香港通訊

HKC INTERNATIONAL HOLDINGS LIMITED

香港通訊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 248

ANNUAL REPORT 2020

CONTENTS

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
Lam Man Hau

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

SHINEWING (HK) CPA Limited

HONG KONG BRANCH REGISTRAR

Pilare Limited
17th Floor, Leighton Centre
77 Leighton Road, Causeway Bay
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia)

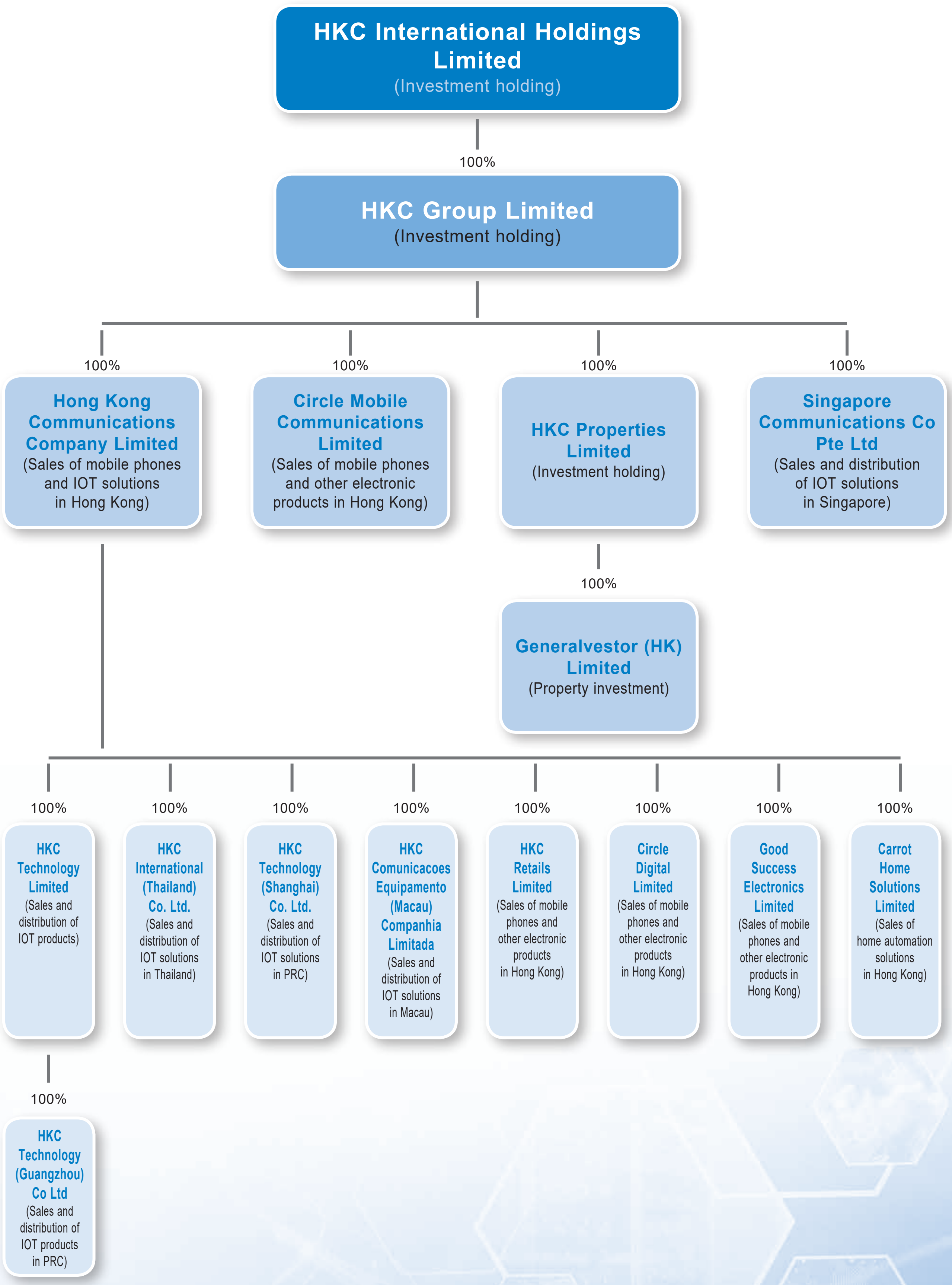
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

248

WEBSITE ADDRESS

http://www.hkc.com.hk


HKC International Holdings Limited
(Investment holding)
100%
HKC Group Limited
(Investment holding)
100%
Hong Kong Communications Company Limited
(Sales of mobile phones and IOT solutions in Hong Kong)
100%
Circle Mobile Communications Limited
(Sales of mobile phones and other electronic products in Hong Kong)
100%
HKC Properties Limited
(Investment holding)
100%
Singapore Communications Co Pte Ltd
(Sales and distribution of IOT solutions in Singapore)
100%
Generalvestor (HK) Limited
(Property investment)
100%
HKC Technology Limited
(Sales and distribution of IOT products)
100%
HKC International (Thailand) Co. Ltd.
(Sales and distribution of IOT solutions in Thailand)
100%
HKC Technology (Shanghai) Co. Ltd.
(Sales and distribution of IOT solutions in PRC)
100%
HKC Comunicacoes Equipamento (Macau) Companhia Limitada
(Sales and distribution of IOT solutions in Macau)
100%
HKC Retails Limited
(Sales of mobile phones and other electronic products in Hong Kong)
100%
Circle Digital Limited
(Sales of mobile phones and other electronic products in Hong Kong)
100%
Good Success Electronics Limited
(Sales of mobile phones and other electronic products in Hong Kong)
100%
Carrot Home Solutions Limited
(Sales of home automation solutions in Hong Kong)
100%
HKC Technology (Guangzhou) Co Ltd
(Sales and distribution of IOT products in PRC)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2020, the Group's turnover decreased by 18% to HK$232 million (2019: HK$283 million) and loss attributable to equity holders of the Company was HK$23 million as compared with the profit of HK$1 million for the year ended 31 March 2019. The loss was mainly attributable to (i) the decrease in revenue and gross profit as a result of the social events and the outbreak of the novel coronavirus; and (ii) the fair value loss in investment properties amounting to approximately HK$11 million while there was fair value gain amounting to approximately HK$8 million for the year ended 31 March 2019.

SALES OF MOBILE PHONES

The turnover decreased from HK$227 million to HK$182 million during the year under review and the division recorded profit of HK$4 million (2019: HK$2 million). The increase in profit was due to several new models getting higher profit margin.

SALES OF IOT SOLUTIONS

During the year under review, the turnover decreased by 10% to HK$46 million (2019: HK$52 million) due to fewer projects have been completed and the loss increased from HK$10 million to HK$16 million.

PROPERTY INVESTMENT

During the year under review, the rental income decreased from HK$4.5 million to HK$4.2 million due to granting of rental relief to our tenants and the division recorded loss of HK$0.02 million (2019: profit of HK$1.5 million).

PROSPECTS

Regarding the mobile phone business, we are the authorised distributors of both Nokia and vivo brands. The uncertainty brought by the outbreak of the novel coronavirus may adversely affect the willingness of spending of the consumers and may thus have impact on our sales.

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

Regarding the property investment segment, we expect that there will be downward adjustment of rental income upon renewal of tenancy agreements and the vacancy of properties will further reduce the rental income.

The Group maintains a healthy cash flow and financial position to ensure that we are well-positioned for the economic and retail recovery when it happens.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group's cash and bank balances amounted to approximately HK$19 million (2019: HK$29 million) while the bank borrowings were HK$65 million (2019: HK$71 million). The Board believes that the Group has sufficient resources to satisfy its commitments and working capital requirements.

GEARING RATIO

The gearing ratio was 24% (2019: 24%) which is expressed as a percentage of total borrowings to shareholders' funds.

CAPITAL STRUCTURE

There was no change to the Group's capital structure for the year ended 31 March 2020.

CAPITAL EXPENDITURE

During the year, the Group spent HK$0.5 million on property, plant and equipment.

EMPLOYEES

As at 31 March, 2020, the total number of employees of the Group was approximately 100 (2019: 120) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$27 million (2019: 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 31 March 2020, 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$52,034,000 (2019: HK$53,145,000), (2) first legal charge on certain investment properties with total fair value of HK$184,850,000 (2019: HK$195,090,000), (3) bank deposits of HK$2,000,000 (2019: HK$2,560,000) and (4) financial assets at fair value through profit and loss with total fair value of HK$418,000 (2019: HK$413,000) and (5) financial assets designated at fair value through other comprehensive profit and loss HK$1,947,000 (2019: HK$1,947,000).

FOREIGN EXCHANGE FLUCTUATIONS

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

CONTINGENT LIABILITIES

As at 31 March 2020, the Company had provided corporate guarantees of HK$65 million (2019: HK$71 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND

No dividend was proposed by the directors of the Company for the year ended 31 March 2020 (2019: HK$0.2 cents per share amounting to HK$2,491,000 in total).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 August 2020 to Friday, 28 August 2020 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Pilare Limited, at 17th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 25 August 2020.

CORPORATE GOVERNANCE

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders, customers, employees and other stakeholders of the Group. The Company had complied throughout the year ended 31 March 2020 with the code provisions of the Corporate Governance Code (the" Code") contained in Appendix 14 to the Listing Rules, except the following provisions:

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

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Dr. Chu Chor Lup did not attend the annual general meeting of the Company held on 30 August 2019 due to his other commitments.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, each of the directors confirmed that he had complied with the required standard set out in the Model Code during the year ended 31 March 2020.

AUDIT COMMITTEE

During the year, the audit committee reviewed the unaudited condensed interim financial statements for the six months ended 30 September 2019 and the audited financial statements for the year ended 31 March 2020 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 60, 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 58, 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 58, 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 61, 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 53, 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 in Engineering (Communication Engineering) from the University of Hong Kong and a MBA degree (Information Technology Management) from the Hong Kong Polytechnic University.

Mr. LAM Man Hau, aged 49, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 66, 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 67, 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 65, 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

Ms. YUEN Pui Ling, aged 48, 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 45, 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 31 March 2020 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 30 August 2019 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 31 March 2020.

BOARD OF DIRECTORS

The Board comprises six executive directors namely Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Ming Him, Denny, Mr. Wu Kwok Lam, Mr. Ip Man Hon and Mr. Lam Man Hau 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.

The company secretary is responsible for supporting the Board by ensuring good information flow within the Board. All directors have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed. The company secretary has arranged appropriate directors and officers liability insurance coverage for the directors and continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and maintain good corporate governance practice.

The Board held eleven meetings during the year and the attendance records of individual director are as follows:

Executive directors:	**Number of meetings attended**
Chan Chung Yee, Hubert	10/11
Chan Chung Yin, Roy	11/11
Chan Ming Him, Denny	7/11
Wu Kwok Lam	11/11
Ip Man Hon	11/11
Chow So Fan, Candy (resigned on 23 July 2019)	3/11
Independent non-executive directors:	
Chiu Ngar Wing	6/11
Chu Chor Lup	0/11
Law Ka Hung	0/11

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

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. Two meetings 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 meetings attended**
Chiu Ngar Wing	2/2
Chu Chor Lup	2/2
Law Ka Hung	2/2

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 30 September 2019 and the audited consolidated financial statements for the year ended 31 March 2020 and discussed with the management and the external auditors the audit plans, the internal control and financial reporting matters which may affect the Group. A total of two meetings were held in the year under review and the individual attendance of members are as follows:

Name of members	Number of meetings attended
Chiu Ngar Wing	2/2
Chu Chor Lup	2/2
Law Ka Hung	2/2

INTERNAL CONTROL

The Board is of the opinion that a sound internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations and will assist the Board in the management of any failure to achieve business objective.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the executive directors of the Company. Plans and budgets are reviewed on a monthly basis to measure actual performance against the budget. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Different guidelines and procedures have been established for the approval and control of operating expenditures, capital expenditures and the unbudgeted expenditures and acquisitions.

The executive directors of the Company review monthly management reports on the financial results and key operating statistics of each business unit and hold periodical meetings with the senior management of each business unit and the finance team to review these reports, discuss business performance against budgets, forecasts and market conditions, and to address accounting and finance related matters.

The Board is responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for management use and for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

For the year under review, the Board has reviewed the effectiveness of the Group's internal control system and performed evaluation of the principles and controls of the Group's control environment, risk assessment, control activities, information and communication and monitoring so as to ensure that key business and operational risks are identified and managed. Significant findings on internal controls are reported to the audit committee every year.

RESPONSIBILITY AND ACCOUNTABILITY OF THE BOARD

The Board is responsible for formulating business strategies and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the members of the senior management of the Group, most of the corporate decision of the Company are made by the Board.

The Board also acknowledges the responsibility for preparing all information and representation contained in the consolidated financial statements of the Company for the year under review. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and the financial statements complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. As at 31 March 2020, 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 32 of the annual report of the Company for the year ended 31 March 2020.

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, SHINEWING (HK) CPA Limited and other auditors for the year ended 31 March 2020 is set out below:

	HK$'000
Audit services	683
Non-audit services	40
	723

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.

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 "2019 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**	
	2020	2019	**2020**	2019
	KwH	KwH	**M^3**	M^3
Hong Kong	**152,154**	187,711	**37**	73
Mainland China	**31,975**	30,740	**95**	145
Singapore *(Note)*	**30,441**	32,874	**–**	–
	214,570	251,325	**132**	218

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

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	Hong Kong	Mainland China	Singapore	Total
Below 30	6	2	1	9
30 to 39	18	6	0	24
40 to 49	28	5	2	35
50 to 59	20	3	2	25
60 or Above	4	0	0	4
	76	16	5	97

All staff is permanent and full time. The labour turnover rate is 2% (2019: 3%).

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.

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.

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.

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 together with the audited consolidated financial statements for the year ended 31 March 2020.

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 31 March 2020 are set out in the consolidated statement of comprehensive income on page 35.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2020. (2019: HK$0.2 cents per share).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$464,000, (2019: HK$958,000) 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 17 on the consolidated financial statements.

Particulars of the leasehold land and buildings of the Group as at 31 March 2020 are set out on page 127.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 18 on the consolidated financial statements.

Particulars of the investment properties of the Group as at 31 March 2020 are set out on pages 127 and 128.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2020, calculated under the Companies Laws of the Cayman Islands amounted to HK$149,136,000 (2019: HK$150,050,000).

BORROWINGS

Particulars of the borrowings of the Group at the end of the reporting period are set out in note 29 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 31 on the consolidated financial statements.

DONATIONS

No donations have been made by the Group during the year.

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements, future business growth as well as rewarding the shareholders of the Company.

In proposing any dividend payout, the Board shall take into account the financial performance and cash flow situation of the Group, future expansion plans and capital requirements, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's memorandum and articles of association.

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
Lam Man Hau (appointed on 1 April 2020)
Chow So Fan, Candy (resigned on 23 July 2019)

Independent non-executive directors:

Chiu Ngar Wing
Chu Chor Lup
Law Ka Hung

In accordance with article 108 of the articles of association or the code on corporate governance practices under the Listing Rules, Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Lam Man Hau, 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.

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 31 March 2020, 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	Beneficial owner	653,104,159 Shares (L) *(Note 2)*	52.44%
	The Company	Interest of controlled corporation	22,012,087 Shares (L) *(Note 3)*	1.77%
	Light Emotion Limited	Beneficial owner	1 Share of HK$1.00	50.00%
Chan Chung Yin, Roy	The Company	Beneficial owner	93,795,191 Shares (L) *(Note 4)*	7.53%

Name of Director	The Company/associated Corporation	Capacity	Number and class of securities (long position) *(Note 1)*	Approximate percentage of interest
Chan Ming Him, Denny	The Company	Beneficial owner	2,616,991 Shares (L) *(Note 5)*	0.21%
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%

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) These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.

(3) These Shares were held by Light Emotion Limited, a Company owned by Mr. Chan Chung Yee, Hubert and his wife, Josephine Liu.

(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) 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.

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

As at 31 March 2020, 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**
Josephine Liu *(Note 2)*	675,116,246(L)	Interests of spouse	54.21%
Chan Low Wai Han, Edwina *(Note 3)*	93,795,191(L)	Interests of spouse	7.53%

Notes:

(1) The Letter "L" represents the person's interests in Shares.

(2) 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.

(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.

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 31 March, 2020, the aggregate revenue attributable to the Group's five largest customers accounted for approximately 25% by value of the Group's total revenue and the revenue attributable to the Group's largest customer was approximately 12% of the total revenue. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 74% by value of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 25% by value of the total purchases.

None of the directors of the Company, any of their associates or any shareholders (which to the best knowledge of the directors owns more than 5% of the Company's share capital) has any beneficial interest in any of the Group's five largest customers or five largest suppliers.

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

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

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained the prescribed public float as prescribed under the Listing Rules.

AUDITORS

SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited 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, 26 June 2020

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

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 (collectively referred to as the "Group") set out on pages 35 to 125, which comprise the consolidated statement of financial position as at 31 March 2020, 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 to 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 31 March 2020, 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 (the "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 ("HKSAs") 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.

KEY AUDIT MATTERS (Cont'd)

The key audit matter	How the matter was addressed in our audit
Valuation of investment properties *Refer to note 18 to the consolidated financial statements and the accounting policies on page 54.* The aggregate fair values of the Group's investment properties as at 31 March 2020 amounted to HK$205,950,000, representing 58% of the Group's total assets as at that date. The net decrease in fair values recorded in the consolidated statement of comprehensive income for the year ended 31 March 2020 amounted to HK$11,117,000. 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 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; and • 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; • Tested, on a sample basis, the arithmetical accuracy of the calculations.

KEY AUDIT MATTERS (Cont'd)

The key audit matter	How the matter was addressed in our audit
Impairment of contract assets and trade receivables	
Refer to notes 22 and 23 to the consolidated financial statements and the accounting policies on pages 58 to 61 and 66.	
As at 31 March 2020, the Group recorded contract assets of approximately HK$22,950,000 and trade receivables of approximately HK$16,580,000, net of loss allowance of HK$115,000 and HK$2,408,000 respectively. The Group has adopted ECL model to estimate the loss allowance of contract assets and trade receivables. Management performed periodic assessment on the sufficiency of loss allowance based on provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the ECL.	Our procedures in relation to contract assets and trade receivables included: • understanding management controls over the billing and collection cycle in the Group; • evaluated the key internal controls which govern credit control, debt collection and estimation of ECL; • assessed, on a sample basis, whether items in the ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices; • evaluated techniques and methodology in the ECL model against the requirements of HKFRS 9; • reviewed and assessed the application of the Group's policy for calculating the ECL; and

KEY AUDIT MATTERS (Cont'd)

The key audit matter	How the matter was addressed in our audit
Impairment of contract assets and trade receivables (Cont'd)	
Refer to notes 22 and 23 to the consolidated financial statements and the accounting policies on pages 58 to 61 and 66. (Cont'd)	
The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as probability of default and forward looking information. We have identified the estimate of ECL of contract assets and trade receivables as a key audit matter because of its significance to the consolidated financial statements and the corresponding uncertainty inherent in such estimates.	• assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluated whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance.

KEY AUDIT MATTERS (Cont'd)

The key audit matter	How the matter was addressed in our audit
Revenue recognition *Refer to note 7 to the consolidated financial statements and the accounting policies on pages 64 to 65.* One of the Group's significant revenue streams is derived from smart systems construction service. During the year, the Group recognised smart systems construction service revenue amounted to approximately HK$18,089,000 in profit or loss. Smart systems construction service income is recognised over time using input method with reference to the progress towards complete satisfaction of a performance obligation. When revenue is recognised over time, significant management judgement is involved in measurement of progress based on the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. We have identified revenue recognition from contracts with customers as a key audit matter because it is quantitatively significant to the consolidated financial statements as a whole, combined with significant management's judgement involved estimating the total expected costs and the corresponding contract revenue from the above types of revenues.	Our audit procedures on the revenue recognition from contracts with customers using input method included the following: • evaluated the key internal controls over revenue recognition; • assessed the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers; • selected a sample of incomplete contracts as at year end and assessed the reasonableness of budgeted contract costs and inspected supporting documents such as purchase orders of equipment and contracts with subcontractors; • selected a sample of completed contracts during the year and checked the historical reliability of the budgeted contract costs; and • re-performed on a sample basis the calculation of revenue recognised during the year based on the input method.

KEY AUDIT MATTERS (Cont'd)

The key audit matter	How the matter was addressed in our audit
Financial assets at fair value through profit or loss and fair value through comprehensive income *Refer to notes 5(c), 19 and 21 to the consolidated financial statements and the accounting policies on pages 55 to 58.* The Group has investment in life insurance policy at cost of HK$1,947,000 classified as financial assets at fair value through profit or loss ("FVTPL") and unlisted equity investment of HK$5,191,000 classified as financial assets at fair value through other comprehensive income ("FVTOCI"). There is not an open market for fair value reference and the evaluation involved significant judgment which would have material impact on the carrying amounts of these investments. Due to its significance to the financial statements, the change in fair value of the investments may have a significant impact on the financial statements of the Group. The fair values of the investments were assessed by the management based on their best estimates. We identified valuation of these investments as a key audit matter because of the significance of the investments 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 these investments included the following: • Evaluated the valuation methodology used in measurement of these investments. • For investment in life insurance policy, we examined the insurance policy and statement from the issuer to ensure the quoted value is properly accounted for. • For unlisted equity investment, we engaged auditor's expert, who is independent valuation specialist, to review the valuation methodology, assumptions and parameters applied; and • We also challenged the cash flow forecast for reasonableness in projected growth, with reference to historical and industrial data and tested the arithmetical accuracy of the calculations.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on these consolidated financial statements on 28 June 2019.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual reports 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.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE 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 Ordinances, and for such internal control as the directors of the Company 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.

Audit Committee is responsible 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, solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSAs 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 HKSAs, 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.

- 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 exists, 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.

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

- 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.

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 Chan Wing Kit.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong

26 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	**232,235**	283,113
Cost of sales		**(191,872)**	(237,493)
Gross profit		**40,363**	45,620
Other income and gains and losses	9	**159**	2,956
Fair value (loss) gain on investment properties		**(11,117)**	7,620
Fair value gain (loss) on FVTPL		**5**	(121)
Selling and distribution expenses		**(8,158)**	(10,206)
Administrative and other operating expenses		**(41,617)**	(42,163)
Finance costs	10	**(2,428)**	(2,578)
(Loss) profit before taxation	11	**(22,793)**	1,128
Tax expenses	14	**(241)**	(87)
(Loss) profit for the year attributable to equity holders of the Company		**(23,034)**	1,041
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations		**(767)**	(214)
Item that will not be reclassified subsequently to profit or loss			
Change in fair value of financial assets at FVTOCI		**4,891**	–
Other comprehensive income (expense) for the year		**4,124**	(214)
Total comprehensive (expense) income attributable to equity holders of the Company		**(18,910)**	827
(LOSS) EARNINGS PER SHARE – (HK CENTS)			
– basic and diluted	15	**(1.85)**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**54,405**	55,560
Investment properties	18	**205,950**	217,540
Financial assets at FVTPL	21	**1,947**	1,947
Financial assets at FVTOCI	19	**5,191**	300
		267,493	275,347
CURRENT ASSETS			
Inventories	20	**17,455**	22,180
Contract assets	22	**22,950**	12,136
Financial assets at FVTPL	21	**418**	413
Trade receivables	23	**16,580**	26,659
Prepayments, deposits and other receivables	24	**13,390**	22,778
Tax recoverable		**52**	–
Pledged bank deposits	25	**2,000**	2,560
Cash and bank balances	25	**17,350**	26,310
		90,195	113,036
CURRENT LIABILITIES			
Trade payables	26	**6,435**	7,222
Accruals and other payables	26	**7,299**	8,523
Contract liabilities	27	**2,812**	5,231
Lease liabilities	34	**347**	–
Obligations under finance leases	28	**–**	80
Bank borrowings	29	**65,320**	70,662
Tax payable		**381**	262
		82,594	91,980
NET CURRENT ASSETS		**7,601**	21,056
TOTAL ASSETS LESS CURRENT LIABILITIES		**275,094**	296,403

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	34	**236**	–
Obligations under finance leases	28	**–**	258
Deferred tax liabilities	30	**282**	168
		518	426
NET ASSETS		**274,576**	295,977
CAPITAL AND RESERVES			
Share capital	31	**12,453**	12,453
Reserves	32	**262,123**	283,524
TOTAL EQUITY		**274,576**	295,977

The consolidated financial statements on pages 35 to 125 were approved and authorised for issue by the Board of directors on 26 June 2020 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 31 March 2020

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2018	12,453	39,621	28,325	74,640	1,610	(3,600)	142,101	2,491	297,641
Profit for the year	–	–	–	–	–	–	1,041	–	1,041
Other comprehensive expense for the year	–	–	–	–	(214)	–	–	–	(214)
Total comprehensive (expense) income for the year	–	–	–	–	(214)	–	1,041	–	827
Dividend paid	–	–	–	–	–	–	–	(2,491)	(2,491)
Proposed final dividend	–	–	–	–	–	–	(2,491)	2,491	–
At 31 March 2019	12,453	39,621	28,325	74,640	1,396	(3,600)	140,651	2,491	295,977
Loss for the year	–	–	–	–	–	–	(23,034)	–	(23,034)
Other comprehensive (expense) income for the year	–	–	–	–	(767)	4,891	–	–	4,124
Total comprehensive (expenses) income for the year	–	–	–	–	(767)	4,891	(23,034)	–	(18,910)
Dividend paid	–	–	–	–	–	–	–	(2,491)	(2,491)
At 31 March 2020	12,453	39,621	28,325	74,640	629	1,291	117,617	–	274,576

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020	2019
	HK$'000	HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(22,793)**	1,128
Adjustments for:		
Depreciation of property, plant and equipment	**1,823**	1,829
Depreciation of right-of-use assets	**293**	–
Loss on disposal of property, plant and equipment	**12**	–
Fair value loss (gain) on investment properties	**11,117**	(7,620)
Fair value (gain) loss on financial assets at FVTPL	**(5)**	121
Reversal of inventories previously written-down	**–**	(2,075)
Write-down of inventories	**684**	246
Reversal of impairment losses recognised on trade receivables	**(101)**	(1,755)
Impairment losses recognised on contract assets	**118**	–
Interest income	**(61)**	(70)
Interest expenses	**2,025**	2,328
Operating cash outflows before movements in working capital	**(6,888)**	(5,868)
Decrease in inventories	**3,987**	15,076
(Increase) decrease in contract assets	**(10,973)**	2,906
Decrease in trade receivables, prepayments, deposits and other receivables	**19,347**	11,304
Decrease (increase) in contract liabilities	**(2,399)**	2,638
Decrease in trade payables, accruals and other payables	**(1,932)**	(2,839)
Net cash from operations	**1,142**	23,217
Interest received	**61**	70
Tax (paid) refunded	**(60)**	42
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,143**	23,329

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(464)**	(958)
Decrease in pledged time deposits	**2,560**	2,626
Increase in pledged time deposits	**(2,000)**	(2,560)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**96**	(892)
FINANCING ACTIVITIES		
Bank loan obtained	**12,448**	15,707
Repayment of bank loans	**(17,872)**	(34,268)
Interest paid on bank borrowings	**(2,000)**	(2,308)
Repayment of leases liabilities	**(301)**	(110)
Dividend paid	**(2,491)**	(2,491)
NET CASH USED IN FINANCING ACTIVITIES	**(10,216)**	(23,470)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,977)**	(1,033)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**23,397**	24,753
Effect of foreign exchange rates changes	**(65)**	(323)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**14,355**	23,397
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**17,350**	26,310
Bank overdraft	**(2,995)**	(2,913)
	14,355	23,397

1. GENERAL INFORMATION

HKC International Holdings Limited (the "Company") is a public Company incorporated in the Cayman Islands with limited liability 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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding Company. The principal activities of the subsidiaries are set out in note 38.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Cont'd)

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) - Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

The Group as lessee

On adoption of HKFRS 16, the Group's lease arrangements which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases were leases with remaining lease term of twelve months or less.

The Group leases a motor vehicle and the lease was classified as finance leases under HKAS 17. For this finance leases, the carrying amount of the right-of-use assets and the lease liability at 1 April 2019 was determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities, and the carrying amount of the corresponding lease asset is identified as a right-of-use assets and continue to be included in property, plant and equipment. There is no impact on the opening balance of equity.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Cont'd)

Impacts on adoption of HKFRS 16 Leases (Cont'd)

The Group as lessee (Cont'd)

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	Carrying amount previously reported at 31 March 2019	Impact on adoption of HKFRS 16	Carrying amount as restated at 1 April 2019
	HK$'000	HK$'000	HK$'000
Obligation under finance leases – non-current	258	(258)	–
Obligation under finance leases – current	80	(80)	–
Lease liabilities – non-current	–	258	258
Lease liabilities – current	–	80	80

Note:

The obligations under finance leases of HK$338,000 as at 31 March 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related asset under finance leases as at 31 March 2019 amounting to HK$354,000 is presented as a right-of-use asset included in property, plant and equipment.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected. The adoption of HKFRS 16 has resulted in a change in presentation of cash flows within the consolidated statement of cash flows.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Cont'd)

Impacts on adoption of HKFRS 16 Leases (Cont'd)

The Group as lessee (Cont'd)

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	HK$'000
Operating lease commitment disclosed as at 31 March 2019	647
Less: Short-term leases and other leases with remaining lease term ended on or before 31 March 2020	(647)
	–
Obligations under finance leases as at 1 April 2019	338
Lease liabilities recognised as at 1 April 2019	338
Analysed as	
Current portion	80
Non-current portion	258
	338

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- reliance on assessments on whether leases are onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing an impairment review.

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Cont'd)

Impacts on adoption of HKFRS 16 Leases (Cont'd)

Practical expedients applied (Cont'd)

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 16	COVID-19 –Related Rent Concessions[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

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

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 June 2020

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Cont'd)

Amendments to HKFRS 3 Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the Group's annual reporting period beginning on or after 1 April 2020, with early application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; (iv) any additional facts and circumstances that indicate that the Group has the current ability to direct the relevant activities at the time that decision need to be made, including voting patterns at previous shareholdings' meeting; or (v) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Leasing (Accounting policy applicable on or after 1 April 2019)

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Accounting policy applicable on or after 1 April 2019) (Cont'd)

The Group as lessee

For contracts entered into on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Accounting policy applicable on or after 1 April 2019) (Cont'd)

The Group as lessee (Cont'd)

Lease liabilities (Cont'd)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Accounting policy applicable on or after 1 April 2019) (Cont'd)

The Group as lessee (Cont'd)

Right-of-use assets (Cont'd)

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line in the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment property". The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents, if any, that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Accounting policy applicable on or after 1 April 2019) (Cont'd)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term except for investment properties under fair value model.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leasing (Accounting policy applicable prior to 1 April 2019)

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Finance leases

Lease that substantially transfers all the rewards and risks of ownership of assets, other than legal title, to the Group is accounted for as finance lease. At the inception of a finance lease, the asset is recorded together with its obligation (excluding interest element) to pay future rentals. Finance charges are charged to profit or loss on a straight-line basis over the period of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Accounting policy applicable prior to 1 April 2019) (Cont'd)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented separately in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Investment in subsidiaries

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).

Property, plant and equipment

Property, plant and equipment (including right-of-use assets) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses.

Ownership interests in leasehold land and buildings

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Ownership interests in leasehold land and buildings (Cont'd)

Prior to the adoption of HKFRS 16, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Right-of-use assets for buildings and motor vehicle are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as evidenced by end of owner – occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. The property revaluation reserve in respect of that item will be transferred directly to retained profits when it is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Financial assets at amortised cost (debt instruments) (Cont'd)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Interest income is recognised in profit or loss and is included in the Other income, gains and losses line item (note 9).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Other income, gains and losses' line item (note 9).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instrument as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Financial assets at FVTPL (Cont'd)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in consolidated statement of comprehensive income. Fair value is determined in the manner described in note 5.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated individually based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forward-looking information at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing' under the Group's current credit risk grading framework.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value. Costs comprise direct materials and the related purchase costs. In the case of finished goods and work in progress, costs also include direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less all costs to be incurred to completion and disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of losses on tangible assets and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

The Group recognised revenue from the following major sources:

- Smart systems construction service
- Maintenance service income
- Installation service income
- Repairs service income
- Sales of goods
- Properties leasing (please refer to accounting policy "leasing")

Revenue from smart systems construction service representing the design, construction and integration of home automation systems or radio frequency identification systems for customers are recognised over time using input method.

Revenue from service income arising from maintenance, installation and repairs services, which is recognised over time using output method.

Revenue from sales of goods is recognised at a point in time when the customer takes possession of and accepts the products. The general payment terms is 30 days.

The Group recognised revenue over time by measuring the progress towards complete satisfaction of a performance obligation in accordance with output or input method.

Output method is applied to recognise revenue on the basis of direct measurements of the value of goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services. Maintenance income, installation service income and repairs service income is recognised using output method.

Input method is applied to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. In some circumstances when the outcome of a performance obligation could not be reasonably measured, the Group shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. Revenue from smart systems construction service is recognised using input method.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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 relates.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

Borrowing costs are not relating to the acquisition, construction or production of qualifying assets and are recognised as expenses in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in investment properties over time, rather than through sale. Therefore, the directors of the Company have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currency

Foreign currency transactions are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. All exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the date the fair value was measured.

The results and financial position of all the Group's foreign operation (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.

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 of a parent of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related parties (Cont'd)

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 parent of the Group.

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.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and new share issues.

The Group is not subject to either internally or externally imposed capital requirements.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

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:

	2020	2019
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**16,580**	26,659
Deposits and other receivables	**7,670**	7,591
Pledged time deposits	**2,000**	2,560
Cash and bank balances	**17,350**	26,310
	43,600	63,120
Financial assets at FVTOCI	**5,191**	300
Financial assets at FVTPL	**2,365**	2,360
	51,156	65,780

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

(a) Categories of financial instruments (Cont'd)

	2020 HK$'000	2019 HK$'000
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**6,435**	7,222
– Accruals and other payables	**7,299**	8,523
– Bank borrowings	**65,320**	70,662
	79,054	86,407

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposit and other receivables, cash and bank balances, financial assets at FVTPL, financial assets at FVTOCI, trade payables, accruals and other payables, lease liabilities and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's capital expenditure and operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's credit risk is primarily attributable to cash at banks, bank deposits, trade and other debtors and investments in life insurance policy. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

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

(b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

Cash at banks and bank deposits and investments in life insurance policy 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 23.

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL individually and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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

(b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

In order to minimise credit risk, the Group has maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is drawn from the Group's own trading records to rate its customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

(b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

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.

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

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	2020			
	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
Trade payables	**6,435**	**6,435**	**6,435**	**–**
Accruals and other payables	**7,299**	**7,299**	**7,299**	**–**
Bank borrowings	**65,320**	**66,155**	**66,155**	**–**
	79,054	**79,889**	**79,889**	**–**
Lease liabilities	**583**	**627**	**360**	**267**

	2019			
	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
Trade payables	7,222	7,222	7,222	–
Accruals and other payables	8,523	8,523	8,523	–
Bank borrowings	70,662	71,606	71,606	–
	86,407	87,351	87,351	–
Obligations under finance leases	338	374	96	278

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

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Bank loans with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 March 2020, the aggregate undiscounted principal amounts of these bank loans amounted to HK$37,310,000 (2019: HK$42,075,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$41,753,000 (2019: HK$45,023,000). As at 31 March 2020, the principal and interest cash outflows due within one year is HK$5,824,000 (2019: HK$5,749,000), due more than one year but not exceeding five years is HK$21,687,000 (2019: HK$23,695,000) and due more than five years is HK$14,242,000 (2019: HK$15,579,000).

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 have exposure to risk arising from changing interest rates. Bank borrowings at variable rates expose the Group to cash flow interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 5 basis point (2019: 5 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 5 basis points (2019: 5 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2020 would decrease/increase by HK$33,000 (2019: post-tax profit for the year would decrease/increase by HK$35,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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

(b) Financial risk management objectives and policies (Cont'd)

Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and cost of sales, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2020	2019	**2020**	2019
	'000	'000	**'000**	'000
USD	**102**	22	**–**	–
RMB	**3**	1,198	**–**	–

No sensitivity analysis was prepared for USD of the group entity with functional currency of HK$ as HK$ is pegged to USD. The Group's exposure to the currency risk of RMB is insignificant.

Price risk

The Group is exposed to price changes arising from listed equity securities classified as financial assets at FVTPL (see note 21). 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.

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

(b) Financial risk management objectives and policies (Cont'd)

Price risk (Cont'd)

If price in respect of listed equity securities had been 15% (2019: 15%) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2020 would decrease/increase by HK$52,000 (2019: post-tax profit for the year would increase/decrease by HK$52,000). This is mainly attributable to the Group's exposure to quoted price on its listed equity securities.

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.

(c) Fair value measurements recognised in the consolidated statement of financial position

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.

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

(c) Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

Assets measured at fair value

	Fair value at 31 March 2020	Fair value measurement as at 31 March 2020 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Assets:				
Financial assets at FVTOCI				
Unlisted equity securities	**5,191**	**–**	**–**	**5,191**
Financial assets at FVTPL				
Listed equity securities	**418**	**418**	**–**	**–**
Investment in life insurance policy	**1,947**	**–**	**–**	**1,947**
	7,556	**418**	**–**	**7,138**

	Fair value at 31 March 2019	Fair value measurement as at 31 March 2019 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Assets:				
Financial assets at FVTOCI				
Unlisted equity securities	300	–	–	300
Financial assets at FVTPL				
Listed equity securities	413	413	–	–
Investment in life insurance policy	1,947	–	–	1,947
	2,660	413	–	2,247

During the years ended 31 March 2020 and 31 March, 2019, there were no transfers between Level 1 and Level 2.

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

(c) Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at amortised cost are not materially different from their fair value as at 31 March 2020 and 2019.

Estimation of fair values

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial Instruments	Fair value hierarchy	Fair value as at 31/03/2020	31/03/2019	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Unlisted equity securities	Level 3	**HK$5,191,000**	HK$300,000	By reference to the present value of the expected future cash flow derived from the ownership of this investee, based on an appropriate discount rate	1. Weighted average cost of capital ("WACC") 2, Discount for lack of marketability	1. From 10% to 15% 2. From 30% to 50%	The lower the WACC the higher the fair value The lower the discount for lack of marketability the higher the fair value
Listed equity securities	Level 1	**HK$418,000**	HK$413,000	Quoted bid prices in an active market	N/A	N/A	N/A
Investment in insurance policy	Level 3	**HK$1,947,000**	HK$1,947,000	By cash surrender value guaranteed by issuer	Cash surrender value	N/A	The higher the cash surrender value, the higher the fair value, vice versa

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

(c) Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Unlisted equity securities HK$'000	Investment in insurance policy HK$'000
At 1 April 2018 and 31 March 2019	300	1,947
Total gain in other comprehensive income	4,891	N/A
Total gain in profit or loss	N/A	–
At 31 March 2020	5,191	1,947

For the year ended 31 March 2020, the above total gain is relating to unlisted equity investment designated at FVTOCI and investment in insurance policy classified as financial assets at FVTPL held at the end of the year.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimates that have significant effect on the amounts recognised in the consolidated 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 depreciates the plant and equipment on a straight-line basis between the rates of 10% to 33.3% per annum, commencing from the date the plant and equipment are available for use. The Group depreciates the ownership interest in leasehold land and building over the shorter unexpired term of the lease and estimated useful life of building. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amounts of property, plant and equipment (including right-of-use assets) as at 31 March 2020 is HK$54,405,000 (2019: HK$55,560,000).

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. The carrying amount of inventories is HK$17,455,000 (2019: HK$22,180,000).

Contract assets and trade receivables

The loss allowance for contract assets and trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of comprehensive income. At 31 March 2020, the carrying amount of contract assets and trade receivables are HK$22,950,000 and HK$16,580,000 (2019: HK$12,136,000 and HK$26,659,000), net of loss allowance of contract assets and trade receivables is HK$115,000 and HK$2,408,000 (2019: HK$Nil and HK$3,055,000) respectively.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and determined that the presumption that the carrying amount of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

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

Fair value of financial assets measured at FVTOCI

As described in note 5(c), the directors of the Company use their judgements in selecting appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates while the estimation of fair value of investment in insurance policy rely on quotation from the sole counterparty in the market (i.e. the issuer). As at 31 March 2020, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately HK$5,191,000 (2019: HK$300,000) and investment in insurance policy classified as FVTPL was approximately HK$1,947,000 (2019: HK$1,947,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

Estimated fair value of investment properties

Investment properties are revalued at the end of the reporting period on an open market basis by independent professional valuers. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, information about current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used. At 31 March 2020, the carrying amount of investment properties measured at fair value was approximately HK$205,950,000 (2019: HK$217,540,000) and fair value loss was approximately HK$11,117,000 (2019: fair value gain HK$7,620,000). The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in note 18.

For smart systems construction services, the Group creates or enhances an asset that the customer controls. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time.

The Group recognises revenue from smart systems construction contracts over time using the input method, based on the actual direct costs incurred to satisfy the performance obligation relative to the total expected costs incurred to satisfy the performance obligations of an individual contract. Total expected costs and their corresponding contract revenue require estimations from management based on understanding of the performance of the contract and quotations from suppliers and subcontractors, and the Group's historical experience. Due to the nature of the activity undertaken in the smart systems construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. As a result, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a provision for onerous contract may arise.

The Group recognises revenue from maintenance services over time using the output method. For maintenance services, the Group received a lump sum to provide maintenance services to its customers over a specific period of time. During the contracted period, the customers simultaneously receive and consume the benefits provided as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time.

7. REVENUE

Revenue represents sales of mobile phones and internet of things ("IOT") solutions, comprising sales of electronic devices and provision of maintenance, installation, repairs services and smart systems construction services, and gross rental income.

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers		
Sales of goods	**196,709**	256,397
Maintenance service income	**12,444**	8,070
Installation service income	**707**	1,193
Repairs service income	**108**	196
Revenue from smart systems construction services	**18,089**	12,761
	228,057	278,617
Revenue from other sources		
Rental income from investment properties – fixed rental	**4,152**	4,450
Other rental income	**26**	46
	4,178	4,496
	232,235	283,113

Disaggregation of revenue from contracts with customers by timing of recognition

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
At a point in time	**196,709**	256,397
Over time	**31,348**	22,220
	228,057	278,617

7. REVENUE (Cont'd)

Transaction price allocated to the remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is HK$22,784,000 (2019: HK$25,293,000). The amount represents revenue expected to be recognised in the future from maintenance, installation and repairs services and smart systems construction contract.

The Group will recognised this revenue as the service is provided, which is expected to occur over the next 12 months (2019: next 12 months).

8. SEGMENTAL INFORMATION

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

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

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

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

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

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

8. SEGMENTAL INFORMATION (Cont'd)

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

Segment revenues and results

For the year ended 31 March 2020

	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					
Reportable segment revenue – external	181,755	37,501	8,827	4,152	232,235
Reportable segment profit (loss)	3,927	(2,871)	(12,719)	(18)	(11,681)
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets					
Interest income from bank deposits	59	-	2	-	61
Finance costs	1,527	-	62	839	2,428
Depreciation	1,438	226	425	27	2,116
Write-down of inventories	684	-	-	-	684
Reversal of impairment of account receivables	101	-	-	-	101
Impairment loss on contract assets	-	-	118	-	118
Additions to non-current assets	139	100	767	-	1,006
Reportable segment assets	108,850	26,422	8,365	206,495	350,132
Reportable segment liabilities	51,226	2,471	3,718	25,415	82,830

8. SEGMENTAL INFORMATION (Cont'd)

Segment revenues and results (Cont'd)

For the year ended 31 March 2019

	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					
Reportable segment revenue – external	227,106	40,117	11,440	4,450	283,113
Reportable segment profit (loss)	1,684	(2,313)	(7,227)	1,485	(6,371)
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets					
Interest income from bank deposits	52	–	18	–	70
Finance costs	1,580	–	24	974	2,578
Depreciation	1,007	569	189	64	1,829
(Reversal of) write-down of inventories	(2,534)	(254)	959	–	(1,829)
Reversal of impairment of account receivables	1,744	–	11	–	1,755
Additions to non-current assets	15	866	37	40	958
Reportable segment assets	149,629	4,512	13,189	218,393	385,723
Reportable segment liabilities	55,817	3,423	4,304	28,694	92,238

8. SEGMENTAL INFORMATION (Cont'd)

Segment revenues and results (Cont'd)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of fair value gain (loss) on FVTPL and fair value gain (loss) on investment properties. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Geographical information

	Revenues from external customers		Non-current assets*	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**223,408**	271,486	**249,874**	262,384
Mainland China	**4,746**	5,051	**428**	456
Singapore	**3,666**	6,126	**10,053**	10,260
Other countries in South East Asia	**415**	450	**–**	–
	8,827	11,627	**10,481**	10,716
	232,235	283,113	**260,355**	273,100

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

8. SEGMENTAL INFORMATION (Cont'd)

Reconciliations of reportable segment profit or loss, assets and liabilities

	2020 HK$'000	2019 HK$'000
PROFIT OR LOSS		
Total reportable segment loss	**(11,681)**	(6,371)
Fair value (loss) gain on investment properties	**(11,117)**	7,620
Fair value gain (loss) on financial assets at FVTPL	**5**	(121)
Consolidated (loss) profit before taxation	**(22,793)**	1,128
ASSETS		
Total reportable segment assets	**350,132**	385,723
Unallocated corporate assets	**7,556**	2,660
Consolidated total assets	**357,688**	388,383
LIABILITIES		
Total reportable segment liabilities	**82,830**	92,238
Deferred tax liabilities	**282**	168
Consolidated total liabilities	**83,112**	92,406

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A#	**28,630**	42,898

Revenue from sales of mobile phones in Hong Kong segment

9. OTHER INCOME, GAINS AND LOSSES, NET

	2020 HK$'000	2019 HK$'000
Bank interest income	**61**	70
Dividend income	**3**	1
Recoveries of trade receivables previously written off	**–**	843
Reversal of impairment on trade receivables	**101**	1,755
Impairment loss on contract assets	**(118)**	–
Loss on disposal of property, plant and equipment	**(12)**	–
Exchange loss	**(216)**	(134)
Others	**340**	421
	159	2,956

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings	**2,000**	2,308
Interest on lease liabilities	**25**	–
Interest on obligations under finance leases	**–**	20
Total interest expenses	**2,025**	2,328
Bank charges	**403**	250
	2,428	2,578

11. (LOSS) PROFIT BEFORE TAXATION

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

	2020	2019
	HK$'000	HK$'000
Auditor's remuneration	**723**	660
Depreciation on:		
– Property, plant and equipment	**1,823**	1,829
– Right-of-use assets	**293**	–
	2,116	1,829
Operating lease rentals in respect of rented premises under HKAS17		
– Minimum lease payments	**–**	1,430
– Contingent rent	**–**	1,693
	–	3,123
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	**29,348**	33,903
– Retirement benefit scheme contributions	**2,215**	2,138
Total staff costs	**31,563**	36,041
Write-down of inventories (included in cost of sales)	**684**	246
Reversal of inventories previously written-down (included in cost of sales)	**–**	(2,075)
Gross rental income from investment properties under operating leases less outgoings of HK$666,000 (2019: HK$606,000)	**(3,486)**	(3,844)

12. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS

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

	2020					
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Commission HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Chan Chung Yee, Hubert	–	1,274	–	–	36	1,310
Chan Chung Yin, Roy	–	508	–	306	36	850
Chan Ming Him, Denny	–	206	–	–	19	225
Wu Kwok Lam	–	913	22	–	36	971
Ip Man Hon	–	799	18	–	36	853
Chow So Fan, Candy (resigned on 23 July 2019)	–	204	–	–	12	216
	–	3,904	40	306	175	4,425
Independent non-executive directors:						
Chiu Ngar Wing	85	–	–	–	–	85
Chu Chor Lup	40	–	–	–	–	40
Law Ka Hung	30	–	–	–	–	30
	155	–	–	–	–	155

12. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS (Cont'd)

	2019					
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Commission HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Chan Chung Yee, Hubert	–	1,379	–	112	36	1,527
Chan Chung Yin, Roy	–	445	–	298	36	779
Chan Ming Him, Denny	–	182	–	14	20	216
Wu Kwok Lam	–	869	31	–	36	936
Ip Man Hon	–	734	25	–	36	795
Chow So Fan, Candy	–	607	56	–	18	681
	–	4,216	112	424	182	4,934
Independent non-executive directors:						
Chiu Ngar Wing	85	–	–	–	–	85
Chu Chor Lup	40	–	–	–	–	40
Law Ka Hung	30	–	–	–	–	30
	155	–	–	–	–	155

Notes:

Fees represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings.

Salaries, allowances and benefit in kind, commission and discretionary bonuses represent emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings.

The discretionary bonus is determined by the Remuneration Committee having regard to the individual remits and performance, the Group's performance and profitability as well as the prevailing market condition.

Mr. Chan Chung Yee, Hubert is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

There was no arrangement under which a director waived or agreed to waive any remuneration nor compensation for termination of service of a director during the years ended 31 March 2020 and 2019.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individual in the Company include four (2019: four) executive directors for the year ended 31 March 2020, details of whose emoluments have been disclosed in note 12 above.

The details of the emoluments for the year of remaining one (2019: one) highest paid individual who is neither director nor chief executive of the Company are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and other benefits	**845**	829
Performance-related bonus	**63**	61
Retirement benefit scheme contribution	**36**	18
	944	908

14. TAX EXPENSES

a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two tiered profits tax rates regime, the first HK$2 million of profits of the qualifying Group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of Group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

14. TAX EXPENSES (Cont'd)

a) (Cont'd)

No provision for Enterprise Income Tax of the PRC and Singapore Corporate Tax has been made as the Group did not have any assessable profits subject to tax in the PRC and Singapore respectively for the years ended 31 March 2020 and 2019.

	2020	2019
	HK$'000	HK$'000
Hong Kong Profits Tax		
Charge for the year	**127**	87
Deferred tax		
Charge for the year	**114**	–
Tax expenses for the year	**241**	87

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

	2020	2019
	HK$'000	HK$'000
(Loss) profit before taxation	**(22,793)**	1,128
Tax at applicable Hong Kong Profits Tax rates	**(3,906)**	186
Tax effect of different tax rates in other jurisdiction	**(531)**	(23)
Tax effect of income not taxable	**(10)**	(1,461)
Tax effect of expenses that are not deductible in determining taxable income	**2,985**	122
Tax effect of unrecognised tax losses	**2,277**	1,075
Tax effect of utilisation of tax losses previously unrecognised	**(617)**	(524)
Tax effect of unrecognised deductible temporary difference	**63**	251
Tax concession	**(20)**	(20)
Others	**–**	481
Tax expenses for the year	**241**	87

14. TAX EXPENSES (Cont'd)

Tax concession represented reduction of Hong Kong Profits Tax of a group entity for the year of assessment of 2019/2020 and 2018/2019, subject to a ceiling of HK$20,000 and HK$20,000 per case respectively.

15. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	HK$'000	HK$'000
(Loss) earnings attributable to equity holders of the Company	**(23,034)**	1,041

	Number of shares	Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**1,245,331,256**	1,245,331,256

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

16. DIVIDEND

No dividend was proposed by the directors of the Company for the year ended 31 March 2020 (2019: HK$0.2 cents per share amounting to HK$2,491,000 in total).

17. PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in Leasehold land and buildings HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Office equipment, leasehold improve-ments and furniture and fixtures HK$'000	Moulds HK$'000	Plant and machinery HK$'000	Leased properties HK$'000	Total HK$'000
Cost								
At 1 April 2019	60,366	1,730	10,117	20,085	4,315	1,270	–	97,883
Currency realignment	–	(28)	(34)	(53)	–	–	(11)	(126)
Additions	–	177	26	176	85	–	542	1,006
Disposal	–	–	–	–	(23)	–	–	(23)
At 31 March 2020	60,366	1,879	10,109	20,208	4,377	1,270	531	98,740
Accumulated depreciation								
At 1 April 2019	(7,221)	(1,359)	(10,006)	(18,572)	(3,895)	(1,270)	–	(42,323)
Currency realignment	–	16	29	43	–	–	5	93
Charge for the year	(1,110)	(110)	(41)	(473)	(177)	–	(205)	(2,116)
Disposal	–	–	–	–	11	–	–	11
At 31 March 2020	(8,331)	(1,453)	(10,018)	(19,002)	(4,061)	(1,270)	(200)	(44,335)
Net book value								
At 31 March 2020	52,035	426	91	1,206	316	–	331	54,405
Cost								
At 1 April 2018	60,366	1,751	10,138	19,651	3,981	1,270	–	97,157
Currency realignment	–	(21)	(67)	(144)	–	–	–	(232)
Additions	–	–	46	578	334	–	–	958
At 31 March 2019	60,366	1,730	10,117	20,085	4,315	1,270	–	97,883
Accumulated depreciation								
At 1 April 2018	(6,266)	(1,280)	(9,996)	(18,152)	(3,737)	(1,270)	–	(40,701)
Currency realignment	–	10	64	133	–	–	–	207
Charge for the year	(955)	(89)	(74)	(553)	(158)	–	–	(1,829)
At 31 March 2019	(7,221)	(1,359)	(10,006)	(18,572)	(3,895)	(1,270)	–	(42,323)
Net book value								
At 31 March 2019	53,145	371	111	1,513	420	–	–	55,560

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

Notes

i) The Group's leasehold land and buildings comprise:

	2020	2019
	HK$'000	HK$'000
Land and buildings in Hong Kong	**52,034**	53,145

ii) The Group has pledged its leasehold land and buildings with aggregate net book value of HK$52,034,000 (2019: HK$53,145,000) to secure the Group's general banking facilities.

iii) 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 and buildings	Over the shorter of unexpired term of lease and estimated useful life of buildings
Motor vehicles	20% p.a.
Computer equipment	$33^1/_3$% p.a.
Office equipment	10% – 20% p.a.
Leasehold improvements	20% – $33^1/_3$% p.a.
Furniture and fixtures	10% – 20% p.a.
Moulds	20% p.a.
Plant and machinery	20% p.a.
Leased properties	Over term of the lease

iv) At 31 March 2019, the aggregate net book value of property, plant and equipment held under finance lease was HK$354,000.

Upon adoption of HKFRS16, the property, plant and equipment held under finance lease under HKAS 17 is reclassified as right-of-use assets and continued to be included in motor vehicles. At 31 March 2020, the Group's title to the leased motor vehicle of HK$250,000 has been pledged to secure the lease arrangement with lease liability of HK$248,000.

The carrying amount of right-of-use assets included in property, plant and equipment comprise:

	31/3/2020	1/4/2019
	HK$'000	HK$'000
Buildings	**331**	–
Motor vehicles	**250**	354
	581	354

The Group has lease arrangements for buildings and motor vehicles. The lease terms for properties (office and carpark) and motor vehicles generally ranged from two to three years and five years respectively at fixed rates. Addition to the right-of-use assets for the year ended 31 March 2020 amounted to HK$542,000 due to new leases of properties.

18. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At fair value:		
At the beginning of the year	**217,540**	209,920
Fair value (loss) gain	**(11,117)**	7,620
Currency realignment	**(473)**	–
At the end of the year	**205,950**	217,540
The carrying amounts of investment properties situated in Hong Kong and outside Hong Kong shown above comprises:		
Land and buildings in Hong Kong	**196,550**	207,280
Land and buildings outside Hong Kong	**9,400**	10,260
	205,950	217,540

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:

	Fair value measurements as at 31 March 2020 categorised into		
	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000
Recurring fair value measurement			
Investment properties:			
Residential			
– Hong Kong	–	–	26,800
Commercial			
– Hong Kong	–	–	169,750
– Singapore	–	–	9,400

18. INVESTMENT PROPERTIES (Cont'd)

i) Fair value hierarchy (Cont'd)

	Fair value measurements as at 31 March, 2019 categorised into		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Investment properties:			
Residential			
– Hong Kong	–	–	26,090
Commercial			
– Hong Kong	–	–	181,190
– Singapore	–	–	10,260

During the years ended 31 March 2020 and 2019, 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 31 March 2020. The valuations were carried out by an independent firm of professional qualified surveyors, LCH (Asia-Pacific) Surveyors Limited, 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.

18. 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	Significant unobservable inputs	Range
Investment properties with recurring fair value measurement:			
Residential			
– Hong Kong	Market approach	Adjusted market price per sq ft	HK$14,367 – HK$21,399 (2019: HK$15,500 – HK$21,270)
		Adjustment for floor, time and size	–11% to 9.9%
Commercial – Hong Kong	Market approach	Adjusted market price per sq ft	HK$14,030 – HK$124,712 (2019: HK$14,991 – HK$137,072)
		Adjustment for floor, time, age, view, environment, facilities, pedestrian flow and size	–37.4% to 33.7%
– Singapore	Market approach	Adjusted market price per sq m	HK$2,190 (2019: HK$2,390)
		Adjustment for nature, floor, time, size and building condition	–9.5% to -23.5%

A significant increase in the comparable market price would result in a significant increase in the fair value of the investment properties, vice versa. Generally, a change in the assumption made for the market value is accompanied by a directionally similar change in building condition, floor, time, size, nature, facilities, pedestrian flow, view, environment and age.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

18. 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:

	2020 HK$'000	2019 HK$'000
Investment properties:		
At beginning of year	**217,540**	209,920
Currency realignment	**(473)**	
Fair value change	**(11,117)**	7,620
At end of year	**205,950**	217,540

Fair value adjustment of investment properties is recognised in the line item "fair value (loss) gain on investment properties" on the consolidated statement of comprehensive income.

All the (loss) gain 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$184,850,000 (2019: HK$195,090,000) to secure the Group's general banking facilities.

19. FINANCIAL ASSETS AT FVTOCI

	2020 HK$'000	2019 HK$'000
Financial assets at FVTOCI		
Unlisted equity securities *(Note)*	**5,191**	300

Note:

The above unlisted equity investments represent 4.59% in equity interest in a private entity incorporated in Hong Kong. This investment is not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising their performance potential in the long run.

Details of the fair value of these investments are disclosed in note 5(c).

20. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**133**	112
Work in progress	**367**	81
Telecommunication devices and other electronic products and accessories	**16,955**	21,987
	17,455	22,180

The cost of inventories recognised in profit or loss during the year amounted to HK$190,051,000 (2019: HK$237,117,000).

21. FINANCIAL ASSETS AT FVTPL

	2020 HK$'000	2019 HK$'000
Financial assets stated at fair value		
Investment in life insurance policy *(Note (i))*	**1,947**	1,947
Equity securities listed in Hong Kong *(Note (ii))*	**418**	413
	2,365	2,360

Analysis as:	**HK$'000**	HK$'000
Non-current assets	**1,947**	1,947
Current assets	**418**	413
	2,365	2,360

21. FINANCIAL ASSETS AT FVTPL (Cont'd)

Note:

i. A subsidiary of the Group entered into a contract with an insurance company to insure against the death of a director of the Company, 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 Group will receive cash refund based on the cash surrender value of the insurance policy at the date of withdrawal. During the effective period of the insurance policy, interest at a rate not less than the guaranteed minimum crediting interest rate will be credited to the policy value. The guaranteed minimum crediting interest rate is 2.3%. The actual interest credited to the policy value will be subjected to change and there is no explicit maturity date of the policy. The change in cash surrender value is determined by the policy issuer, subject to the change in effective interest crediting to the policy value and adjusted for monthly premium charge, administration charge and cost of insurance incurred. In the opinion of the directors of the Company, the cash flow from the insurance policy is not solely payments of principal and interest on the premium paid.

   At 31 March 2020, the insurance policy was pledged for securing for bank loans amounted to HK$62,325,000. (2019: HK$55,562,000)

ii. During the year ended 31 March 2020, the Group did not dispose of any listed equity securities.

Details of the fair value of these investments are disclosed in note 5(c).

22. CONTRACT ASSETS

	2020	2019
	HK$'000	HK$'000
Smart systems construction service	**23,065**	12,136
Less: Loss allowance	**(115)**	–
	22,950	12,136

Contract assets are initially recognised for revenue earned from services as receipt of consideration is conditional on successful completion of services provided. The contract assets are transferred to trade receivables when the rights become unconditional upon completion of services and acceptance by customers. The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL under the simplified approach.

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The Group requires certain customers to provide upfront deposits at least 10% of total contract sum as part of its credit risk management policies and this has resulted in a contract liability at early stages. However, the Group also typically agrees to eighteen months retention period for 5-15% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection. Included in contract assets of HK$2,849,000 (2019: HK$3,747,000) was expected to be recovered after more than one year.

22. CONTRACT ASSETS (Cont'd)

The Group measures loss allowance for contract assets at an amount equal to lifetime ECL, which is calculated at expected default rate of 0.5% (2019: close to zero) as contract assets are considered as current and not past due under provision matrix.

The increase in contract assets in 2020 is the result of the increase in ongoing smart systems construction services at the end of the year.

The movements in loss allowance of contract assets are as follows:

	2020 **HK$'000**	2019 HK$'000
At the beginning of year	**–**	–
Impairment losses recognised	**118**	–
Exchange realignment	**(3)**	–
At the end of year	**115**	–

23. TRADE RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade debtors	**18,988**	29,714
Less: Loss allowance	**(2,408)**	(3,055)
	16,580	26,659

The Group does not hold any collateral over these receivables.

As at 31 March 2020, the gross amount of trade receivables arising from contracts with customers amounted to HK$18,988,000 (2019: HK$29,714,000).

23. TRADE RECEIVABLES (Cont'd)

a) Ageing analysis

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

	2020 **HK$'000**	2019 HK$'000
Within 30 days	**8,825**	15,415
31 to 60 days	**1,324**	3,263
61 to 90 days	**722**	1,073
91 to 180 days	**2,059**	1,591
181 to 365 days	**1,377**	1,114
Over 365 days	**4,681**	7,258
	18,988	29,714

Expected default rates are based on actual loss experienced by the Group and forward-looking information. These rates are adjusted to reflect difference between economic conditions during the period over which historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as follows:

23. TRADE RECEIVABLES (Cont'd)

a) Ageing analysis (Cont'd)

As at 31 March 2020

	Expected default rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Individually	**100%**	**2,013**	**2,013**	**–**
Collectively				
Current (not past due)	**0.5%**	**238**	**–**	**238**
1-120 days past due	**0.5%**	**10,633**	**53**	**10,580**
121-365 days past due	**2.5%**	**3,436**	**86**	**3,350**
1-2 years past due	**5.5%**	**1,627**	**89**	**1,538**
2-3 years past due	**10.5%**	**468**	**49**	**419**
More than 3 years	**20.5%**	**573**	**118**	**455**
Trade receivables		**18,988**	**2,408**	**16,580**

As at 31 March 2019

	Expected default rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Individually	100%	2,560	2,560	–
Collectively				
Current (not past due)	0%	1,862	–	1,862
1-120 days past due	0%	17,889	–	17,889
121-365 days past due	2%	2,705	54	2,651
1-2 years past due	5%	2,602	130	2,472
2-3 years past due	10%	1,085	109	976
More than 3 years	20%	1,011	202	809
Trade receivables		29,714	3,055	26,659

23. TRADE RECEIVABLES (Cont'd)

a) Ageing analysis (Cont'd)

The movement in the loss allowance of trade receivables during the year is as follows:

	2020	2019
	HK$'000	HK$'000
At 1 April	**3,055**	4,811
Reversal of impairment losses recognised	**(101)**	(1,755)
Bad debts written off	**(546)**	–
Currency realignment	**–**	(1)
At 31 March	**2,408**	3,055

Included in trade receivables are the following amounts denominated in currencies other than the functional currency of the respective group entities to which they relate:

	2020	2019
	'000	'000
USD	**102**	9
RMB	**–**	1,196

At 31 March 2020, the Group's trade debtors amounted to HK$2,013,000 (2019: HK$2,560,000) 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. The Group does not hold any collateral over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Deposits and other receivables	**7,670**	7,591
Prepayments	**5,720**	15,187
	13,390	22,778

The directors of the Company considered that the deposit and other receivables to be categorised as "Performing" under the Group's credit risk grading framework and the 12-months ECL is insignificant taking into account the past repayment patterns thus no impairment provision is recognised during the year.

The Group does not hold any collateral over these balances.

25. CASH AND BANK BALANCES

	2020 HK$'000	2019 HK$'000
Pledged time deposits	**2,000**	2,560
Cash and bank balances	**17,350**	26,310
	19,350	28,870

The effective interest rate on all of the pledged time deposits with banks was 1.94% (2019: 1%) per annum at 31 March 2020. The pledged time deposits is placed to secure the Group's trade finance facilities with maturity within three months or less.

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

Included in the cash and bank balances of HK$17,350,000 (2019: HK$26,310,000) are the following amounts denominated in a currency other than the functional currency of the group entities to which they relate:

	2020 '000	2019 '000
RMB	**3**	2
USD	**–**	13

26. TRADE PAYABLES, ACCRUAL AND OTHER PAYABLES

	2020	2019
	HK$'000	HK$'000
Trade payables	**6,435**	7,222
Accruals and deposits received	**7,299**	8,523
	13,734	15,745

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

	2020	2019
	HK$'000	HK$'000
0 – 30 days	**4,621**	5,373
31 – 60 days	**3**	56
61 – 90 days	**87**	313
Over 90 days	**1,724**	1,480
	6,435	7,222

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

Included in the trade payables are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2020	2019
	'000	'000
USD	**143**	–

27. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Receipt in advance	**2,812**	5,231

Contract liabilities include advances received to render maintenance services.

The advance payment schemes result in contract liabilities being recognised throughout the maintenance service period until the maintenance service performed. The changes in contract liabilities in 2020 were mainly due to the satisfaction of performance obligations during the year.

Revenue recognised during the year ended 31 March 2020 that was included in the contract liabilities at the beginning of the year is approximately HK$5,231,000 (2019: HK$2,966,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

28. OBLIGATIONS UNDER FINANCE LEASES

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases and disclosed in note 34. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2.

As at 31 March 2019, the average lease term was 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.468% to 7% per annum.

28. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

	Minimum lease payments 2019 HK$'000	**Present value of minimum lease payments** 2019 HK$'000
Amounts payable under finance leases		
Within one year	96	80
In the second year	74	84
In the third to fifth years	204	174
	374	338
Less: future finance charges	(36)	
Present value of finance leases	338	
Less: amount due for settlement within one year shown under current liabilities		(80)
Amount due for settlement after one year		258

29. BANK BORROWINGS

	2020 **HK$'000**	2019 HK$'000
Bank borrowings comprise:		
Bank loans	**62,325**	67,749
Bank overdraft	**2,995**	2,913
	65,320	70,662

The bank borrowings carry floating rates. The effective interest rates of bank borrowings were 2.45% to 4.58% (2019: 2.73% to 5.19%) per annum at 31 March 2020.

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

29. BANK BORROWINGS (Cont'd)

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

	2020	2019
	HK$'000	HK$'000
Due within one year	**29,806**	29,803
Due more than one year, but not exceeding five years	**18,975**	22,894
Due more than five years	**13,544**	15,052
	62,325	67,749
Bank loans that are not repayable within one year but contain a repayment on demand clause	**32,519**	37,946
Bank loans that are repayable within one year		
– contains a repayable on demand clause	**4,791**	4,129
– do not contain a repayable on demand clause	**25,015**	25,674
	62,325	67,749

All the bank borrowings are secured by the Group's property, plant and equipment, investment properties, financial assets at FVTPL and pledged bank deposits. Please refer to respective notes for details of pledge of assets.

30. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2018	1,273	(1,105)	168
Charged (credited) to profit or loss	49	(49)	–
At 31 March 2019 and 1 April 2019	1,322	(1,154)	168
Charged to profit or loss	49	65	114
At 31 March 2020	1,371	(1,089)	282

30. DEFERRED TAX LIABILITIES (Cont'd)

At the end of the reporting period, the Group has unused tax losses of HK$184,320,000 (2019: HK$174,653,000) available to offset against future profits. Deferred tax assets have been recognised in respect of HK$6,600,000 (2019: HK$6,994,000). No deferred tax asset has been recognised in respect of the remaining HK$177,720,000 (2019: HK$167,659,000) tax losses 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 that the unused tax losses of PRC subsidiaries of HK$26,167,000 (2019: HK$25,652,000) can only be carried forward for five years from the year of the incurrence.

At the end of the reporting period, the Group has deductible temporary differences of HK$4,725,000 (2019: HK$4,344,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. SHARE CAPITAL

	Number of shares		Amount	
	2020	2019	**2020** **HK$'000**	2019 HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the year	**2,000,000,000**	2,000,000,000	**20,000**	20,000
Issued and fully paid:				
At beginning and end of the year	**1,245,331,256**	1,245,331,256	**12,453**	12,453

32. 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 38.

Capital reserve

The capital reserve represents primarily the effects from change in shareholders' equity arising on Group re-organisation and change in the Group's ownership interest in subsidiaries without losing control.

Properties revaluation reserve

The properties revaluation reserve represents cumulative gains and losses arising on the revaluation of the corresponding properties upon transfer from owner-occupied properties to investment properties that have been recognised in other comprehensive income. Such items will not be reclassified to profit or loss in subsequent periods.

The Company

	Share premium HK$'000	**Special reserve** HK$'000	**Accumulated loss** HK$'000	**Total** HK$'000
At 1 April, 2018	39,621	163,453	(39,701)	163,373
Loss and total comprehensive expense for the year	–	–	(10,832)	(10,832)
Proposed final dividend	–	–	(2,491)	(2,491)
At 31 March, 2019 and 1 April 2019	39,621	163,453	(53,024)	150,050
Loss and total comprehensive expense for the year	–	–	(914)	(914)
At 31 March 2020	39,621	163,453	(53,938)	149,136

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, special reserve and retained profits, if any. 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.

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a) Non-cash transactions

During the year ended 31 March 2020, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of HK$542,000 were recognised at the commencement of the leases.

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**	**Lease liabilities**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2018	86,310	428	–	86,738
Non-cash changes from financing cash flows:				
Interest expense	2,308	20	–	2,328
Financing cash flows	(20,869)	(110)	–	(20,979)
At 31 March 2019	67,749	338	–	68,087
Non-cash changes from financing cash flows:				
Transferred to lease liabilities	–	(338)	338	–
Recognition of right-of-use assets	–	–	542	542
Interest expense	2,000	–	25	2,025
Exchange realignment	–	–	(21)	(21)
Financing cash flows	(7,424)	–	(301)	(7,725)
At 31 March 2020	62,325	–	583	62,908

34. LEASE LIABILITIES

(i) Lease liabilities

	31/3/2020 HK$'000	1/4/2019 HK$'000
Non-current	**236**	258
Current	**347**	80
	583	338

	HK$'000
Within one year	**347**
In the second year	**150**
In the third year	**86**
	583

During the year ended 31 March 2020, the Group entered into a new lease agreement in respect of renting office premises and recognised lease liability of HK$542,000.

(ii) Amounts recognised in profit or loss

	Year ended 31/3/2020 HK$'000
Expense relating to short-term leases	**707**
Expense relating to variable leases payment not included in the measurement of the lease liabilities	**1,559**
Depreciation	
– motor vehicle	**88**
– leased properties	**205**
	293
Interests	**25**

Note:

The Group's leases of certain retail stores contain solely variable lease payment terms that are based on sales generated from the relevant retail stores to minimise fixed operating costs.

34. LEASE LIABILITIES (Cont'd)

(iii) Others

At 31 March 2020, the Group did not have committed lease agreements that were not yet commenced.

During the year ended 31 March 2020, the total cash outflows for leases amounted to HK$2,567,000.

35. OPERATING LEASE COMMITMENT

The Group as lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/3/2019 HK$'000
Within one year	647
	647

As at 31 March 2019, operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2-3 years and no fixed rental.

The Group is the lessee in respect of a number of properties which the leases were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 34.

The Group as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 3 years. None of the leases includes variable lease payments.

35. OPERATING LEASE COMMITMENT (Cont'd)

The Group as lessor (Cont'd)

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31/3/2020 HK$'000
Within one year	**1,773**
In the second year	**1,028**
In the third year	**324**
	3,125

As at 31 March 2019, the Group had contracted with tenants for the following future minimum lease payments:

	31/3/2019 HK$'000
Within one year	2,989
In the second to fifth year inclusive	180
	3,169

36. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The remuneration of directors of the Company (who are also the key management) during the year were as follows:

	2020 HK$'000	2019 HK$'000
Short-term benefits	**4,405**	4,907
Post-employment benefits	**175**	182
	4,580	5,089

The remuneration of directors of the Company is determined by the remuneration committee having regard to the performance of individuals and market trends.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	(a)	**210,504**	210,504
CURRENT ASSETS			
Cash and bank balances		**62**	59
CURRENT LIABILITIES			
Amount due to a subsidiary		**48,826**	45,474
Accruals and other payables		**151**	95
		48,977	45,569
NET CURRENT LIABILITIES		**(48,915)**	(45,510)
NET ASSETS		**161,589**	164,994
CAPITAL AND RESERVES			
Share capital		**12,453**	12,453
Reserves	32	**149,136**	150,050
Proposed final dividend		**–**	2,491
TOTAL EQUITY		**161,589**	164,994

Note (a)

The interests in subsidiaries included an amount due from a subsidiary which is unsecure, interest-free and repayable on demand. The directors of the Company do not expect repayments from the subsidiary within next twelve months from the end of the reporting period.

38. SUBSIDIARIES

Particulars of the principal subsidiaries at 31 March 2020 are as follows:

Name	Legal form	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
					2020	2019	
HKC Group Limited	Limited liability company	British Virgin Islands	Hong Kong	Ordinary shares US$100,000	**100%**	100%	Investment holding
HKC Properties Limited	Limited liability company	British Virgin Islands	Hong Kong	Ordinary shares US$30	**100%**	100%	Investment holding
Superior Charm Limited	Limited liability company	British Virgin Islands	Hong Kong	Ordinary shares US$1,200	**100%**	100%	Investment holding
Hong Kong Communications Company Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$157,935,083	**100%**	100%	Sales of mobile phones and IOT solutions
Circle Mobile Communications Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$1,000,000	**100%**	100%	Sales of mobile phones and other electronic products
Generalvestor (H.K.) Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$10,000,000	**100%**	100%	Property investment
HKC Technology Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$10,000,202	**100%**	100%	Sales and distribution of IOT products
HKC International (Thailand) Co. Ltd.	Limited liability company	Thailand	Thailand	Preference shares THB9,999,990 Ordinary shares THB10,000,010	**100%**	100%	Sales and distribution of IOT solutions

38. SUBSIDIARIES (Cont'd)

Name	Legal form	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the Group 2020	2019	Principal activities
Singapore Communications Co. Pte. Ltd.	Limited liability company	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.)	Limited liability company	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.)	Limited liability company	PRC	PRC	Contributed capital US$610,000	**80%**	80%	Inactive
HKC Technology (Guangzhou) Company Limited	Limited liability company	PRC	PRC	Contributed capital RMB800,000	**100%**	N/A	Sales and distribution of IOT solutions
HKC Comunicacoes Equipamento (Macau) Companhia Limitada	Limited liability company	Macau	Macau	Contributed capital MOP 100,000	**100%**	100%	Inactive
HKC Mobile Technology Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$20,000,000	**100%**	100%	Inactive
Hong Kong Communications Services Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$1	**100%**	100%	Inactive

38. SUBSIDIARIES (Cont'd)

Name	Legal form	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
					2020	2019	
HKC Retails Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$1	**100%**	100%	Sales of mobile phones and other electronic products
Circle Digital Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$1	**100%**	100%	Inactive
Good Success Electronics Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Sales of mobile phones and other electronic products
Carrot Home Solutions Limited	Limited liability company	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 31 March 2020 and 2019 or at any time during the year.

HKC Technology (Guangzhou) Company Limited is newly set up in June 2019.

39. COMPARATIVE FIGURES

The comparative figures of certain line items of the consolidated financial statements have been reclassified to conform with the presentation of the current year's consolidated financial statements. Summary of reclassifications is as follows:

Consolidated statement of comprehensive income:

(i) Administrative expense of HK$606,000 in relation to outgoings of investment properties was reclassified to cost of sales.

(ii) Other income of HK$2,075,000 in relation to reversal of inventories previously written-off was reclassified to cost of sales.

(iii) Selling expense of HK$2,978,000 in relation to staff costs was reclassified to administrative expenses.

(iv) Administrative expense of HK$250,000 in relation to bank charges was reclassified to finance costs.

(v) Administrative expense of HK$147,000 in relation to impairment loss of trade receivables was reclassified to other income, gains and losses and net off with reversal of impairment on trade receivables.

Consolidated statement of financial position:

(vi) Financial assets at FVTOCI of HK$1,947,000 in relation to investment in life insurance policy was reclassified to financial assets at FVTPL.

Consolidated statement of cash flows:

(vii) The interest paid of HK$2,328,000 was reclassified from net cash from operations to cash flows arising from financing activities.

The reclassifications have no impact on the Group's profit for the year ended 31 March 2019 and the financial position at 31 March 2019.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2016	2017	2018	2019	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	227,155	170,687	253,899	283,113	**232,235**
(Loss) profit before taxation	(22,716)	(4,376)	(3,424)	1,128	**(22,793)**
Tax (expense) credit	434	(51)	(124)	(87)	**(241)**
(Loss) profit attributable to Equity holders of the Company	(22,282)	(4,427)	(3,548)	1,041	**(23,034)**
ASSETS (LIABILITIES)					
Total assets	371,506	360,512	409,220	388,383	**357,688**
Total liabilities	(99,692)	(99,877)	(111,208)	(92,406)	**(83,112)**
	271,814	260,635	298,012	295,977	**274,576**

(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%

PARTICULARS OF PROPERTIES

(2) INVESTMENT PROPERTIES (Cont'd)

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