairment loss on available-for-sale financial assets	3,600	–
	3,600	1,254

9. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	2,116	1,893

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROFIT/(LOSS) BEFORE TAXATION

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

	2018 HK\$'000	2017 HK\$'000
Auditor's remuneration	648	587
Depreciation		
– Owned assets	2,138	2,852
– Leased assets	37	25
	2,175	2,877
Operating lease rentals in respect of rented premises		
– Minimum lease payments	1,049	1,150
– Contingent rent	1,547	1,271
	2,596	2,421
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	32,491	33,616
– Retirement benefit scheme contributions	1,838	2,388
Total staff costs	34,329	36,004
Write-down/(write-back) of inventories – note 19	1,179	(3,500)
Impairment loss on trade debtors	889	1,505
Impairment loss on gross amount due from customers for contract work	750	–
Impairment loss on available-for-sale financial assets	3,600	–
Bad debts written off	–	50
(Gain)/loss on disposal of property, plant and equipment	(10)	42
Property, plant and equipment written off	–	447
Donations	240	201
	<u>3,998</u>	<u>5,423</u>
and after crediting:		
Gross rental income from investment properties under operating leases less outgoings	<u>3,998</u>	<u>5,423</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

II. DIRECTORS' EMOLUMENTS

Details of directors' emoluments of the group are as follows:

	2018						Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Commission HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Share-based payment expenses HK\$'000	
Executive directors:							
Chan Chung Yee, Hubert	-	1,112	-	-	54	-	1,166
Chan Chung Yin, Roy	-	386	-	-	54	-	440
Chan Ming Him, Denny	-	162	-	-	24	-	186
Wu Kwok Lam	-	780	-	-	54	-	834
Ip Man Hon	-	673	-	-	54	-	727
Chow So Fan, Candy	-	591	-	42	36	-	669
Leung Shing Koon (Resigned on 31st August, 2017)	22	-	-	-	-	-	22
	<u>22</u>	<u>3,704</u>	<u>-</u>	<u>42</u>	<u>276</u>	<u>-</u>	<u>4,044</u>
Independent non-executive directors:							
Chiu Ngar Wing	85	-	-	-	-	-	85
Chu Chor Lup	40	-	-	-	-	-	40
Law Ka Hung	30	-	-	-	-	-	30
	<u>155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

II. DIRECTORS' EMOLUMENTS (Cont'd)

	2017						
	Salaries, allowances and benefits		Commission	Discretionary bonuses	Retirement benefit	Share-based	Total
	Fees	in kind			scheme	payment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	contributions	expenses	HK\$'000
Executive directors:							
Chan Chung Yee, Hubert	-	1,112	-	-	36	-	1,148
Chan Chung Yin, Roy	-	413	-	18	36	167	634
Chan Ming Him, Denny	-	160	-	-	16	41	217
Wu Kwok Lam	-	810	-	-	36	200	1,046
Ip Man Hon	-	654	8	15	36	167	880
Chow So Fan, Candy	-	537	-	23	36	128	724
Leung Shing Koon	329	-	-	-	-	138	467
	<u>329</u>	<u>3,686</u>	<u>8</u>	<u>56</u>	<u>196</u>	<u>841</u>	<u>5,116</u>
Independent non-executive directors:							
Chiu Ngar Wing	85	-	-	-	-	-	85
Chu Chor Lup	40	-	-	-	-	-	40
Law Ka Hung	30	-	-	-	-	-	30
	<u>155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155</u>

Notes:

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st March, 2018 and 31st March, 2017.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

12. EMPLOYEES' EMOLUMENTS

The five highest paid individual in the company include four (2017: five) executive directors for the year ended 31st March, 2018, details of whose emoluments have been disclosed in note 11 above.

The details of the emoluments for the year of remaining one (2017: Nil) highest paid individual who is neither director nor chief executive of the company are as follows:

	2018	2017
	HK\$'000	HK\$'000
Salaries and other benefits	699	–
Performance-related bonus	109	–
Retirement benefits	36	–
	844	–

13. 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.

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

13. TAX EXPENSE (Cont'd)

- 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:

	2018	2017
	HK\$'000	HK\$'000
Profit/(loss) before taxation	5,682	(4,376)
Tax at the income tax rate of 16.5% (2017: 16.5%)	937	(722)
Tax effect of income not taxable	(2,046)	(2,468)
Tax effect of expenses that are not deductible in determining taxable income	64	579
Tax effect of unrecognised tax losses	705	4,135
Tax effect of different tax rates in other jurisdiction	1	(359)
Tax effect of utilisation of tax losses previously unrecognized	(1,305)	(42)
Tax effect of unrecognized temporary difference	1,049	(593)
Underprovision of profits tax for prior year	41	–
Tax concession	(30)	–
Others	708	(479)
Tax expense for the year	124	51

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

14. 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:

	2018	2017
	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders of the company	<u>5,558</u>	<u>(4,427)</u>
	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 profit/(loss) per share	<u>1,245,331,256</u>	<u>1,243,745,624</u>
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	1,245,331,256	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>1,245,331,256</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.

15. DIVIDENDS

Final dividend of HK0.2 cents 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 issue of one new share credited as fully paid for every four shares).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	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, 2016	61,171	1,621	11,408	19,474	3,981	1,270	98,925
Currency realignment	-	(20)	(596)	(183)	-	-	(799)
Additions	-	-	109	462	-	-	571
Disposals/written off	-	(3)	(808)	(701)	-	-	(1,512)
At 31st March, 2017	61,171	1,598	10,113	19,052	3,981	1,270	97,185
Accumulated depreciation							
At 1st April, 2016	(4,305)	(1,346)	(10,839)	(16,983)	(3,345)	(1,270)	(38,088)
Currency realignment	-	16	584	159	-	-	759
Charge for the year	(1,128)	(158)	(142)	(1,229)	(220)	-	(2,877)
Written back on disposals/written off	-	3	469	502	-	-	974
At 31st March, 2017	(5,433)	(1,485)	(9,928)	(17,551)	(3,565)	(1,270)	(39,232)
Net book value							
At 31st March, 2017	55,738	113	185	1,501	416	-	57,953
Cost							
At 1st April, 2017	61,171	1,598	10,113	19,052	3,981	1,270	97,185
Currency realignment	-	34	(25)	(46)	-	-	(37)
Additions	-	454	50	645	-	-	1,149
Disposals	-	(335)	-	-	-	-	(335)
Transfer to investment properties	(805)	-	-	-	-	-	(805)
At 31st March, 2018	60,366	1,751	10,138	19,651	3,981	1,270	97,157
Accumulated depreciation							
At 1st April, 2017	(5,433)	(1,485)	(9,928)	(17,551)	(3,565)	(1,270)	(39,232)
Currency realignment	-	(31)	31	82	-	-	82
Charge for the year	(1,122)	(99)	(99)	(683)	(172)	-	(2,175)
Written back on disposals	-	335	-	-	-	-	335
Transfer to investment properties	289	-	-	-	-	-	289
At 31st March, 2018	(6,266)	(1,280)	(9,996)	(18,152)	(3,737)	(1,270)	(40,701)
Net book value							
At 31st March, 2018	54,100	471	142	1,499	244	-	56,456

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes

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

	2018	2017
	HK\$'000	HK\$'000
Land and buildings in Hong Kong	54,100	55,738

- ii) At 31st March, 2018, the aggregate net book value of property, plant and equipment held under finance lease was HK\$458,000 (2017: HK\$23,000).
- iii) The group has pledged its leasehold land and buildings with aggregate net book value of HK\$54,100,000 (2017: HK\$55,738,000) to secure the group's general banking facilities.

17. INVESTMENT PROPERTIES

	2018	2017
	HK\$'000	HK\$'000
At fair value:		
At the beginning of the year	189,270	177,830
Currency realignment	–	(1,827)
Transfer from property, plant and equipment	37,110	–
Disposal	(26,650)	–
Fair value gain	10,190	13,267
At the end of the year	209,920	189,270
The carrying amounts of investment properties situated in Hong Kong and outside Hong Kong shown above comprises:		
Land and buildings in Hong Kong	199,450	152,610
Land and buildings outside Hong Kong	10,470	36,660
	209,920	189,270

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Cont'd)

During the year ended 31st March, 2018, the group leased out a formerly self-occupied commercial unit located in Hong Kong and reclassified such unit as an investment property. The property was previously occupied by a subsidiary of the group as warehouse which was classified as land and buildings under property, plant and equipment. The group recognised a fair value gain amounted to HK\$36,594,000 on the date of reclassification. This fair value gain was recognised in property revaluation reserve as other comprehensive income. Subsequent change in fair value of the property was recognised in profit or loss.

i) Fair value hierarchy

The following table presents the fair value of the group's investment properties measured at the end of the reporting period 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, 2018 categorised into

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

Recurring fair value measurement

Investment properties:

Residential

– Hong Kong – – 25,430

Commercial

– Hong Kong – – 174,020

– Singapore – – 10,470

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Cont'd)

i) Fair value hierarchy (Cont'd)

Fair value measurements as at
31st March, 2017 categorised into

	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement			
Investment properties:			
Residential			
– Hong Kong	–	–	23,290
Commercial			
– Hong Kong	–	–	129,320
– Singapore	–	–	10,010
– PRC	–	–	26,650
	<u>–</u>	<u>–</u>	<u>266,650</u>

During the year ended 31st March, 2018, 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, 2018. 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 the end of the reporting period.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Cont'd)

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\$11,100 - HK\$15,300 (2017: HK\$10,200 - HK\$14,000)
Commercial			
– Hong Kong	Market approach	Estimated market price per square foot	HK\$7,200 - HK\$122,300 (2017: HK\$14,900- HK\$117,000)
– Singapore	Market approach	Estimated market price per square foot	HK\$2,400 (2017: HK\$2,331)
– PRC	Market approach	Estimated market price per square foot	HK\$Nil (2017: HK\$3,600 - HK\$3,700)

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 ON THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Cont'd)

iii) Information about Level 3 fair value measurements

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

	2018	2017
	HK\$'000	HK\$'000
Investment properties:		
At beginning of year	189,270	177,830
Currency realignment	–	(1,827)
Transfer from property, plant and equipment	37,110	–
Disposal	(26,650)	–
Fair value adjustment	10,190	13,267
	209,920	189,270

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 the reporting period.

iv) Pledged of investment properties

The group has pledged certain investment properties with a total of carrying value of HK\$199,450,000 (2017: HK\$152,610,000) to secure the group's general banking facilities.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK\$'000	2017 HK\$'000
Financial assets stated at fair value		
Investment in life insurance policy (Note)	1,947	–
Financial assets stated		
Unlisted equity securities, at cost	3,900	3,900
Impairment	(3,600)	–
Carrying value	300	3,900
	2,247	3,900

Note:

In current year, a subsidiary of the group entered into a contract with an insurance company to insure against the death of a director of the group, with an insured sum of USD600,000 (equivalent to approximately HK\$4,690,000). In this contract, both the beneficiary and policy holder are the subsidiary of the group.

The subsidiary has made upfront payment of USD249,000 (approximately HK\$1,947,000) in current period. The insurer will declare interest (including the guarantee interest) to the subsidiary based on the amount of account value, at a rate determined at its own discretion.

At 31st March, 2018, the insurance policy was secured for bank loans amounted to HK\$55,562,000.

Included in available-for-sale financial assets are the following amounts denominated in currency other than the functional currency of the group to which they related:

	2018 '000	2017 '000
United States dollars	USD 249	USD –

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials	27	321
Work in progress	9	42
Office telephone systems, mobile phones and other electronic products and accessories	<u>35,391</u>	<u>11,513</u>
	<u>35,427</u>	<u>11,876</u>

The inventories stated at net realisable value amounted to HK\$1,210,000 (2017: HK\$753,000).

The cost of inventories recognised in profit or loss during the year amounted to HK\$206,660,000 (2017: HK\$128,187,000).

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

	2018 HK\$'000	2017 HK\$'000
Carrying amount of inventories sold	204,483	131,687
Write-down/(write-back) of inventories	<u>2,177</u>	<u>(3,500)</u>
	<u>206,660</u>	<u>128,187</u>

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Financial assets stated at fair value		
Equity securities listed in Hong Kong	<u>534</u>	<u>384</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

21. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2018 HK\$'000	2017 HK\$'000
Contract costs incurred	77,922	93,394
Recognised profits	10,205	18,069
	88,127	111,463
Progress billings	(66,572)	(86,144)
	21,555	25,319

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

In respect of construction contracts in progress at the end of the reporting period, the amount of retentions receivable from customers, recorded within "Trade debtors" at 31st March, 2018 was HK\$1,022,000 (2017: HK\$3,939,000).

22. DEBTORS, DEPOSITS AND PREPAYMENTS

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

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 HK\$'000	2017 HK\$'000
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	12,495	7,211
	37,508	42,558

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

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

b) Trade debtors that are not impaired (Cont'd)

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:

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

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

23. CASH AND BANK BALANCES

	2018 HK\$'000	2017 HK\$'000
Pledged time deposits	2,626	2,584
Cash and bank balances	27,724	15,132
	30,350	17,716

The effective interest rate on all of the time deposits with banks was 1% (2017: 1%) per annum at 31st March, 2018.

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

Included in the amount of HK\$30,350,000 (2017: HK\$17,716,000) are the following amounts denominated in a currency other than the functional currency of the company to which they relate:

	2018 '000	2017 '000
Renminbi	RMB 10	RMB 28
United States dollars	USD 96	USD 1

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

24. 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:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	5,887	5,233
31 – 60 days	174	153
61 – 90 days	188	238
Over 90 days	3,185	1,602
	9,434	7,226

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Amounts payable under finance leases				
Within one year	101	11	80	11
In the second year	82	6	91	6
In the third to fifth years	303	6	257	6
	486	23	428	23
Less: future finance charges	(58)	–		
Present value of finance leases	428	23		
Less: amount due for settlement within one year shown under current liabilities			(80)	(11)
Amount due for settlement after one year			348	12

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

26. BANK BORROWINGS

	2018	2017
	HK\$'000	HK\$'000
Bank borrowings comprise:		
Bank loans (secured)	86,310	76,303
Bank overdraft (secured)	2,971	2,985
	89,281	79,288

The effective interest rates of bank borrowings were 2.25% - 5.19% (2017: 2.10% - 4.50%) per annum at 31st March, 2018.

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

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

	2018	2017
	HK\$'000	HK\$'000
Due within one year	44,762	27,694
Due more than one year, but not exceeding five years	20,357	20,627
Due more than five years	24,162	30,967
	89,281	79,288

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

27. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation
	HK\$'000
At 1st April, 2016, 31st March, 2017 and 31st March, 2018	168

At the end of the reporting period, the group has unused tax losses of HK\$155,754,000 (2017: HK\$151,569,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses (2017: 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\$22,896,000 (2017: HK\$22,543,000) can only be carried forward for five years from the year of the incurrence.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

28. SHARE CAPITAL

	Number of shares		Amount	
	2018	2017	2018 HK\$'000	2017 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	996,265,022	797,012,037	9,963	7,970
Issue of bonus shares	249,066,234	199,252,985	2,490	1,993
At end of the year	1,245,331,256	996,265,022	12,453	9,963

29. 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. The Share Award Plan was expired and terminated on 7th September, 2016.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

30. RESERVES

The group

The amounts of the group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36.

The company

	Share premium	Shares held for share award plan	Shares award reserve	Special reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2016	44,104	(498)	664	163,453	9,781	217,504
Bonus shares issued	(1,993)	–	–	–	–	(1,993)
Loss and total comprehensive expense for the year	–	–	–	–	(2,348)	(2,348)
Recognition of share-based payment	–	–	1,122	–	–	1,122
Share award to staff under share award plan	–	498	(1,122)	–	624	–
Share award scheme expired	–	–	(664)	–	664	–
	<u>42,111</u>	<u>–</u>	<u>–</u>	<u>163,453</u>	<u>8,721</u>	<u>214,285</u>
At 31st March, 2017	<u>42,111</u>	<u>–</u>	<u>–</u>	<u>163,453</u>	<u>8,721</u>	<u>214,285</u>
Bonus shares issued	(2,490)	–	–	–	–	(2,490)
Loss and total comprehensive expense for the year	–	–	–	–	(45,931)	(45,931)
	<u>39,621</u>	<u>–</u>	<u>–</u>	<u>163,453</u>	<u>(37,210)</u>	<u>165,864</u>
At 31st March, 2018	<u>39,621</u>	<u>–</u>	<u>–</u>	<u>163,453</u>	<u>(37,210)</u>	<u>165,864</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

30. 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, 2018 amounted to HK\$165,864,000 (2017: HK\$214,285,000).

31. 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 total equity. The capital of the group at 31st March, 2018 was HK\$307,118,000 (2017: HK\$263,635,000).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**a) Non-cash transactions**

The group acquired property, plant and equipment with an aggregate cost of HK\$1,149,000 (2017: HK\$571,000) of which HK\$454,000 (2017: HK\$ Nil) was acquired by means of finance lease. Cash payments of HK\$695,000 (2017: HK\$571,000) were made to acquire property, plant and equipment.

b) Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flow from financing activities.

	Bank loans	Finance leases	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2017	76,303	23	76,326
Changes from financing cash flows:			
Bank loan obtained	27,046	–	27,046
Repayment of capital element of finance lease	–	(49)	(49)
Repayment of principal portion of bank loan	(17,039)	–	(17,039)
Total changes from financing activities	10,007	(49)	9,958
Other changes:			
New finance lease	–	454	454
At 31st March, 2018	86,310	428	86,738

33. 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 buildings 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).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

34. OPERATING LEASE ARRANGEMENTS

a) The group as lessee:

At the end of the reporting period, 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:

	2018	2017
	HK\$'000	HK\$'000
Within one year	845	393
In the second to fifth years, inclusive	299	60
	<u>1,144</u>	<u>453</u>

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 (2017: two to five years). In addition to the minimum rental payments disclosed above, the group has commitments to pay additional rent of a proportion of revenue for certain leased shops if the revenue 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 end of the reporting period, 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:

	2018	2017
	HK\$'000	HK\$'000
Within one year	1,696	1,942
In the second to fifth years, inclusive	771	870
	<u>2,467</u>	<u>2,812</u>

The properties held have committed tenants in terms of two to three years (2017: one to three years).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

35. CONTINGENT LIABILITIES

The group had no material contingent liabilities as at 31st March, 2018.

At the end of the reporting period, contingent liabilities of the company were as follows:

	The company	
	2018	2017
	HK\$'000	HK\$'000
Guarantees for general banking facilities granted to subsidiaries	89,281	79,288

The group has not recognised any deferred income in respect of guarantees as their fair values cannot be reliably measured and their transaction prices were HK\$Nil (2017: HK\$Nil).

36. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The remuneration of directors and other members of key management during the year were as follows:

	2018	2017
	HK\$'000	HK\$'000
Director's fee	22	329
Salaries and other short-term employee benefits	3,746	3,750
Post-employment benefits	276	196
Share-based payment	–	841
	4,044	5,116

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31st March, 2018

	Note	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		178,357	224,288
CURRENT ASSETS			
Cash and bank balances		50	50
CURRENT LIABILITIES			
Creditors and accrued charges		90	90
NET CURRENT LIABILITIES			
		(40)	(40)
NET ASSETS			
		178,317	224,248
CAPITAL AND RESERVES			
Share capital		12,453	9,963
Reserves	30	165,864	214,285
TOTAL EQUITY			
		178,317	224,248

The statement of financial position of the company was approved and authorised for issue by the board of directors on 22nd June, 2018 and is signed on its behalf by:

Chan Chung Yee, Hubert

Director

Wu Kwok Lam

Director

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

38. SUBSIDIARIES

Particulars of the principal subsidiaries at 31st March, 2018 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
				2018	2017	
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\$157,935,083	100%	100%	Sales of mobile phones and IOT 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\$10,000,202	100%	100%	Sales and distribution of IOT products
HKC International (Thailand) Co. Ltd.	Thailand	Thailand	Preference shares THB9,999,990 Ordinary shares THB10,000,010	100%	100%	Sales and distribution of IOT solutions

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

38. 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
				2018	2017	
Singapore Communications Co. Pte. Ltd. (formerly known as Singapore Communications (Wavex) Pte. Ltd.)	Singapore	Singapore	Ordinary shares S\$6,500,000	100%	100%	Sales and distribution of IOT solutions
上海希華通訊科技有限公司 (HKC Technology (Shanghai) Co. Ltd.)	PRC	PRC	Contributed capital US\$4,350,000	100%	100%	Sales and distribution of IOT solutions
亞衛通智能系統(上海)有限公司 (ASCT Technology Co. Ltd.)	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%	Dormant
HKC Mobile Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$20,000,000	100%	100%	Dormant
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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

38. 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
				2018	2017	
Circle Digital Limited	Hong Kong	Hong Kong	Ordinary shares HK\$1	100%	100%	Dormant
Good Success Electronics Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000	100%	100%	Sales of mobile phones and other electronic products
Carrot Home Solutions Limited	Hong Kong	Hong Kong	Ordinary shares HK\$100	100%	100%	Sales of home automation solutions

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, 2018 and 31st March, 2017 or at any time during the year.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31st March				2018 HK\$'000
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	
RESULTS					
Revenue	<u>263,096</u>	<u>219,737</u>	<u>227,155</u>	<u>170,687</u>	<u>256,413</u>
(Loss)/profit before taxation	(11,825)	(3,421)	(22,716)	(4,376)	5,682
Tax (expense)/credit	<u>(62)</u>	<u>(239)</u>	<u>434</u>	<u>(51)</u>	<u>(124)</u>
(Loss)/profit for the year	<u>(11,887)</u>	<u>(3,660)</u>	<u>(22,282)</u>	<u>(4,427)</u>	<u>5,558</u>
(Loss)/profit attributable to:					
Equity holders of the company	(12,175)	(3,660)	(22,282)	(4,427)	5,558
Non-controlling interests	<u>288</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(11,887)</u>	<u>(3,660)</u>	<u>(22,282)</u>	<u>(4,427)</u>	<u>5,558</u>
ASSETS/(LIABILITIES) AND NON-CONTROLLING INTERESTS					
Total assets	368,164	376,382	371,506	360,512	415,733
Total liabilities	<u>(73,409)</u>	<u>(78,114)</u>	<u>(99,692)</u>	<u>(99,877)</u>	<u>(108,615)</u>
	<u>294,755</u>	<u>298,268</u>	<u>271,814</u>	<u>260,635</u>	<u>307,118</u>

PARTICULARS OF PROPERTIES

(1) PROPERTIES HELD FOR OWNER OCCUPATION

	Use	Lease term	Group's interest
Location in Hong Kong			
Block B, 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
Block A, 14th Floor, Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Commercial	Long 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%