Telecom Digital Holdings Limited
電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6033

Annual Report
2018/19

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Cheung King Shek *(chairman)*
Cheung King Shan
Cheung King Chuen Bobby
Cheung King Fung Sunny *(chief executive officer)*
Wong Wai Man
Mok Ngan Chu

Independent Non-executive Directors

Hui Ying Bun
Lam Yu Lung
Lau Hing Wah, *MH, JP*

COMPANY SECRETARY

Wong Yu On

BOARD COMMITTEES

Audit Committee

Lam Yu Lung *(chairman)*
Hui Ying Bun
Lau Hing Wah, *MH, JP*

Remuneration Committee

Lau Hing Wah, *MH, JP (chairman)*
Hui Ying Bun
Lam Yu Lung

Nomination Committee

Hui Ying Bun *(chairman)*
Lam Yu Lung
Lau Hing Wah, *MH, JP*

AUTHORISED REPRESENTATIVES

Cheung King Fung Sunny
Wong Yu On

COMPANY'S WEBSITE

www.TDHL.cc

AUDITOR

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

LEGAL ADVISER

CFN Lawyers (in association with Broad & Bright)
27/F., Neich Tower,
128 Gloucester Road,
Wanchai, Hong Kong

REGISTERED OFFICE

Clifton House,
75 Fort Street,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., YHC Tower,
No.1 Sheung Yuet Road,
Kowloon Bay,
Kowloon,
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower,
1 Garden Road,
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building,
1 Queen's Road Central,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House,
75 Fort Street,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.,
Two Chinachem Exchange Square,
338 King's Road,
North Point, Hong Kong

PRINCIPAL PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

6033

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the audited annual results of Telecom Digital Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019.

RESULTS

Due to keen market competition, the Group's revenue for the year ended 31 March 2019 was approximately HK$1,239.25 million (2018: HK$1,297.57 million), representing a decrease of approximately 4.5% against last year's. The decrease was owed primarily to the decrease in revenue from the Group's distribution business. Profit attributable to owners of the Company was approximately HK$131.75 million (2018: HK$128.17 million), representing a year on year increase of approximately 2.8%.

The Board has recommended a fourth interim dividend for 2018/19 of HK$0.06 per share of the Company ("Share"). Taking into account the three dividends already paid, total dividends for the year amounted to HK$0.24 per Share.

BUSINESS OVERVIEW

The Group established in 1974, is a leading provider of comprehensive telecommunication services in Hong Kong. The Group operates four main business segments, namely retail sales of mobile phones and other consumer goods and related services, distribution of mobile phones and related services, provision of paging and other telecommunications services and provision of operation services to Sun Mobile Limited ("SUN Mobile"). To support the four segments, we have been actively expanding our retail network and professional team. As at 31 March 2019, we had 80 shops in operation.

During the year, the Group's retail business segment remained its largest revenue contributor, generating approximately 61.9% of its total revenue. Mango Mall, the new e-commerce platform we launched last year, has been performing well with a gradually growing members. As a result of our close partnership with HKT Limited ("HKT"), our revenue from the provision of operation services to SUN Mobile recorded a moderate approximately 11.0% growth.

Alert to market trends and technological development, we have strategically scaled down our paging and Mobitex based service business. Our Macau paging operation will be ceased on 30 June 2019. As for our distribution business, revenue dropped because of a decrease in numbers of mobile phone suppliers who appointed us as their mobile phones distributor.

Chairman's Statement (continued)

FUTURE PROSPECTS

Looking forward, the telecommunications market in Hong Kong is expected to remain competitive. To stay ahead, we intend to make the best of our extensive retail network, which we have planned to expand, and our professional team, as well as other advantages to develop our businesses. Also, we will continue to implement our strategy of relocating shops to prime locations and renovating existing shops to attract new customers and improve customer experience.

We will also continue to seek opportunities to diversify our business. In order to maintain its market position of the Group, and boost its market share and brand recognition, the Group will diligently follow its business development strategy and implement appropriate measures to achieve sustainable growth.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to all our staff and the management whose contribution is vital to the continued growth and success of the Group. I would also like to extend my sincere gratitude to our customers, business partners, suppliers and shareholders for their long term support. In the coming year, we will strive to achieve sustainable growth and maintain the Group's market leadership, with the aim of bringing satisfactory long-term returns to shareholders.

Cheung King Shek
Chairman and Executive Director
Hong Kong, 25 June 2019

Chief Executive Officer's Review

OPERATION OVERVIEW

The Group has continued to face tremendous competition and myriad challenges during the past year. In spite of this, we have been able to prudently expand our retail network to 80 shops, which is five more locations than the preceding year's. Besides strengthening our market presence in terms of sheer numbers, we have also renovated certain shops to enhance customer experiences, as well as relocated a number of shops to prime locations to cater for market demand. Complementing such efforts, we have sought to improve customer services by providing training to frontline staff, which has included enhancing their product knowledge. Also with the delivery of quality services in mind, we have established a customer service centre and expanded our backend IT support team in Shenzhen, Peoples's Republic of China (the "PRC") . As customer services were previously outsourced, our new operations will enable us to take direct control, which will likely result in improved services as well as greater efficiency and cost savings.

FUTURE PROSPECTS

Going forward, we will continue to strengthen the Group's retail network, both in terms of size and location. Correspondingly, we will be closely examining sites across the city to strategically expand our shop network. At the same time, we will seek to further raise and enhance operational efficiency, as well as better utilise resources as such proficiencies are the cornerstones of sustainable growth.

Besides organic growth, we will cautiously explore business opportunities that create new growth drivers for the Group. We have invested in Powersky Century Holdings (HK) Limited ("Powersky") since October 2018. Powersky group is a full-service restaurant group in Hong Kong offering mainly Shanghainese and Hong Kong style cuisines. They are operating 12 restaurants in Hong Kong under the brands of Shanghai Po Po（上海婆婆）, Shanghai Po Po 336 （上海婆婆336）, Shanghai Teng 1930 （上海廳1930）and Law Mark Kee（羅麥記）.

APPRECIATION

As the Chief Executive Officer of the Group, I wish to extend my deepest appreciation to our management team and staff for their contributions to the Group over the past year. I would also like to take this opportunity to express my gratitude to our customers, business partners, suppliers and shareholders for their unwavering trust and tremendous support, which is essential for the ongoing development of the Group.

Cheung King Fung Sunny
Chief Executive Officer and Executive Director
Hong Kong, 25 June 2019

Management Discussion and Analysis

INDUSTRY OVERVIEW

During the year, with more new players entering the market, the mobile telecommunications services industry became more crowded and competition intensified. The mobile subscription rate in Hong Kong, however, has been exceptionally high, numbering 19.37 million in October 2018, representing one of the highest mobile penetration rates in the world at about 259.9%. Mobile data services are especially popular in Hong Kong, with 18.75 million subscribers of the total being 2.5G/3G/4G users or subscribers, and there is also a big population of mobile broadband customers. As at October 2018, the local mobile data usage volume was 49,509 Terabytes. The number is 35.2% and 1.12 times that in December 2018 and December 2016 respectively, reflecting the rapid growth of the market.

The Group, with the support of professional teams, strong and close relationship with suppliers and customers, and a well-established shop network, saw an increase in profit and was able to maintain its share in the competitive market.

BUSINESS REVIEW

The Group is principally engaged in the retail sales of mobile phones and other consumer goods and related services; distribution of mobile phones and related services; provision of paging and other telecommunications services; and provision of operation services to SUN Mobile, which is an associate that is 40% owned by the Group and 60% by HKT.

During the past year, the Group faced stiff competition. Nevertheless, it was still able to achieve positive metrics, with a profit of approximately HK$131.75 million (2018: HK$128.17 million), representing a year-on-year increase of approximately 2.8%. The uptick was mainly due to favourable contributions from the retail sales of mobile phones and provision of operation services to SUN Mobile.

As at 31 March 2019, the Group's retail operation consisted of 80 shops, representing an increase of five shops over the previous year's. This retail network has continued to account for the bulk of the Group's revenue, which has further increased as a result of higher mobile phone sales during the review year. With regard to the Mango Mall online platform, its revenue has increased steadily in line with the growing number of Mango Mall members. Such members obtain "Mango Fun" points when making purchases at the Group's retail shops, which can then be redeemed at the Mango Mall for various items. To increase membership, cash coupons are offered as birthday gifts, and there are also special promotions extended to members who visit the e-commerce platform every Thursday.

In respect of the provision of operation services to SUN Mobile, the business has continued to perform satisfactorily, leading to greater revenue. The encouraging performance highlights the fruitful partnership that the Group has with HKT in providing operation services to SUN Mobile.

The paging and other telecommunications services segment experienced a decline in revenue as the market interest in such services has continued to wane. Mindful of the ongoing migration of users to mobile communications devices, the Group will further scale down associated operations. With reference to the distribution of mobile phones and related services, due to the change of operation model and requirement of some mobile phone manufacturers, the Group agreed to terminate the distribution service agreements with them. Nonetheless, the operation was able to achieve breakeven.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Segment Analysis

	2018/19		2017/18	
	HK$'000	%	HK$'000	%
Retail business	**766,416**	**61.9**	773,795	59.6
Distribution business	**27,857**	**2.2**	104,842	8.1
Paging and other telecommunication services	**57,210**	**4.6**	69,504	5.4
Operation services	**387,764**	**31.3**	349,432	26.9
Total revenue	**1,239,247**	**100.0**	1,297,573	100.0

Revenue

The Group's revenue for the year ended 31 March 2019 was approximately HK$1,239.25 million (2018: HK$1,297.57 million), representing a decrease of approximately 4.5% over the previous year. The decrease in the Group's revenue was mainly due to decrease in revenue generated from distribution business and partly off-set by increase in revenue generated from operation services.

During the year ended 31 March 2019, revenue from retail business slightly decreased approximately 1.0% as compared to the corresponding period of the previous year to approximately HK$766.42 million (2018: HK$773.80 million) due to fierce competition. This is the major source of revenue of the Group.

Revenue from distribution of mobile phones and related business for the year ended 31 March 2019 decreased approximately 73.4% as compared to the corresponding period of the previous year. It was mainly due to the change of operation model and requirement of some mobile phone manufacturers, the Group agreed to terminate the distribution service agreements with them.

Revenue from the provision of paging and other telecommunications services for the year ended 31 March 2019 dropped approximately 17.7% as compared to the corresponding period of the previous year. This was primarily due to the popularity of various channels of mobile communication, the total number of paging and Mobitex based services subscribers has continued to decrease during the year ended 31 March 2019. On 30 June 2019, the Group will cease its paging and other telecommunications services in Macau.

Revenue from the provision of operation services continues its healthy growth and hit a new record of approximately HK$387.76 million for the year ended 31 March 2019, representing an increase of approximately 11.0% as compared to the corresponding period of the previous year. The increase was mainly due to the adjustment on mobile service monthly plan fees and new service plans of SUN Mobile launched during the year.

Management Discussion and Analysis (continued)

Other Income

Other income mainly contributed by rental and sub-letting income. Other income for the year ended 31 March 2019 was approximately HK$5.80 million (2018: HK$6.03 million), representing a slight decrease of approximately 3.8% as compared to the previous year.

Other Operating Expenses

The Group's other operating expenses are mainly consisted of rental, building management fees, utilities and running expenses of shops and customers service centre, information fees in respect of horse racing, football matches and stock market, advertising and promotion expenses, operation fees for paging centre, repair cost for pagers and Mobitex devices, roaming charges, bank charges, audit and professional fees and other office expenses. Other operating expenses for the year ended 31 March 2019 were approximately HK$209.26 million (2018: HK$201.99 million), representing an increase of approximately 3.6% over the previous year.

The increase was mainly brought by the increase in rental expenses, write-off of obsoleted paging devices and bank charges, and partly off-set by the decrease in information fees and repair expenses. The increase in rental expenses was primarily due to the expansion of retail shops and the increase in market rental during the year. The decrease in information cost was mainly due to the decrease in financial data charged by the HKEx Information Services Limited by reference to the usage of information. Because of the declining number of paging and Mobitex-based service subscribers, the usage of information decreased accordingly. In addition, due to a prolonged decline in market value of paging devices, write-off of obsoleted paging devices was recognised.

Share of Results of Associates

Share of results of associates for the year was approximately HK$15.39 million (2018: HK$20.73 million), representing a decrease of approximately 25.8% as compared to the previous year. The amount mainly represents our share of net profit of SUN Mobile. The decrease was mainly due to the increase in operating costs of SUN Mobile.

Finance Costs

There is no significant change in the Group's bank borrowings throughout the year ended 31 March 2019. The finance costs for the year ended 31 March 2019 were approximately HK$4.90 million (2018: HK$3.71 million). It was mainly consisted of interest expenses on interest-bearing bank borrowings for supporting the Group's daily operation and business expansion.

Income Tax Expense

Income tax for the year ended 31 March 2019 was approximately HK$29.11 million (2018: HK$24.43 million), representing an increase of approximately 19.2%. The increase was mainly due to the increase in profit before tax.

Management Discussion and Analysis (continued)

Profit for the Year Attributable to the Owners of the Company

Profit attributable to the owners of the Company for the year ended 31 March 2019 was approximately HK$131.75 million (2018: HK$128.17 million), representing an increase of approximately 2.8% as compared to the previous year.

Liquidity and Financial Resources

As at 31 March 2019, the Group had net current liabilities of approximately HK$74.95 million (2018: HK$26.06 million) and had cash and cash equivalents of approximately HK$44.09 million (2018: HK$41.27 million).

The Group has a current ratio of approximately 0.8 as at 31 March 2019 comparing to that of 0.9 as at 31 March 2018. As at 31 March 2019, the Group's gearing ratio was approximately 59.2% as compared to approximately 45.6% as at 31 March 2018, which is calculated based on the Group's total borrowings of approximately HK$207.94 million (2018: HK$145.28 million) and the Group's total equity of approximately HK$351.37 million (2018: HK$318.71 million). The Group's total cash at banks as at 31 March 2019 amounted to approximately HK$44.09 million (2018: HK$41.84 million).

Apart from providing working capital to support its business development, the Group also has available banking facilities to meet potential needs for business expansion and development. As at 31 March 2019, the Group has unutilised banking facilities of approximately HK$270.59 million available for further drawdown should it have any further capital needs. The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

Contingent Liabilities

At 31 March 2019, the Group did not have any material contingent liabilities (2018: nil).

Foreign Currency Risk

The majority of the Group's business are in Hong Kong and are denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors of the Group continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis (continued)

Capital Commitments

Details of the Group's capital commitments are set out in note 32 to the consolidated financial statements.

Dividends

	Year ended 31 March			
	2019		2018	
	HK$ per share	**HK$'000 (audited)**	HK$ per share	HK$'000 (audited)
Dividends recognised as distribution during the year:				
2016/17 fourth interim dividend	–	–	0.05	20,154
2017/18 first interim dividend	–	–	0.05	20,177
2017/18 second interim dividend	–	–	0.05	20,180
2017/18 third interim dividend	–	–	0.05	20,185
2017/18 fourth interim dividend	**0.06**	**24,225**	–	–
2018/19 first interim dividend	**0.06**	**24,225**	–	–
2018/19 second interim dividend	**0.06**	**24,225**	–	–
2018/19 third interim dividend	**0.06**	**24,225**	–	–
		96,900		80,696

At a meeting held on 25 June 2019, the Board declared the fourth interim dividend of HK$0.06 per Share for the year ended 31 March 2019 (2018: HK$0.06 per Share).

Capital Structure

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 28 to the consolidated financial statements, there was no change in the capital structure during the year ended 31 March 2019.

The capital structure of the Group consists of bank borrowings net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves. The management review the capital structure regularly. As part of the review, they consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

Management Discussion and Analysis (continued)

Material Acquisition and Disposal

Except for purchase of properties for commercial use amounted to HK$77.00 million (2018: HK$55.00 million), the Group did not hold any significant investment in equity interest in any other company during the year ended 31 March 2019 (2018: nil).

As at 31 March 2019, the Group's properties in Hong Kong with carrying values of approximately HK$335.74 million (2018: HK$270.43 million).

Employees and Remuneration Policies

As at 31 March 2019, the Group employed 556 (2018: 569) full-time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

OUTLOOK

In the future, the Group's primary objectives will be to expand and fortify its retail sales network, and explore favourable investment opportunities. In respect of the former, the Group will not only examine the possibility of opening more sales points, but also larger size retail spaces so that customers can enjoy a more spacious environment, which, combined with quality service, will lead to greater customer satisfaction. As for investment opportunities, the Group will be exploring partnerships that allow it to take advantage of different industries. The Group will also remain open to different investment opportunities that would enable it to diversify its business interests.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheung King Shek, aged 67, was appointed as a Director in November 2002, appointed as the chairman of the Company and re-designated as an executive Director in March 2014. He joined the Group in 1981 and is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. Mr. Cheung King Shek brings to the Group more than 30 years of experience in the telecommunications industry and has achieved a solid track record of achievements. Under his leadership and stewardship, the Group has grown to be a versatile service provider in the telecommunications industry. Mr. Cheung King Shek graduated with a bachelor's degree in commerce from the University of New South Wales in April 1976 and a master degree in business administration from the University of Melbourne in Australia in August 1981. Mr. Cheung King Shek is the chairman of Hong Kong Radio Paging Association Limited, and an honorary citizen of Swatow City. He is the elder brother of Mr. Cheung King Shan (executive Director), Mr. Cheung King Chuen Bobby (executive Director) and Mr. Cheung King Fung Sunny (chief executive officer and executive Director). Mr. Cheung King Shek has been the chairman and a non-executive director of Telecom Service One Holdings Limited ("TSO Holdings", stock code: 3997, a company listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since August 2012.

Mr. Cheung King Shan, aged 60, was appointed as a Director in November 2002, re-designated as a non-executive Director in March 2014 and re-designated as an executive Director on 8 September 2015. Mr. Cheung King Shan is responsible for advising on sales and marketing and apps writing in relation to the Group's information broadcasting services. He joined the Group in 1985 and was responsible for the overall planning and formulation of the marketing and sales strategies in line with its sales and corporate targets, sales and marketing and special ad hoc projects. Mr. Cheung King Shan graduated from the Carleton University in Ottawa, Canada with a bachelor's degree in art in November 1983. Mr. Cheung King Shan is the younger brother of Mr. Cheung King Shek (chairman and executive Director), and the elder brother of Mr. Cheung King Chuen Bobby (executive Director) and Mr. Cheung King Fung Sunny (chief executive officer and executive Director). Mr. Cheung King Shan has been a non-executive director of TSO Holdings since August 2012.

Mr. Cheung King Chuen Bobby, aged 60, was appointed as a Director in November 2002, re-designated as a non-executive Director in March 2014 and re-designated as an executive Director on 8 September 2015. Mr. Cheung King Chuen Bobby is responsible for advising on administration, human resources and special and ad hoc projects. Mr. Cheung King Chuen Bobby joined the Group in 1985 and was responsible for the formulation and implementation of its administrative policies as well as overseeing its administrative operation in human resources, legal and administration, property management and PRC projects. Mr. Cheung King Chuen Bobby obtained a bachelor degree in art in urban planning studies and a postgraduate diploma in urban planning implementation from the University of Westminster in London in 1983 and 1984 respectively. He is a standing committee member of Chinese People's Political Conference of Swatow City, an honorary citizen of Swatow City and the principal president of Hongkong & Kowloon Chiu Chow Public Association. Mr. Cheung King Chuen Bobby is the younger brother of Mr. Cheung King Shek (chairman and executive Director) and Mr. Cheung King Shan (executive Director), and the elder brother of Mr. Cheung King Fung Sunny (chief executive officer and executive Director). Mr. Cheung King Chuen Bobby has been a non-executive director of TSO Holdings since August 2012.

Directors and Senior Management (continued)

Mr. Cheung King Fung Sunny, aged 51, was appointed as a Director in November 2002, re-designated as an executive Director in March 2014 and appointed as the chief executive officer of the Company on 8 September 2015. Mr. Cheung King Fung Sunny joined the Group in 1990 and is primarily responsible for overseeing the financial management, sales and marketing and special ad hoc projects and played a major role in the growth of the sales volume and customer base of the Group. Mr. Cheung King Fung Sunny graduated from the University of Western Ontario in Canada with a bachelor's degree in administrative and commercial studies in October 1990. He is the younger brother of Mr. Cheung King Shek (chairman and executive Director), Mr. Cheung King Shan (executive Director) and Mr. Cheung King Chuen Bobby (executive Director). Mr. Cheung King Fung Sunny has been an executive director of TSO Holdings since August 2012, and was appointed as its chief executive officer in August 2014.

Mr. Wong Wai Man, aged 53, was appointed as an executive Director in March 2014 and is responsible for overall control of the management information system ("MIS") department. Mr. Wong joined the Group for 28 years since March 1991. He is currently holding the position of the senior MIS manager of the Group, before which he was a MIS manager from June 1998 to August 2001. Mr. Wong took the role as an assistant MIS manager from June 1995 to May 1998. Before being promoted to be the assistant MIS manager, Mr. Wong was a system administrator during July 1994 to May 1995. He worked for the Group as a project assistant for the period from March 1991 to July 1994. Mr. Wong was appointed as a member of the Telecommunications Regulatory Affairs Advisory Committee to represent the Radio Paging Operators as a group for a two years term from June 2012 to June 2014 and was a member of the Radio Spectrum Advisory Committee for the period from 2010 to 2012. Further, he was admitted as a full member of the Hong Kong Computer Society on May 2012. Mr. Wong received his bachelor's degree of social sciences from The University of Hong Kong in December 1990 and obtained a postgraduate diploma in strategic business information technology from the NCC Education in October 2008.

Ms. Mok Ngan Chu, aged 63, was appointed as an executive Director in March 2014 and is responsible for customer services and business operation. Ms. Mok joined the Group in July 1977. For the 41 years' service for the Group, Ms. Mok has rich experience in customer services and business operation, especially in handling the customers' enquiries and complaints, retaining the clients, setting up workflow for the staff and daily operational policies. Ms. Mok completed her secondary education in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Ying Bun, aged 72, was appointed as an independent non-executive Director on 20 May 2014. Mr. Hui is the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee of the Company. From January 2012 to December 2013, Mr. Hui was a non-executive director of Dah Chong Hong Holdings Limited ("DCH Holdings") (stock code: 1828), a company listed on the Main Board of the Stock Exchange. He was also the chairman of DCH Holdings from July 2007 to December 2013 and was an executive director of DCH Holdings from July 2007 to December 2011. Mr. Hui joined Dah Chong Hong, Limited in February 1966, and was the group chief executive from January 2003. Mr. Hui has more than 40 years' experience in motor vehicle businesses and corporate management. From April 2013 to March 2014, Mr. Hui was an independent non-executive director of TSO Holdings.

Directors and Senior Management (continued)

Mr. Lam Yu Lung, aged 54, was appointed as an independent non-executive Director on 20 May 2014. Mr. Lam is the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Company. Mr. Lam is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Institute of Chartered Accountants in England and Wales. He has over 30 years of experience in the accountancy profession and currently is a partner of ZHONGHUI ANDA CPA LIMITED. Mr. Lam received his bachelor degree in social sciences from The University of Hong Kong in November 1988. Mr. Lam has been an independent non-executive director of Arts Optical International Holdings Limited (stock code: 1120), a company listed on the Main Board of the Stock Exchange, since 30 September 2011.

Mr. Lau Hing Wah, ***MH, JP***, aged 63, was appointed as an independent non-executive Director on 28 April 2017 (with effect from 1 May 2017). He is the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company. Mr. Lau is currently a chairman of Asia Pacific Holdings Corp. Limited. He is also the chief executive officer of Asia Pacific Power Electric Limited (formerly known as FG Wilson (Engineering) HK Limited) and Cooltech Global Limited, both are wholly-owned subsidiaries of Asia Pacific Holdings Corp. Limited. Mr. Lau has 42 years experience in electrical engineering profession. He served as a chairman of Kwai Tsing District Fight Crime Committee since 2016, a chairman of Kwai Tsing District Junior Police Call Honorary Presidents Council since 2015, an observer of Independent Police Complaints Council since 2013, a co-opted member of Kwai Tsing District Council and a manager of Hong Kong and Kowloon Chiu Chow Public Association Secondary School since 2012. He also served as a committee member of the 11th of Heilongjiang Provincial Committee of the People's Political Consultative Conference since 2013.

SENIOR MANAGEMENT

Ms. Lee Wing Tsz, aged 50, was appointed as the chief financial officer of the Group in September 2013 and is primarily responsible for the financial management of the Group. Ms. Lee worked for Telecom Digital Services Limited ("TDS") as group financial controller from September 2009 to August 2012. She was appointed as the chief financial officer of TSO Holdings from August 2012 to September 2013. Ms. Lee also worked for SHINEWING Tax and Business Advisory Limited as tax manager from May 2006 to August 2009. Ms. Lee had worked for The Law Debenture Corporation (H.K.) Limited as assistant trust manager from November 2002 to September 2005. She was a tax manager of Ernst & Young Tax Services Limited from February 1994 to November 2002. Ms. Lee received her bachelor's degree of art in accountancy from the Hong Kong Polytechnic University in November 2002.

Note: Each of Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the "Cheung Brothers") is a director of certain subsidiaries of the Company.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders (the "Shareholders"), customers and employees of the Company. The Company has adopted the principles and the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference.

During the year ended 31 March 2019, the Company has complied with the CG Code, except the deviation as disclosed under the section headed "Functions of the Board" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the year ended 31 March 2019, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they have complied with the Model Code throughout the year ended 31 March 2019.

BOARD OF DIRECTORS

Composition of the Board of Directors

The Board currently comprises six executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Cheung King Shek *(chairman)*
Mr. Cheung King Shan
Mr. Cheung King Chuen Bobby
Mr. Cheung King Fung Sunny *(chief executive officer)*
Mr. Wong Wai Man
Ms. Mok Ngan Chu

Corporate Governance Report (continued)

Independent Non-executive Directors
Mr. Hui Ying Bun
Mr. Lam Yu Lung
Mr. Lau Hing Wah, *MH, JP*

The biographical details of all Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 12 to 14 of this annual report. To the best knowledge of the Company, save as disclosed in the said section, there is no financial, business, family or other material or relevant relationships among members of the Board.

Functions of the Board

The principal function of the Board is to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function, monitor the implementation of these policies and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business and the Board delegates the authority and responsibility for implementing the Group's policies and strategies.

According to the Code Provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 March 2019, the chief executive officer and chief financial officer of the Company have provided and will continue to provide to all members of the Board with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision C.1.2 of the CG Code.

Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles of Association"). All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

Directors' Appointment, Re-election and Removal

Under the Code Provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term, subject to re-election.

Each of the executive Directors has entered into a service agreement with the Company for a fixed term of one year and renewable automatically until which shall be terminated in accordance with the provisions of the service agreement by either party giving to the other not less than three months' prior notice in writing, subject to the provisions on retirement by rotation as set out in the Articles of Association.

Corporate Governance Report (continued)

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a fixed term of three years.

In compliance with the Code Provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. By virtue of Article 112 of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the Code Provision A.4.2 of the CG Code, every Director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to Article 108(a) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In compliance with the Code Provision A.4.3 of the CG Code, the re-election of each of those independent non-executive Directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by the Shareholders at the relevant annual general meeting; and (ii) further information being given to Shareholders together with the notice of meeting and the reasons why the Board believes the relevant Director is still independent and should be re-elected.

A Director may be removed by an ordinary resolution of the Company before the expiration of his/her term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him/her and the Company) and the Company may by ordinary resolution appoint another in his/her place.

Independent Non-executive Directors

The Company has three independent non-executive Directors to comply with Rule 3.10(1) of the Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Lam Yu Lung has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its existing independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmations, considers Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah, to be independent.

Corporate Governance Report (continued)

Chairman and Chief Executive Officer

According to the Code Provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year ended 31 March 2019, the role of the chairman of the Company is performed by Mr. Cheung King Shek and the executive functions of a chief executive are discharged by Mr. Cheung King Fung Sunny as the chief executive officer of the Company.

Delegation of Powers

The Board delegates day-to-day operations of the Group to the chief executive officer and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Continuing Professional Development

According to the Code Provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some training for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 March 2019, all the Directors have participated in continuous professional development and the relevant details are set out below:

Directors	**Reading materials**
Executive Directors	
Mr. Cheung King Shek *(chairman)*	✓
Mr. Cheung King Shan	✓
Mr. Cheung King Chuen Bobby	✓
Mr. Cheung King Fung Sunny *(chief executive officer)*	✓
Mr. Wong Wai Man	✓
Ms. Mok Ngan Chu	✓
Independent Non-executive Directors	
Mr. Hui Ying Bun	✓
Mr. Lam Yu Lung	✓
Mr. Lau Hing Wah	✓

Directors' and Officers' Liabilities

In compliance with the Code Provision A.1.8 of the CG Code, the Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and the company secretary of the Company that may arise out in the corporate activities. The insurance coverage is reviewed on an annual basis.

Corporate Governance Report (continued)

BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 20 May 2014 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee, among other things, are to make recommendations to the Board on the appointment, re-appointment and removal of external auditor; to review the financial statements and material advice in respect of financial reporting; to oversee the financial reporting system, risk management and internal control systems of the Company; and to review arrangements for employees to raise concerns about financial reporting improprieties.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah. Mr. Lam Yu Lung is the chairman of the Audit Committee.

The following is a summary of works performed by the Audit Committee, which have been reported to the Board, during the year ended 31 March 2019:

(a) reviewed the interim and annual financial statements before submission to the Board;

(b) reviewed the Group's financial controls, internal control and risk management systems;

(c) approved the remuneration and the appointment and the terms of engagement of the external auditor;

(d) reviewed the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(e) met with external auditor without the presence of management;

(f) reviewed and discussed the external auditor's report to the Audit Committee;

(g) reviewed the corporate governance disclosures in the interim and annual reports; and

(h) reviewed the continuing connected transactions and their annual caps.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 20 May 2014 with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee, among other things, are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and to ensure that none of the Directors determines his/her own remuneration.

Corporate Governance Report (continued)

The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah. Mr. Lau Hing Wah is the chairman of the Remuneration Committee.

The following is a summary of works performed by the Remuneration Committee, which have been reported to the Board, during the year ended 31 March 2019:

(a) reviewed the remuneration packages and assessed the performance of the Directors;

(b) considered the increase of remuneration packages of certain Directors;

(c) considered the bonus payment to certain Directors; and

(d) reviewed the remuneration policy of the Group.

Remuneration Policy for Directors and Senior Management

The Directors and senior management of the Company receive compensation in the forms of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. The remuneration package of each of the Directors is detailed in note 13 to the consolidated financial statements. The Directors and senior management of the Company may also receive options to be granted under the share option scheme of the Company (the "Share Option Scheme"), details of which are set out on pages 42 to 46 of this annual report.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 20 May 2014 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee, among other things, are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board.

The Nomination Committee comprises three independent non-executive Directors, namely, Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah. Mr. Hui Ying Bun is the chairman of the Nomination Committee.

Corporate Governance Report (continued)

The following is a summary of works performed by the Nomination Committee, which have been reported to the Board, during the year ended 31 March 2019:

(a) reviewed and assessed the independence of all independent non-executive Directors;

(b) recommended the list of retiring Directors for re-election at the annual general meeting;

(c) reviewed the structure, size and composition of the Board; and

(d) reviewed the board diversity policy of the Company.

Nomination Policy for election or re-election of Directors

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the criteria and procedures for selection and nomination of Directors. The Company aims to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. The Nomination Policy provides the transparency of the election or re-election process and ascertain the selection standards and measures are align with the objective and the needs of the Group. Qualified candidates will be proposed by the Nomination Committee to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications, skills and experience. Further details of the selection criteria are set out in the terms of reference of the Nomination Committee which is available on the websites of the Stock Exchange and the Company. The Board shall make the final decision on selection and recommendation of qualified candidates for directorship to the Shareholders.

Dividend Policy

The Company has adopted a dividend policy (the "Dividend Policy"). Declaration and recommendation of payment of dividends of the Company is subject to the approval of the Directors, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant from time to time. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Directors. The Company does not have any predetermined dividend payout ratio.

The Company has had a consistent dividend payment that balances the objective of appropriately rewarding Shareholders through dividends and to support the future growth. Dividends will generally be declared four times a year at approximately quarterly intervals. In years of exceptional gains or other events, a special dividend may be declared.

The Board will review the Dividend Policy, as appropriate, to ensure the effectiveness of the Dividend Policy. The Audit Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Corporate Governance Report (continued)

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board since 20 May 2014. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background and the presence of one female Director out of a total of nine Board members, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

ATTENDANCE RECORDS OF BOARD MEETINGS, BOARD COMMITTEES MEETINGS AND GENERAL MEETINGS

The attendance records of each Director and each member of the three Board Committees at the relevant meetings held in the year ended 31 March 2019 are as follows:

		Board Committees			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2018 Annual General Meeting**
No. of meetings held during the year	4	3	2	1	1
	Meetings Attended/Eligible to Attend				
Executive Directors					
Mr. Cheung King Shek *(chairman)*	4/4	N/A	N/A	N/A	1/1
Mr. Cheung King Shan	4/4	N/A	N/A	N/A	1/1
Mr. Cheung King Chuen Bobby	4/4	N/A	N/A	N/A	1/1
Mr. Cheung King Fung Sunny *(chief executive officer)*	4/4	N/A	N/A	N/A	1/1
Mr. Wong Wai Man	4/4	N/A	N/A	N/A	1/1
Ms. Mok Ngan Chu	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Hui Ying Bun	4/4	3/3	2/2	1/1	1/1
Mr. Lam Yu Lung	4/4	3/3	2/2	1/1	1/1
Mr. Lau Hing Wah	4/4	3/3	2/2	1/1	1/1

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2019, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the year ended 31 March 2019, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliated firms, respect of their audit and non-audit services was as follows:

	HK$'000
Audit service	1,090
Non-audit services*	731
Total	1,821

* Included in non-audit services were approximately HK$460,000 in relation to services performed by SHINEWING (HK) CPA Limited's affiliated firms.

Corporate Governance Report (continued)

CORPORATE GOVERNANCE FUNCTIONS

According to Code Provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board has the following duties and responsibilities for performing the corporate governance duties of the Company:

(a) to develop and review the policies and practices on corporate governance of the Group;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Company; and

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report contained in the annual report of the Company.

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Company has reviewed the effectiveness of the systems of internal control of the Group, covering all material controls, including financial and operation for the year ended 31 March 2019. Based on the result of the review in respect of the year ended 31 March 2019, the Directors considered that the internal control systems are effective and adequate.

A meeting regarding the internal control functions and policies of the Company for the year ended 31 March 2019 has been held.

INVESTORS AND SHAREHOLDERS RELATIONS

The Company values communication with its Shareholders and investors. The Company uses two-way communication channels to account to its Shareholders and investors for the performance of the Company. Enquiries and suggestions from its Shareholders or investors are welcomed, and enquiries from its Shareholders or investors may be sent to the Board by mail to the Company's principal place of business at 19/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The Company uses a number of formal communication channels to account to its Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meetings or extraordinary general meetings (if any) providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's branch share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

Corporate Governance Report (continued)

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to Shareholders through the publication of interim and annual reports and/or despatching circulars, notices and announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meetings for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the general meetings. To comply with Code Provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to Article 64 of the Articles 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, have the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Written Notice") to the Company's principal place of business in Hong Kong at 19/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The Written Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of the publication of his/her personal information.

The period for lodgment of the Written Notice shall commence on the day after the despatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Written Notice as early as practicable preferably at least 15 business days prior to the date of the general meeting appointed for such election.

In order to promote effective communication, the Company also maintains a website (www.TDHL.cc) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY

Mr. Wong Yu On has been appointed as the company secretary of the Company on 1 August 2016. He is a certified public accountant as defined in the Professional Accountants Ordinance.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 March 2019.

Environmental, Social and Governance Report

1. ABOUT ESG REPORT

The Group is pleased to publish the Environmental, Social and Governance ("ESG") Report for the reporting period from 1 April 2018 to 31 March 2019. The ESG Report elaborates on the various works of the Group in fulfilling the principle of sustainable development and its performance in social responsibilities for the year.

1.1 Scope of ESG Report

The ESG Report focuses on the environmental and social performance of the Group's services on retail sales and distribution of mobile phones in Hong Kong during the year. The disclosure of key performance indicators ("KPIs") during the year covers the head office and retail stores of the Group. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 15 to 25 of this annual report.

1.2 Reporting Framework

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules.

1.3 Information and Feedbacks

Your opinions and feedbacks on our ESG performance will be highly valued by the Group. Should you have any advice or suggestions, please share with us via email at ESG_enquiry@TDHL.cc.

2. ESG GOVERNANCE

Good ESG governance strategies and practices share inseparable relationship with corporate success. The Board shoulders the responsibilities of supervising and reporting of its ESG approaches as well as identifying and controlling ESG related risks, with an aim to establish effective ESG risk management policies. Stepping towards good ESG governance, the Board delegates authority to the management for the formulation and execution of ESG policies and measures.

2.1 Stakeholder Engagement

The preparation of the ESG Report, which was supported by employees across various departments of the Group, enables us to have a clearer understanding of our current environmental and social development. The information that the Group gathered is not only a summary of the environmental and social works carried out by the Group during the year, but also the basis for mapping out its short-term and long-term sustainable development strategies.

Recognising the importance of stakeholders' opinions for its sustainable development, the Group commissioned an independent third-party consultant to assist in collecting internal stakeholders' opinions relating to ESG issues during the preparation of the ESG Report. The valuable opinions collected are useful in improving the quality of the ESG Report, as well as reinforcing the Group's internal management.

Environmental, Social and Governance Report (continued)

In the meantime, the Group spares no effort to maintain supporting and trusting relationships with stakeholders. Through diversified communication channels, the Group can effectively understand and respond to the expectations and requirements of different stakeholders.

Stakeholders	Expectations and Requirements	Means of Communication and Response
Government and Regulators	• Strict compliance with policies, laws and regulations • Supporting local economic growth • Driving local employment • Paying taxes in full and on time • Ensuring product safety	• Regular information reporting • Examinations and inspections
Shareholders	• Returns • Compliant operation • Increasing company value • Transparent information and effective communication	• General meetings • Announcements • Email, telephone communication and company website
Business Partners	• Operational integrity • Equal rivalry • Performance of contracts	• Review and appraisal meetings • Business communications
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operational integrity	• Customer service centre and hotlines • Customer feedback survey • Social media platforms
Environment	• Energy saving and emission reduction	• Reporting
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development	• Employee mailbox • Training and workshops • Employee activities
Community and the Public	• Participation in charity	• Company website • Announcements

In the future, the Group will continue to increase the involvement of stakeholders in order to collect more constructive opinions to improve its governance.

Environmental, Social and Governance Report (continued)

3. ENVIRONMENTAL PROTECTION

3.1 Emissions

The Group recognises the importance of maintaining environmental sustainability in its daily operation and acts in compliance with laws and regulations relating to environmental protection and pollutant control, including but not limited to the Water Pollution Control Ordinance, Air Pollution Control Ordinance and Waste Disposal Ordinance. Although our service-oriented business does not generate industrial pollutants or raise any significant environmental issues, environmental protection and carbon reduction will continue to be the core part of our operational objectives.

The major kind of wastewater generated by the Group is domestic sewage, which is directly discharged to the municipal drainage system. Meanwhile, the Group has put effort to reduce water consumption by setting water pressure to the lowest practical level.

The main source of air pollution from the Group's business operation is vehicle exhaust emissions during transportation. The Group pays considerable attention to the management of its fleet's exhaust emissions and greenhouse gas emissions, such as providing regular maintenance for its vehicles and requiring its drivers to switch off idling engines. The Group's exhaust emissions generated by vehicles are as follows:

Exhaust Emissions from Vehicles	2018/19
Nitrogen oxides (kg)	**444**
Sulphur dioxides (kg)	**1**
Particulates (kg)	**41**

Solid waste is mainly generated during daily office operation. The non-hazardous wastes generated by the Group include waste paper, master cartons and other general wastes. The Group places recycling bins in the office to collect recyclable waste, which will be transferred to qualified recycling companies. Other general wastes are collected and processed by the property management office. The hazardous wastes, such as toner cartridges, discarded electronic products and related accessories, are collected and transferred to corresponding suppliers for further handling whenever they are generated.

3.2 Energy Conservation

The Group employs energy saving plans to improve the efficiency of equipment and infrastructure and reduce energy consumption. As part of the Group's initiatives to reduce energy consumption of its lighting system, it fully utilises natural light and cleans the light fixtures regularly. In order to reduce the use of air-conditioning, the Group applies anti-ultraviolet films on windows to reduce heat gain and sets the temperature of the air conditioners at an energy-efficient level. A layout design adjusted specifically for offices is adopted to maximise cooling efficiency. Furthermore, the Group encourages employees to set computers to automatic standby or sleep mode and to turn off unused electrical devices or lights before leaving office.

Environmental, Social and Governance Report (continued)

During the year, the Group has pledged support to and received Gold Award in the Environmental Bureau of Hong Kong's "Charter on External Lighting", in which all lighting installations of decorative, promotional or advertising purposes that affect the outdoor environment are switched off from midnight to 7 a.m. on the following day, to further reduce energy consumption and impacts induced by external lightings.

3.3 Green Operation

The Group understands the importance of employees' support and participation in environmental protection at work. Notices are put up to remind employees to save energy and resources in the office, so as to raise their awareness towards environmental protection and encourage their active participation.

The Group reduces paper consumption by reusing packaging materials, printing documents on both sides, recycling paper, disseminating information via electronic means, and using smaller fonts and adjusting line spacing for documents. The Group also carries out paper volume statistics regularly to monitor paper consumption and make appropriate adjustments. To promote paperless transactions, the Group introduces an e-signature system in the retail stores and encourages customers to use e-procurement and e-payment systems to eliminate the use of paper, as well as minimising the greenhouse gas emissions due to paper waste disposal at landfills and reducing the hazardous wastes from the use of ink and toner cartridges.

4. EMPLOYMENT AND LABOUR PRACTICES

4.1 Employment Guidelines

The Group has strictly complied with the relevant labour laws and regulations regarding compensation, benefits, dismissal, working hours and rest periods, including but not limited to the Employment Ordinance and Employees' Compensation Ordinance. The Group respects every employee and treats them equally. Any discrimination based on disability, sex, age, social status, appearance, language, religious belief or race is prohibited by the Group. The non-discriminatory approach applies to all employment activities and human resources-related matters, including recruitment, promotion, transfer, reward provisions and training. Much effort is also made to cater for the developmental needs of employees, and safeguard the legitimate rights and interests of employees.

The Group recruits new employees according to the needs of departments. All candidates are given equal opportunities and are assessed quantitatively based on the selection criteria of entry requirements during the recruitment process. The recruitment process also involves age verification and identification examination to avoid child labour. The Group signs the employment contract, which specifies working hours, duties, location of work and other details, with new employees to prevent forced labour. Should a resignation take place, an exit interview would be arranged to understand employees' reasons of leaving and to improve the Group's operation. Payment of the outstanding wages will be made in a timely manner. Employee turnover is also closely monitored to identify and manage problems concerning the management of the Group.

Environmental, Social and Governance Report (continued)

4.2 Care for Employees

The salary structure is reviewed regularly for full-time employees in terms of the overall economy, employees' performance, achievements and results of the Company and decisions, so as to ensure that the Group offers a competitive remuneration package to its employees. The Group also makes contributions to Mandatory Provident Fund Schemes for eligible employees. Employees can enjoy annual leave, sick leave, marriage leave, compassionate leave and maternity leave, in addition to statutory holidays specified in relevant regulations. Employees also have access to discretionary bonus, medical care and insurance.

In addition, the Group organised a series of activities for employees during the year, including Christmas party, Chinese New Year dinner, company trip, and provided employees with discounts on company products. In order to avoid congestion during lunch breaks, the Group has adopted flexible lunch breaks for the employees at frequently congested areas.

The Group maintains occupational health and safety in strict compliance with the relevant laws and regulations of the Occupational Safety and Health Ordinance. In order to create a safe and healthy workplace for employees, the Group takes a number of measures, including organising safety training, prohibiting smoking at workplace, placing green plants in indoor areas and regularly cleaning office area. Employees are expected to abide by the policies and procedures in all safety trainings, such as attending the regular fire drills organised by the property management office.

4.3 Development and Training

The Group believes that human capital is its most important asset. In order to establish an excellent team to accommodate the rapid development of the Group, performance appraisal is conducted by the Group regularly on the basis of employees' working performance, abilities of organisation and management, interpersonal skills, presentation of employees and other criteria. The Group not only reports employees' performance and promotion prospects, but also makes recommendations on their training needs and career development in the appraisal with a view to maintaining the competitiveness of its employees.

To establish and maintain a professional team with strong technical expertise as well as essential business soft skills, we do our utmost to offer comprehensive training on all fronts relating to employees' code, industrial laws and regulations, customer service skills and products information for products launch. Sales trainings are also organised to strengthen employees' soft skills. In addition, employees are encouraged to attend external talks and seminars to enrich their knowledge for discharging of their duties.

Environmental, Social and Governance Report (continued)

5. OPERATING PRACTICES

5.1 Supply Chain Management

An effective supply chain management is crucial to the stability and health of the business operation. To provide a wide range of quality products at a reasonable market price, the Group sources merchandise only from a prequalified list of suppliers who meet its quality standards to minimise the social risk related to the supply chain. Procurement decisions are based on inventory levels and movement, expected sales and lead times of the products. Only eligible suppliers can be added to our list of approved suppliers, which is updated regularly and distributed to relevant departments. To integrate the Group's environmental vision into the procurement of office supplies, priority is given to environmental friendly products.

To safeguard the quality of purchased goods, responsible departments will conduct inspection in accordance with product specifications, contract terms, invoice and other related documents. Once any defective is found, responsible staff will refuse to accept and negotiate with the supplier for remedial actions.

5.2 Business Ethics

As part of the Group's commitment to providing reliable services and products, the Group acts in strict compliance with relevant laws and regulations of the industry, including but not limited to the Personal Data (Privacy) Ordinance. The Group places great emphasis on personal data protection and believes that it is the Group's responsibility to protect customers' personal information. In order to protect customers' personal information, every employee is required to enter into a confidentiality agreement which forbids him/her to disclose confidential or proprietary information outside the Group, either during or after employment without the Group's authorisation. To strengthen information technology ("IT") security, anti-virus software and firewall are installed on each employee's computer, and regular checks for IT systems are also conducted to prevent virus infection and the leakage of customers' information.

The Group respects intellectual property and is in strict compliance with relevant laws and regulations, including but not limited to the Copyright Ordinance and Trade Marks Ordinance. Employees are not recommended to install unauthorised software and should seek approval from the Group for assessing the necessity of such software. Whenever any trademarks, including title and emblem, of other brands are used during business operation, the Group will only use them according to the agreements with and guidelines provided by the brands.

5.3 Respect towards Customers

The Group's products are advertised through various ways such as newspapers and television programmes. The advertising and promotional activities carried out by the Group are in full compliance with relevant laws and regulations, including but not limited to the Telecommunication Ordinance and Trade Descriptions Ordinance. The Group has designated employees to monitor the advertising content to ensure that all advertising contents are clear, true, authentic and free from any false and misleading product descriptions.

The Group establishes various channels to collect customers' feedback, such as customer centres and customer service hotline. To enhance customers' confidence to the Group, it strives not only to provide satisfactory services to customers, but also to promptly investigate and address the potential quality and safety issues of the products in response to the complaints from its customers. In recognition of the Group's performance in customer service, our retail stores have been accredited by the Hong Kong Tourism Board as "Quality Tourism Services Scheme-accredited Shops" for more than 10 consecutive years.

Environmental, Social and Governance Report (continued)

5.4 Anti-corruption

The Group is determined to maintain a fair and competitive market and promote sustainable development of the industry. In strict compliance with laws and regulations regarding bribery, extortion, fraud and money laundering, including but not limited to the Prevention of Bribery Ordinance, employees are required to avoid conflicts of interest, bribery and corruption. Policy and guidelines are available to employees with detailed instructions to avoid and report any potential conflict of interest and benefits. Employees can also report any irregularities to the designated personnel. To enhance employees' awareness of anti-money laundering, relevant trainings are provided.

During the year, there was no legal action against the Group and its employees regarding corruption.

6. COMMUNITY INVESTMENT

Over the years, the Group has focused on community activities and strongly encouraged its employees to participate in various volunteering works.

The Group has supported various events organised by different charities through sponsorship. During the year, we sponsored the Hong Kong Primary School Freestyle Football Championship organised by the Hong Kong Freestyle Football Academy, as well as the Annual Ball 2018 organised by the La Salle College Old Boys' Association. In addition, we have shown our support and attention to anti-cancer work in Hong Kong by making donation to the Hong Kong Anti-cancer Society, whose vision is to fight against cancer by advocating, engaging, empowering and supporting all.

Besides, Distribution One Limited, a non-wholly owned subsidiary of the Company, has sponsored the Caritas Charity Bazaar organised by Caritas-Hong Kong. The funds raised in the bazaar were donated to help the grassroots in the community. Furthermore, Mango Mall, an online shopping platform launched by the Group with an aim to give back to its customers through providing an easy-to-use and economical online shopping experience, offered an online charity sale platform for Helping Hand, whose objective is to meet the emerging housing, caring and other needs of senior citizens in Hong Kong.

Environmental, Social and Governance Report (continued)

7. KEY PERFORMANCE INDICATORS

The data of KPIs for head office and retail stores of the Group are as follows:

Environmental Indicators	2018/19
Greenhouse Gases	
Total greenhouse gas emissions (tonnes CO_2e)	2,483
Greenhouse gas emissions per employee (tonnes CO_2e/employee)	4.47
Wastes	
Total hazardous waste produced (tonnes)[1]	N/A
Hazardous waste generated per employee (tonnes/employee)	N/A
Total non-hazardous waste produced (tonnes)	29
Non-hazardous waste generated per employee (tonnes/employee)	0.05
Use of Resources	
Total energy consumption (MWh)	4,578
Electricity purchased for consumption (MWh)	4,082
Fuel consumption of vehicles (MWh)	496
Energy consumption per employee (MWh/employee)	8.24
Total water consumption (m^3)[2]	N/A
Water consumption per employee (m^3/employee)	N/A
Use of Packaging Material	
Total packaging material used (tonnes)[3]	N/A
Packaging material used per product (tonnes/product)	N/A

1 Hazardous wastes were collected by suppliers and qualified companies for treatment and no record was kept by the Group.

2 Water fee was included in management fee, hence data of water consumption cannot be collected.

3 The Group does not involve any production process or the use of packaging material.

Environmental, Social and Governance Report (continued)

Social Indicators	2018/19
Number of Employees	
By gender	
Male	306
Female	250
By age group	
Aged below 30	132
Aged 30 to 50	312
Aged above 50	112
Average Hours of Training per Employee and Percentage of Employees who Received Training	
By gender	
Male	23 (66%)
Female	23 (44%)
By employee category	
General staff	24 (55%)
Middle management	16 (76%)
Senior management	17 (62%)

Environmental, Social and Governance Report (continued)

8. APPENDIX: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Summary	Sections	Page
A. Environmental			
Aspect A1: Emissions	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection Emissions Green Operation	28 28 29
Aspect A2: Use of Resources	**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection Energy Conservation	28 28
Aspect A3: The Environment and Natural Resources	**General Disclosure** Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection Emissions Energy Conservation	28 28 28
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices Employment Guidelines Care for Employees	29 29 30

Environmental, Social and Governance Report (continued)

ESG Indicators	Summary	Sections	Page
Aspect B2: Health and Safety	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practices Care for Employees	29 30
Aspect B3: Development and Training	**General Disclosure** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices Development and Training	29 30
Aspect B4: Labour Standards	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practices Employment Guidelines	29 29
Operating Practices			
Aspect B5: Supply Chain Management	**General Disclosure** Policies on managing environmental and social risks of the supply chain.	Operating Practices Supply Chain Management	31 31
Aspect B6: Product Responsibility	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices Supply Chain Management Business Ethics Respect towards Customers	31 31 31 31

Environmental, Social and Governance Report (continued)

ESG Indicators	Summary	Sections	Page
Aspect B7: Anti-corruption	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	Operating Practices Anti-corruption	31 32
Community			
Aspect B8: Community Investment	**General Disclosure** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	32

Report of the Directors

The Directors submit herewith their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2019.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is 19/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are telecommunications and related business in Hong Kong. Details of the principal activities of the subsidiaries of the Company are set out in note 36 to the consolidated financial statements.

RESULTS

The financial performance of the Group for the year ended 31 March 2019 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 62 to 147 of this annual report.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The third interim dividend for the nine months ended 31 December 2018 of HK$0.06 per Share was paid on Friday, 15 March 2019.

On 25 June 2019, the Board declared a fourth interim dividend of HK$0.06 per Share for the year ended 31 March 2019. The fourth interim dividend will be payable in cash to the Shareholders whose names appear on the register of members of the Company on Friday, 12 July 2019.

For the purpose of determining Shareholders' entitlement to the fourth interim dividend, the register of members of the Company will be closed from Thursday, 11 July 2019 to Friday, 12 July 2019 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the fourth interim dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 10 July 2019.

The fourth interim dividend is expected to be paid on or about Friday, 19 July 2019.

Report of the Directors (continued)

AGM AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "AGM") is scheduled to be held on Wednesday, 4 September 2019. A notice convening the AGM will be issued and despatched to the Shareholders on or around 26 July 2019.

For the purpose of determining Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 29 August 2019 to Wednesday, 4 September 2019 (both days inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 28 August 2019.

DEED OF NON-COMPETITION

In accordance with the non-competition undertakings set out in the deed of non-competition dated 20 May 2014 ("Deed of Non-competition") executed by the controlling shareholders of the Company (the "Controlling Shareholders", comprising CKK Investment Limited ("CKK Investment"), Amazing Gain Limited ("Amazing Gain"), the Cheung Brothers and J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust)) in favour of the Company (for itself and as trustee for its subsidiaries), save and except the exceptional circumstances, the Controlling Shareholders have undertaken to the Company that they shall not carry on any business which is in competition with the business of the Group in Hong Kong, Macau and any other country or jurisdiction, the principal terms of which are set out in the section headed "Relationship with Controlling Shareholders" of the prospectus of the Company.

The Company has received an annual declaration from each of the Controlling Shareholders confirming that they complied with the undertakings for the year ended 31 March 2019. The Controlling Shareholders also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 March 2019.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition during the year ended 31 March 2019:

(i) The Controlling Shareholders had procured the independent non-executive Directors to review, on an annual basis, the compliance with the non-competition undertakings by the Controlling Shareholders under the Deed of Non-competition.

(ii) The Controlling Shareholders had promptly provided all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition.

Report of the Directors (continued)

(iii) The Controlling Shareholders had provided to the Company a written confirmation relating to the compliance of the Deed of Non-competition and declared that they had complied with the Deed of Non-competition during the year ended 31 March 2019.

(iv) The independent non-executive Directors, having reviewed the relevant information and the written confirmation provided by the Controlling Shareholders, decided that the undertakings in respect of the Deed of Non-competition had been duly enforced and complied with by the Controlling Shareholders during the year ended 31 March 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, the Group's top five customers accounted for approximately 33.0% of the revenue. The top five suppliers accounted for approximately 96.5% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 31.2% of the revenue and the Group's largest supplier accounted for approximately 58.8% of the total purchases for the year.

For the year ended 31 March 2019, the Cheung Brothers, who are Directors and Controlling Shareholders, have an indirect interest in SUN Mobile, which was the largest customer of the Group. The revenue attributable to SUN Mobile amounted to approximately HK$386.99 million, representing approximately 31.2% of the Group's revenue for the year ended 31 March 2019.

Save as disclosed above, none of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the number of the Shares in issue) had any interest in these major customers and suppliers for the year ended 31 March 2019.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2019 are set out in the consolidated statement of changes in equity and in note 30 to the consolidated financial statements respectively.

As at 31 March 2019, the Company's reserves available for distribution to Shareholders amounted to approximately HK$204.75 million (2018: HK$171.35 million) as calculated in accordance with the Companies Law of the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group are set out in notes 16 and 17 to the consolidated financial statements respectively.

Report of the Directors (continued)

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2019 are set out in note 28 to the consolidated financial statements.

SUBSIDIARY

Particulars of the Company's principal subsidiaries are set out in note 36 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 March 2019 and up to the date of this annual report were:

Executive Directors

Mr. Cheung King Shek *(chairman)*
Mr. Cheung King Shan
Mr. Cheung King Chuen Bobby
Mr. Cheung King Fung Sunny *(chief executive officer)*
Mr. Wong Wai Man
Ms. Mok Ngan Chu

Independent Non-executive Directors

Mr. Hui Ying Bun
Mr. Lam Yu Lung
Mr. Lau Hing Wah, *MH, JP*

By virtue of Article 108(a) of the Articles of Association, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Lau Hing Wah will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors were independent during the year ended 31 March 2019.

Report of the Directors (continued)

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

Each of the executive Directors has entered into a service agreement with the Company for a fixed term of one year and renewable automatically until which shall be terminated in accordance with the provisions of the service agreement by either party giving to the other not less than three months' prior notice in writing, subject to the provisions on retirement by rotation as set out in the Articles of Association.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a fixed term of three years.

Save as disclosed above, none of the Directors (including those proposed for re-election at the AGM) has or is proposed to have a service agreement or an appointment letter with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEME

(I) The following is a summary of principal terms of the Share Option Scheme adopted by a resolution in writing passed by the Shareholders on 20 May 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The Share Option Scheme will remain effective following the Company's transfer of listing from GEM to Main Board subject to certain immaterial amendments to the Share Option Scheme and will be implemented in full compliance with the requirements of Chapter 17 of the Listing Rules.

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

(2) Participants of the Share Option Scheme

The Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants ("Eligible Participant(s)"), to take up options to subscribe for Shares:

(i) any employee (whether full-time or part-time, including any executive Director but excluding any non-executive Director) of the Company, any of its subsidiaries ("Subsidiaries") or any entity ("Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive Directors (including independent non-executive Directors), any Subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

Report of the Directors (continued)

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more Eligible Participants. For avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' option as to his contribution to the development and growth of the Group.

(3) Total number of Shares available for issue under the Share Option Scheme together with the percentage of the Shares in issue that it represents as at the date of the annual report

The total number of Shares available for issue under the Share Option Scheme is 33,924,000 representing approximately 8.4% of the total number of Shares in issue as at the date of this annual report.

(4) Maximum entitlement of each Eligible Participant under the Share Option Scheme

Unless approved by Shareholders in general meetings of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options):

(i) to each participant in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being; and

(ii) a Director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules) in any 12-month period shall not exceed 0.1% of the Shares in issue and with a value in excess of HK$5 million.

Report of the Directors (continued)

(5) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(6) Minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(7) Amount payable on acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

(i) Amount payable on acceptance of the option:

a nominal consideration of HK$1

(ii) The period within which payments or calls must or may be made or loans of such purposes must be repaid:

21 days after the offer date of an option or such shorter period as the Directors may determine

(8) Basis of determining the subscription price

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the 5 business days immediately preceding the date of the offer of grant; and

(iii) the nominal value of a Share.

(9) Remaining life of the Share Option Scheme

The Share Option Scheme remains in force for a period of 10 years commencing on 20 May 2014, i.e. the remaining life of the Share Option Scheme is approximately 5 years.

Report of the Directors (continued)

(II) Details of Share Options Granted

On 7 July 2015, share options to subscribe for a total of 4,596,000 ordinary shares of HK$0.01 each of the Company were granted under the Share Option Scheme.

On 6 July 2017, share options to subscribe for a total of 6,300,000 ordinary shares of HK$0.01 each of the Company were granted under the Share Option Scheme. The shares which may be issued upon exercise of such share options by a grantee shall be subject to a non-disposal period of 90 days (including the exercise date) from the relevant exercise date of the share options, during which period the option shares are not allowed to be transferred.

As at 31 March 2019, an aggregate of 4,850,000 Shares are issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 1.20% of the Shares in issue.

Details of the movements of the share options under the Share Option Scheme during the year ended 31 March 2019 are as follows:

Grantees	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2018	Changes during the year ended 31 March 2019				Balance as at 31 March 2019
					Granted	Exercised	Cancelled	Lapsed	
Eligible employees Note (i)	7 July 2015	HK$2.22 Note (ii)	7 July 2015 – 6 July 2018 Note (iii)	412,000	–	(52,000) Note (iv)	–	(360,000) Note (vii)	–
Eligible employees Note (i)	6 July 2017	HK$3.05 Note (v)	6 July 2017 – 5 July 2019 Note (vi)	5,250,000	–	–	–	(400,000)	4,850,000
				5,662,000	–	(52,000)	–	(760,000)	4,850,000

Notes:

(i) Share options were granted to certain eligible employees (two of them being present Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with share options not exceeding the respective individual limits. Details of the Company's share options granted to Directors of the Company and the relevant movement(s) during the year ended 31 March 2019 are set out in the section headed "(b) Rights to acquire shares of the Company" on page 47.

(ii) The closing price of the Shares immediately before the date of grant (i.e. as of 6 July 2015) was HK$1.96.

(iii) All share options granted on 7 July 2015 do not have any vesting period.

(iv) The weighted average closing price of the Shares immediately before the date on which the share options were exercised was HK$2.70.

(v) The closing price of the Shares immediately before the date of grant (i.e. as of 5 July 2017) was HK$3.05.

(vi) All share options granted on 6 July 2017 do not have any vesting period.

(vii) The share options to subscribe for a total of 360,000 ordinary shares of HK$0.01 each of the Company under the Share Option Scheme have been lapsed due to expiry of option period on 6 July 2018.

Report of the Directors (continued)

Except as disclosed above, no share option lapsed or was granted, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 March 2019 and there were no outstanding share options under the Share Option Scheme as at 31 March 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code, were as follows:

(a) Long position in the Shares

Name of Directors	Capacity	Number of Shares held	Approximate percentage of Shares in issue *Note A*
Mr. Cheung King Shek	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust *Note B*	220,000,000	54.49%
Mr. Cheung King Shan	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust *Note B*	220,000,000	54.49%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust *Note B*	220,000,000	54.49%
Mr. Cheung King Fung Sunny	Beneficial owner	20,401,000	5.05%
	Beneficiary of a trust *Note B*	220,000,000	54.49%
Mr. Wong Wai Man	Beneficial owner	30,000	0.0074%
Ms. Mok Ngan Chu	Beneficial owner	30,000	0.0074%

Note A: The calculation is based on 403,753,000 Shares in issue as at 31 March 2019.

Note B: The 220,000,000 shares, representing approximately 54.49% of the Shares in issue, are held by CKK Investment, of which the Cheung Brothers are directors. CKK Investment is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company held by the Cheung Family Trust under the SFO.

Report of the Directors (continued)

(b) Rights to acquire shares of the Company

Pursuant to the Share Option Scheme, two Directors were granted share options to subscribe for the shares of the Company, details of which (all being personal interests) as at 31 March 2019 were as follows:

Name of Directors	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2018	Changes during the year ended 31 March 2019		Balance as at 31 March 2019	Approximate percentage of Shares in issue Note A
					Exercised	Lapsed		
Mr. Wong Wai Man	6 July 2017	HK$3.05 Note (v)	6 July 2017 – 5 July 2019 Note (iii)	30,000	–	–	30,000	0.0074%
Ms. Mok Ngan Chu	6 July 2017	HK$3.05 Note (v)	6 July 2017 – 5 July 2019 Note (vi)	30,000	–	–	30,000	0.0074%
				60,000	–	–	60,000	0.0148%

Save as disclosed above, as at 31 March 2019, none of the Directors nor chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the year ended 31 March 2019 was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

EQUITY-LINKED AGREEMENT

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Report of the Directors (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the Shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Long Position

Name of substantial shareholders	Capacity/Nature of interest	Number of Shares held	Approximate percentage of Shares in issue *Note A*
CKK Investment *Note B*	Beneficial owner	220,000,000	54.49%
Amazing Gain *Note B*	Interest in a controlled corporation	220,000,000	54.49%
J. Safra Sarasin Trust Company (Singapore) Limited *Note B*	Trustee (other than a bare trustee)	220,000,000	54.49%
Ms. Tang Fung Yin Anita *Note C*	Interest of spouse	240,500,000	59.57%
Ms. Yeung Ho Ki *Note C*	Interest of spouse	240,401,000	59.54%

Note C: Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 240,500,000 Shares and 240,401,000 Shares respectively in which their respective husbands are interested.

Save as disclosed above, as at 31 March 2019, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors (continued)

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2019 and up to the date of this annual report, the Company has maintained the public float required by the Listing Rules.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 13 to the consolidated financial statements. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 March 2019 or at any time during that year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2019.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2019, none of the Directors or their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Report of the Directors (continued)

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2019 are set out in note 25 to the consolidated financial statements.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2019 are set out in note 33 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The related party transactions of the Group for the year ended 31 March 2019 are set out in note 35 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Group did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Non-exempt Continuing Connected Transactions

During the year ended 31 March 2019, the Group has entered into the following transactions, each of which constituted a non-exempt continuing connected transaction for the Company subject to announcement, annual review and reporting requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules, particulars of which were previously disclosed in the announcements of the Company dated 29 March 2018, 28 September 2018 and 31 March 2019. The Company shall comply with the annual review and reporting requirements for all of the following non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

1. **Leasing of properties by certain subsidiaries of East-Asia to the Group**

   The Group has been leasing properties in Hong Kong, Shenzhen and Macau from certain wholly-owned subsidiaries of East-Asia Pacific Limited ("East-Asia", collectively as the "East-Asia Group") for the use by the Group as shops, cell sites, office premises, customer service centre and IT support office and carparking spaces. On 29 March 2018, the Group and East-Asia Group entered into the 2018/19 Tenancy Agreements (the "2018/19 Tenancy Agreements") and 2018/19 Licence Agreements (the "2018/19 Licence Agreements") in relation to the tenancy of the properties and the carparking spaces with the East-Asia Group for a term of one year ended 31 March 2019. On 28 September 2018, the Group and East-Asia Group also entered into a tenancy agreement in relation to the tenancy of a property in Shenzhen for a term from 1 October 2018 to 31 March 2020.

   On 30 March 2019, the Group entered into the 2019/20 Tenancy Agreements and the 2019/20 Licence Agreements with the East-Asia Group for renewal of the tenancy of the properties and the carparking spaces for a further term of one year ending 31 March 2020. The rents and licence fees paid by the Group to the East-Asia Group were determined with reference to the prevailing market rents and licence fees of similar properties in the nearby locations.

Report of the Directors (continued)

As East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds approximately 54.49% of the Shares in issue, each of the following wholly-owned subsidiaries of East-Asia, namely, (a) Glossy Enterprises Limited, (b) Glossy Investment Limited, (c) Silicon Creation Limited, (d) Telecom Properties Investment Limited, (e) Telecom Service Limited (f) H.K. Magnetronic Company Limited and (g) Marina Trading Inc., being a party to the respective tenancy agreements, is a connected person of the Company as defined under the Listing Rules. Accordingly, the tenancy agreements entered into between the Group and East-Asia Group in relation to the tenancies as listed below constitute continuing connected transactions for the Company.

	Address	**Usage**	**Term**	**Monthly rent HK$**
1	Roof of 17/F., Cheron Court, Hunghom, Kowloon	Cell site	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	4,200 4,500
2	Shop G5, G/F., Commercial Podium Sincere House, 83 Argyle Street, Kowloon	Shop	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	145,000 150,000
3	Room 1–2, 36/F., Tower 2, Metroplaza, Kwai Fong, New Territories	Office	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	160,116 145,560
4	Unit C, 10/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	46,470 49,568
5	Portion B of Unit 3608–3612, 36/F, Tower 2, Metroplaza, 223 Hing Fong Road, Kwai Fong, New Territories	Office	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	69,948 73,834
6	Unit D, 10/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	53,280 56,832
7	Shop A4, G/F., Kam Wah Mansion, No. 226–242 Cheung Sha Wan Road, Kowloon	Shop	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	88,000 95,000
8	Portion of Shop 4, G/F., 93 Lion Rock Road, Kowloon City, Kowloon	Shop	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	48,000 52,000
9	19/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	375,840 400,896

Report of the Directors (continued)

	Address	Usage	Term	Monthly rent HK$
10	Room & Roof top of Flat G, 5/F., Silver Centre Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories	Cell site	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	10,000 11,000
11	Unit A025, 1/F., Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, New Territories	Shop	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	88,000 95,000
12	Shop C28 & C29, 1/F., Kingswood Richly Plaza, 1 Tin Wu Road, New Territories	Shop	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	71,500 75,000
13	Roof Level of Flat E on 22/F. of Block 5, Hong Kong Garden (Phase 1), 101 Castle Peak Road, Tsing Lung Tau, New Territories	Cell site	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	2,500 2,700
14	Shop 6, Wing Light Building, 68–76 Castle Peak Road, Yuen Long, New Territories	Shop	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	88,000 95,000
15	Unit 1801 to Unit 1809 and Unit 1812 to Unit 1820, Shen Rong Building, No.1045 Fuqiang Road, Futian District, Shenzhen City, PRC	Customer service centre and IT support office	1 October 2018 – 31 March 2020	100,000
16	Rua de Pequim, n°s 170–174, Edifício Centro Comercial Kong Fat, 16° andar E, Macau	Office	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	10,000 22,746
17	Carparking Space Nos. 5, 6 and 7 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	10,500 11,100
18	Carparking Space Nos. 45, 46, 47, 48 and 49 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 April 2018 – 31 March 2019 1 April 2019 – 31 March 2020	17,500 18,500

Report of the Directors (continued)

As disclosed in the announcements of the Company dated 29 March 2018, 28 September 2018 and 30 March 2019, the annual caps for the aggregate rents and licence fees payable by the Group to the East-Asia Group under the 2018/19 Tenancy Agreements, the 2018/19 Licence Agreements, the 2019/20 Tenancy Agreements, the 2019/20 Licence Agreements and the existing tenancy agreement for the two years ended/ending 31 March 2019 and 2020 are HK$16,067,000 and HK$17,511,000 respectively. The aggregate amount of rents and licence fees paid by the Group to the East-Asia Group under the 2018/19 Tenancy Agreements, the 2018/19 Licence Agreements and the existing tenancy agreement with East-Asia for the year ended 31 March 2019 is approximately HK$16,066,000.

2. Transactions with TSO

Telecom Service One Limited ("TSO", a wholly-owned subsidiary of TSO Holdings) is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. On 29 March 2018, the Company entered into a 2018/19 Master Agreement with TSO (the "2018/19 Master Agreement") setting out the governing terms and conditions in relation to the services provided by TSO and the Group to each other for a term up to 31 March 2019.

TSO is indirectly owned by the Cheung Family Trust as to 51.43% which indirectly holds 54.49% of the Shares in issue and is therefore a connected person of the Company under the Listing Rules. Accordingly, the below transactions constitute continuing connected transactions for the Company.

The Group expects that the below services will continue after the expiration of the 2018/19 Master Agreement. Therefore, the Company entered into the separate individual service agreements with TSO on 30 March 2019 for a term of one year ending 31 March 2020.

a. Provision of repair and refurbishment services for pagers and Mango Devices by TSO to the Group

TSO has been providing repair and refurbishment services for pagers and Mango Devices to the Group. The service fee charged by TSO is on a "per device" basis. The service fees are determined by TSO and the Group with reference to the prevailing market rate (in terms of, among others, profit margin) of similar services and the historical amounts paid by the Group to TSO.

As disclosed in the announcement of the Company dated 29 March 2018 and 31 March 2019, the aggregate annual caps for the repair and refurbishment service fees for pagers and Mango Devices payable by the Group to TSO for the two years ended/ending 31 March 2019 and 2020 are each of HK$4,000,000. The amount of repair and refurbishment service fees for pagers and Mango Devices paid by the Group to TSO under the 2018/19 Master Agreement for the year ended 31 March 2019 is approximately HK$3,918,000.

b. Consignment of accessories for mobile phones and personal electronic products of TSO

TDS (a wholly-owned subsidiary of the Company) has allowed TSO to sell the accessories for mobile phones and personal electronic products at the Group's retail shops on a consignment basis in consideration of a consignment fee. The consignment fee, which is based on a fixed percentage of the sales of consigned goods, shall be paid by TSO to TDS for the consignment arrangement. Such consignment fee has been determined by TSO and TDS with reference to the prevailing market rate of similar consignment arrangements and the historical amounts received by the Group from TSO.

As disclosed in the announcement of the Company dated 29 March 2018 and 31 March 2019, the annual caps for the consignment fees receivable by the Group from TSO for the two years ended/ending 31 March 2019 and 2020 are each of HK$2,000,000. The consignment fees received by the Group from TSO under the 2018/19 Master Agreement for the year ended 31 March 2019 is approximately HK$565,000.

Report of the Directors (continued)

c. ***Provision of logistic services to TSO by TSN***

TSN has been providing logistic services for delivery of goods (for example, defective devices for repair and refurbishment) between the office, service centres and collection points of TSO. The fees charged by TSN are on a "per delivery" basis. The fees for the services are determined by TSO and TSN with reference to the prevailing market rate of similar services.

As disclosed in the announcement of the Company dated 31 March 2019, the aggregate annual caps for the logistic services fees payable by TSO to the Group for the year ending 31 March 2020 is HK$800,000. The amount of logistic services fees paid by TSO to the Group for the year ended 31 March 2019 is approximately HK$738,000.

d. ***Provision of repair and refurbishment services for mobile phones by TSO to the Group***

TSO will provide repair and refurbishment services for mobile phones to the Group commencing on 1 April 2019. The service fees charged by TSO are on a "per mobile phone" basis. The service fees are determined by TSO and the Group with reference to the prevailing market rate (in terms of, among others, profit margin) of similar services.

As disclosed in the announcement of the Company dated 31 March 2019, the aggregate annual caps for the repair and refurbishment services fees for mobile phones payable by the Group to TSO for the year ending 31 March 2020 is HK$500,000. There were no repair and refurbishment services for mobile phones provided by TSO to the Group for the year ended 31 March 2019.

In respect of the connected transactions and continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

Confirmation of Independent Non-executive Directors

The Audit Committee, comprising three independent non-executive Directors, has reviewed the above non-exempt continuing connected transactions and confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Report of the Directors (continued)

Confirmation from Auditor of the Company

The Board of Directors has received an unqualified letter issued by the auditor of the Company in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) and with reference to Practice Note 740 issued by the Hong Kong Institute of Certified Public Accountants confirming that:

a. nothing has come to their attention that causes them to believe that the above non-exempt continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the letter has been provided by the Company to the Stock Exchange.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 15 to 25 of this annual report. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

Report of the Directors (continued)

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 March 2019 and the material factors underlying its results and financial position can be found in the Management Discussion and Analysis on pages 6 to 11 of this annual report. These discussions form part of this Report of the Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The ESG Report of the Company for the year ended 31 March 2019 is set out on pages 26 to 37 of this annual report which elaborates on the various works of the Group in fulfilling the principle of sustainable development and its performance in social responsibilities. The Group is committed to achieve the development of sustainability of communities. An environmental policy has been adopted by the Group for implementation of environmental friendly measures and practices in the operation of the Group's businesses. The Group adheres to the principles of Recycling and Reducing and implements green office practices, e.g. using recycled paper, setting up recycling bins, and double-sided printing and copying.

The Group will review the environmental policy from time to time and will consider implementing further environmental friendly measures and practices in the operation of the Group's businesses.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

In relation to human resources, the Group is committed to complying with the requirements of the ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

On the corporate level, the Group complies with the requirements under the Companies Law (Revised) under the laws of Cayman Islands, the Listing Rules, the Companies Ordinance and the SFO under the laws of Hong Kong for, among other things, the disclosure of information and corporate governance, and the Group has adopted the required standard of dealings set out in Model Code as the code of conduct regarding securities transactions by the Directors.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its customers and suppliers to fulfill its immediate and long-term goals. During the year ended 31 March 2019, there was no material and significant dispute between the Group and its customers and/or suppliers.

Report of the Directors (continued)

FINANCIAL SUMMARY

An analysis of the results and of the assets and liabilities of the Group using financial key performance indicators is set out in the financial summary on page 148 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is to be proposed at the AGM.

By Order of the Board
Cheung King Shek
Chairman

Hong Kong, 25 June 2019

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 TELECOM DIGITAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Telecom Digital Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 62 to 147, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2019, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

Valuation of inventories

Refer to notes 4 and 20 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2019, the carrying amount of the inventories was HK$99,424,000, net of allowance for inventories of HK$1,714,000 recognised in profit or loss in the current financial year, representing 43% of the Group's total current assets. We have identified the valuation of inventories as a key audit matter because of their significance to the consolidated financial statements and the involvement of significant judgement and estimation in identifying inventories with net realisable values that are lower than their carrying values, and obsolescence, with reference to the selling prices and condition of inventories.	Our audit procedures were designed to assess management estimations and judgements on the assessment of net realisable value of inventories and identification of obsolete item based on their subsequent usage and selling prices subsequent to the end of the reporting period and current market conditions. We have assessed the net realisable value and utilisation of inventories subsequent to the end of the reporting period on a sample basis and discussed with the management in respect of the adequacy of the allowance made by the management based on subsequent usage and sales, ageing analysis and current market conditions. We have assessed the assumptions and critical judgements used by the management by assessing the reliability of the management's past estimates.

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 report other than the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditor’s Report (continued)

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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.

Those charged with governance are 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 judgement 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 misstatement 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 of the Company.

Independent Auditor's Report (continued)

- conclude on the appropriateness of the Company's 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 Ms. Tang Kwan Lai.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Tang Kwan Lai
Practising Certificate Number: P05299

Hong Kong
25 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**1,239,247**	1,297,573
Cost of inventories sold		**(661,798)**	(745,637)
Staff costs		**(195,209)**	(190,841)
Depreciation		**(31,152)**	(30,253)
Other income	9	**5,795**	6,034
Other operating expenses		**(209,257)**	(201,990)
Share of results of associates		**15,394**	20,728
Finance costs	10	**(4,899)**	(3,708)
Profit before tax		**158,121**	151,906
Income tax expense	11	**(29,110)**	(24,428)
Profit for the year	12	**129,011**	127,478
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**11**	–
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gain on long service payment obligations	26	**419**	1,134
Other comprehensive income for the year		**430**	1,134
Total comprehensive income for the year		**129,441**	128,612
Profit (loss) for the year attributable to:			
Owners of the Company		**131,753**	128,168
Non-controlling interests		**(2,742)**	(690)
		129,011	127,478
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**132,183**	129,302
Non-controlling interests		**(2,742)**	(690)
		129,441	128,612
Earnings per share (HK$)	15		
Basic		**0.33**	0.32
Diluted		**0.33**	0.32

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	254,943	238,341
Investment properties	17	117,846	72,302
Club membership	18	1,560	1,560
Interests in associates	19	40,901	22,610
Rental deposits	21	11,009	9,026
Prepayments for purchase of property, plant and equipment		2,853	3,682
		429,112	347,521
Current assets			
Inventories	20	99,424	129,034
Trade and other receivables	21	56,071	55,811
Amounts due from related companies	35(a)	116	132
Amount due from an associate	35(b)	24,865	26,685
Pledged bank deposits	22	5,071	5,065
Bank balances and cash	22	44,086	41,841
		229,633	258,568
Current liabilities			
Trade and other payables	23	73,102	125,916
Contract liabilities	24	12,468	–
Amounts due to related companies	35(a)	339	243
Bank overdrafts	22	–	568
Bank borrowings	25	207,598	144,446
Tax payables		11,072	13,459
		304,579	284,632
Net current liabilities		(74,946)	(26,064)
Total assets less current liabilities		354,166	321,457
Non-current liabilities			
Long service payment obligations	26	1,179	1,083
Deferred tax liabilities	27	1,618	1,662
		2,797	2,745
Net assets		351,369	318,712

Consolidated Statement of Financial Position (continued)

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	28	**4,039**	4,038
Reserves		**350,614**	315,216
Equity attributable to owners of the Company		**354,653**	319,254
Non-controlling interests		**(3,284)**	(542)
Total equity		**351,369**	318,712

The consolidated financial statements on pages 62 to 147 were approved and authorised for issue by the board of directors on 25 June 2019 and are signed on its behalf by:

Cheung King Shek
Director

Cheung King Fung Sunny
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Equity attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(note (a))*	Share option reserve HK$'000	Exchange reserve HK$'000	Legal reserve HK$'000 *(note (b))*	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017	4,030	95,546	5,404	429	(233)	91	159,821	265,088	148	265,236
Profit (loss) for the year	–	–	–	–	–	–	128,168	128,168	(690)	127,478
Other comprehensive income:										
Actuarial gain on long service payment obligations *(note 26)*	–	–	–	–	–	–	1,134	1,134	–	1,134
Total comprehensive income (expense) for the year	–	–	–	–	–	–	129,302	129,302	(690)	128,612
Dividends *(note 14)*	–	–	–	–	–	–	(80,696)	(80,696)	–	(80,696)
Equity – settled share option expense *(note 29)*	–	–	–	3,499	–	–	–	3,499	–	3,499
Effect of share options										
– shares issue upon exercise *(note 28)*	8	2,504	–	(451)	–	–	–	2,061	–	2,061
– lapse	–	–	–	(124)	–	–	124	–	–	–
At 31 March 2018	4,038	98,050	5,404	3,353	(233)	91	208,551	319,254	(542)	318,712

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 March 2019

	Equity attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(note (a))*	Share option reserve HK$'000	Exchange reserve HK$'000	Legal reserve HK$'000 *(note (b))*	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018	4,038	98,050	5,404	3,353	(233)	91	208,551	319,254	(542)	318,712
Profit (loss) for the year	–	–	–	–	–	–	131,753	131,753	(2,742)	129,011
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	–	–	–	–	11	–	–	11	–	11
Actuarial gain on long service payment obligations *(note 26)*	–	–	–	–	–	–	419	419	–	419
Total comprehensive income (expense) for the year	–	–	–	–	11	–	132,172	132,183	(2,742)	129,441
Dividends *(note 14)*	–	–	–	–	–	–	(96,900)	(96,900)	–	(96,900)
Effect of share options										
– shares issue upon exercise *(note 28)*	1	145	–	(30)	–	–	–	116	–	116
– lapse	–	–	–	(442)	–	–	442	–	–	–
At 31 March 2019	4,039	98,195	5,404	2,881	(222)	91	244,265	354,653	(3,284)	351,369

Notes:

(a) Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

(b) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.

As stipulated by regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax profit (after offsetting any losses of prior years) as determined in accordance with the applicable laws and regulations in the PRC, to statutory reserve until the reserve balance reaches 50% of the registered capital of the relevant subsidiaries. The transfer to this reserve must be made before distribution of a dividend to equity owners.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**158,121**	151,906
Adjustments for:		
Allowance for inventories	**1,714**	–
Bank interest income	**(232)**	(241)
Depreciation of property, plant and equipment	**27,859**	28,302
Depreciation of investment properties	**3,293**	1,951
Equity-settled share options expense	**–**	3,499
Finance costs	**4,899**	3,708
Gain on disposal of property, plant and equipment	**(40)**	–
Impairment loss on loan to an associate	**3,040**	–
Impairment loss on an investment property	**3,485**	–
Loss on written off of property, plant and equipment	**1,816**	1,510
Provision for long service payment obligations	**409**	372
Share of results of associates	**(15,394)**	(20,728)
Operating cash inflows before movements in working capital	**188,970**	170,279
Decrease (increase) in inventories	**27,896**	(83,285)
(Increase) decrease in trade and other receivables	**(2,243)**	3,429
Decrease (increase) in amount due from an associate	**1,820**	(135)
(Increase) decrease in amounts due from related companies	**(1)**	1,094
(Decrease) increase in trade and other payables	**(35,063)**	63,685
Increase (decrease) in amounts due to related companies	**96**	(2,043)
Decrease in contract liabilities	**(5,283)**	–
Increase (decrease) in long service payment obligations	**106**	(395)
Cash generated from operations	**176,298**	152,629
Hong Kong Profits Tax paid	**(31,513)**	(14,710)
PRC Enterprise Income Tax paid	**(28)**	–
NET CASH FROM OPERATING ACTIVITIES	**144,757**	137,919
INVESTING ACTIVITIES		
Purchase of investment properties	**(52,322)**	(28,091)
Purchase of property, plant and equipment	**(44,073)**	(37,996)
Investments in associates	**(16,960)**	–
Loan to an associate	**(3,040)**	–
Prepayments for purchase of property, plant and equipment	**(1,375)**	(1,583)
Placement in pledged bank deposits	**(6)**	–
Advanced to related companies	**–**	(84)
Dividend received from an associate	**14,063**	22,971
Bank interest received	**232**	241
Proceeds from disposal of property, plant and equipment	**40**	1
Repayment from related companies	**17**	62
NET CASH USED IN INVESTING ACTIVITIES	**(103,424)**	(44,479)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Bank borrowings raised	**668,872**	524,700
Proceeds from exercise of share options	**116**	2,061
Interest paid	**(4,899)**	(3,708)
Dividend paid	**(96,900)**	(80,696)
Repayment of bank borrowings	**(605,720)**	(531,230)
NET CASH USED IN FINANCING ACTIVITIES	**(38,531)**	(88,873)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,802**	4,567
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**41,273**	36,706
Effect of foreign exchange rate changes	**11**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by	**44,086**	41,273
Bank balances and cash	**44,086**	41,841
Bank overdrafts	**–**	(568)
	44,086	41,273

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Corporate information

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 May 2017. The address of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate Information" to the annual report.

The directors of the Company consider the immediate holding company and ultimate holding company are CKK Investment Limited and Amazing Gain Limited respectively, which are incorporated in the British Virgin Islands (the "BVI"). The Group has been under the control and beneficially owned by Cheung Family Trust, Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (the "Cheung Brothers") since 1 April 2013. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in retail business in sales of mobile phones and other consumer goods and related services, distribution business in mobile phones, provision of paging and other telecommunications services and provision of operation services.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency. Other than the subsidiaries established in the PRC and Macau which functional currencies are Renminbi ("RMB") and Macau Pataca ("MOP"), respectively, the functional currency of the Company and other subsidiaries is HK$.

Basis of preparation

As at 31 March 2019, the Group had net current liabilities of HK$74,946,000. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis since the following:

(i) the unutilised banking facilities readily available to the Group amounted to HK$270,590,000 at 31 March 2019;

(ii) bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause and shown under current liabilities amounted to HK$62,274,000. All of them are secured by the Group's certain leasehold land and buildings and investment properties with carrying amounts of HK$146,151,000 and HK$117,846,000 respectively. The fair value of these investment properties as at 31 March 2019 was HK$125,500,000. The directors of the Company are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low provided that the Group did not breach covenants imposed by the banks; and

(iii) the Group is expected to generate adequate cash flows to maintain its operations.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

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 issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material effect 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.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 superseded HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

The transition to HKFRS 15 had no significant impact on the retained profits at 1 April 2018.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

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

HKFRS 15 *Revenue from Contracts with Customers* (continued)

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 April 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Note	Carrying amount previously reported as at 31 March 2018 HK$'000	Impact on adoption of HKFRS 15 – Reclassification HK$'000	Carrying amounts under HKFRS 15 as at 1 April 2018 HK$'000
Current liabilities				
Trade and other payables	*(a)*	125,916	(17,751)	108,165
Contract liabilities	*(a)*	–	17,751	17,751

Note (a): At the date of initial application, an amount of HK$17,751,000 related to advance consideration received from customers was included in trade and other payables. The balance was reclassified to contract liabilities upon application of HKFRS 15 as it represented the Group's performance obligation to transfer goods or services in the future.

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018

The following table summarises the impact of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019, by comparing the amounts reported under HKAS 18 that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's consolidated statement of profit or loss and other comprehensive income, operating, investing and financing cash flows.

Impact on the consolidated statement of financial position as at 31 March 2019

	As reported HK$'000	Impact of adopting HKFRS 15 HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities			
Trade and other payables	73,102	12,468	85,570
Contract liabilities	12,468	(12,468)	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

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

HKFRS 9 *Financial instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained profits as at 1 April 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and financial liabilities as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 continue to be measured at amortised cost as were previously measured under HKAS 39.

Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 April 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different from the impairment losses previously recognised under HKAS 39.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

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

3 Effective for annual periods beginning on or after 1 January 2021.

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 a date to be determined.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

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

New and amendments to HKFRSs issued but not yet effective (continued)

HKFRS 16 *Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained profits, where appropriate, and will not restate comparative information. As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$92,394,000 as disclosed in note 31. Based on the preliminary assessment, upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK$89,125,000 and HK$87,314,000, respectively, after taking account the effects of discounting as at 1 April 2019.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

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

New and amendments to HKFRSs issued but not yet effective (continued)

HKFRS 16 *Leases* (continued)

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on 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 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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's interests in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, interests in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

All interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. The Group assesses whether there is an objective evidence that the investment in an associate may be impaired. When an objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance lease) held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, if any, 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.

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 property held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Club membership

Club membership is carried at cost less accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible assets and club membership below).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown in current liabilities on the consolidated statement of financial position.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Under HKFRS 9 (applicable on or after 1 April 2018)

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. 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 dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (continued)

Financial assets (continued)

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 ECL, 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. 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, except for financial assets that have subsequently become credit-impaired.

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

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL 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 trade-related amount due from an associate. The ECL on these financial assets are estimated using a provision matrix 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 forecast direction of conditions 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (continued)

Financial assets (continued)

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.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or 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'.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (continued)

Financial assets (continued)

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

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (continued)

Financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL 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 ECL 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 April 2018) (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

All the 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 (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value through profit or loss, 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.

Under HKAS 39 (applicable before 1 April 2018)

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and an associate, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKAS 39 (applicable before 1 April 2018) (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of ranged from 7 to 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade or other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKAS 39 (applicable before 1 April 2018) (continued)

Financial liabilities and equity instruments

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.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies, bank overdrafts and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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 premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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 the entity are recognised at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised 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 entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15)

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 and discounts.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15) (continued)

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.

For a single contract with the customer, either a net contract asset or a net contract liability is presented.

The Group recognised revenue from the following major sources:

Sales of mobile phones and other consumer goods and related services in the Group's retail outlets

For the sales of the mobile phones and other consumer goods, revenue is recognised when control passes to the retail customers, being the point the retail customers purchase the goods at the retail outlets. Payment of transaction price is due immediately at the point the retail customers purchase the goods.

Other related services comprise customer services and advertisement. Customer services related to routine services, the income is recognised over the contract terms when services are rendered. Advertisement is provided on ad-hoc basis, service income is recognised when services are rendered.

Distribution of mobile phones and related services to its distributors

Revenue from sales of mobile phones to distributors is recognised when control of the goods has transferred, being when the goods are delivered and there is no unfulfilled obligation that could affect them to accept the goods.

The Group renders promotion services to its suppliers. Service income is recognised when services are rendered.

Provision of paging services and two-way wireless data services

The Group provides paging and two-way wireless data services to customers through a variety of plans on a postpaid or prepaid basis. Revenue is recognised using an output method, either as the service entitlement units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the transfer of service to the customers. Service revenue billed in advance and included under contract liabilities.

For service plan based on usage, where monthly usage exceeds the allowance, the overage usage represents options held by the customers for incremental services and the usage-based fee is recognised when the customers exercise the option.

Provision of operation services

The operation of the Group's one of associates, Sun Mobile Limited ("SUN Mobile") is undertaken by the Group. The operation services the Group provides to SUN Mobile include sale management services, marketing operation services, customer services, billing payment and debt collection services, and customer data compilation and analysis services. Revenue from provision of operation services is recognised over time which reflects the pattern by which the Group satisfies the performance obligation through the transfer of services to SUN Mobile.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Policy applicable to the year ended 31 March 2018

Revenue is measured at the fair value of the consideration received or receivables for goods sold and services provided in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income from provision of operation services, paging and other telecommunications services, and consultancy services are recognised when services are rendered. Operation services represent provision of sale management services, marketing operation services, customer services, billing payment and debt collection services, and customer data compilation and analysis services.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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.

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.

Leasehold land and buildings

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 as prepaid lease payments 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.

Employee benefits

Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to defined contribution plans including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Employment Ordinance long service payments

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in consolidated statement of financial position with a charge or credit recognised in other comprehensive income in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Components of defined benefit costs are service cost in profit or loss; net interest on the net defined benefit liability or asset in profit or loss; and remeasurements of net defined benefit liability or asset in other comprehensive income.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised 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 "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income 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 or 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 recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 and interests 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Current and deferred tax is recognised in profit or loss.

Impairment losses on tangible assets and club membership

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.

Club membership is tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 immediately in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Fair value measurement

When measuring fair value, 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 high 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 follows:

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated allowance for inventories

The Group makes the allowance for inventories based on assessments of the net realisable value and ageing analysis of inventories and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2019, the carrying amount of inventories was HK$99,424,000 (2018: HK$129,034,000), net of accumulated allowance for obsolete inventories of HK$1,714,000 (2018: nil).

Estimated impairment losses on trade receivables and trade-related amount due from an associate and loan to an associate

Starting from 1 April 2018, the impairment provisions for trade receivables, trade-related amount due from an associate and loan to an associate 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 credit loss 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 profit or loss. As at 31 March 2019, the carrying amounts of trade receivables and an amount due from an associate were HK$4,230,000 and HK$24,865,000 respectively. No impairment losses were recognised for the current year.

Loan to an associate is a financing advance provided to an associate which is unsecured and interest-free. In estimating the future cash receipts under ECL model, the Group takes into account the financial position of the associate and future prospects of the industry where the associate operates. If the financial position of the associate is deteriorated, impairment loss may be required. During the year, an impairment loss of loan to an associate amounting HK$3,040,000 was recognised.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment assessment of interests in associates

The Group's interests in associates are initially recognised at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less impairment in the values of individual investments. As such, the Group is required to assess at the end of the each reporting period whether there is any indication that the carrying amount of interests in associates may be impaired. For those associates in which such indication exists, the Group assesses the carrying amounts for impairment by taking into account the financial position of the associates and future prospects of the industry where the associates operate. As at 31 March 2019 and 2018, no impairment of interests in associates was made in respect of the carrying amount of interests in associates of HK$40,901,000 (2018: HK$22,610,000).

Depreciation of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and investment properties and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

As at 31 March 2019, there were no changes on the estimated useful lives after performing annual assessment and the related depreciation of the property, plant and equipment and investment properties with carrying amounts of HK$254,943,000 (2018: HK$238,341,000) and HK$117,846,000 (2018: HK$72,302,000) respectively.

Income taxes

At 31 March 2019, the Group had unused tax losses of HK$23,347,000 (2018: HK$13,408,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are different from original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the year in which such circumstances are changed.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 bank overdrafts, bank borrowings, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated 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, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
At amortised cost/loans and receivables (including bank balances and cash)	133,242	124,372
Financial liabilities		
At amortised cost	280,190	253,422

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) related companies and an associate, pledged bank deposits, bank balances and cash, trade and other payables, bank overdrafts and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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.

Market risk

Currency risk

Certain bank balances and trade payables (2018: bank balances and trade payables) are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

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

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
United States dollars ("USD")	2,613	1,824	5,535	2

No sensitivity analysis was prepared for USD as HK$ is pegged to USD.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances, bank borrowings and bank overdrafts carried at prevailing market rates. However, the exposure in pledged bank deposits, bank balance and bank overdrafts is minimal to the Group as the pledged bank deposits, bank balance and bank overdrafts are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollars denominated bank borrowings and bank overdrafts.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of each 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 50 basis point increase or decrease is used for the years ended 31 March 2019 and 2018 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 50 basis points higher/lower for the year ended 31 March 2019 and all other variables were held constant, the Group's post-tax profit would decrease/increase by HK$867,000 (2018: HK$603,000). This is attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

Credit risk

As at 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and other receivables, amounts due from related companies and an associate, pledged bank deposits and bank balances and cash. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 31 March 2018, impairment loss was recognised when there was objective evidence of impairment loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Starting from 1 April 2018, for trade receivables and trade-related amount due from an associate, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance for impairment at lifetime ECL. The Group performs impairment assessment under the ECL model on trade balances individually or collectively by using a provision matrix with appropriate grouping. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considered other receivables and amounts due from related companies to be low credit risk and thus the allowance for impairment recognised during the year was limited to 12-month ECL. As at 31 March 2019, the identified impairment loss was immaterial.

For loan to an associate, the Group has assessed and concluded that there are events having a detrimental impact on the estimated future cash flows of that asset. As at 31 March 2019, the financial position of the associate was deteriorated, therefore full impairment loss on loan to an associate of HK$3,040,000 was recognised.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked a team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The management uses other publicly available financial information and the Group's own trading records to rate its major 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's exposure to credit risk (continued)

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's exposure to credit risk (continued)

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

31 March 2019	*Notes*	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	*21*	Note	Lifetime ECL (not credit-impaired)	4,230	–	4,230
Other receivables	*21*	Performing	12-month ECL	54,874	–	54,874
Amounts due from related companies	*35(a)*	Performing	12-month ECL	116	–	116
Amount due from an associate	*35(b)*	Note	Lifetime ECL (not credit-impaired)	24,865	–	24,865
Loan to an associate	*35(c)*	Default	Lifetime ECL (credit-impaired)	3,040	(3,040)	–
				87,125	(3,040)	84,085

Note: The Group has applied simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

Other than concentration of credit risk on amounts due from related companies and an associate and liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers and spread across diverse industries.

The Group's concentration of credit risk by geographical locations is all in Hong Kong, as all trade receivables as at 31 March 2019 and 2018 are due from customers located in Hong Kong.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the loan covenants.

The Group is exposed to liquidity risk as at 31 March 2019 as the Group had net current liabilities of HK$74,946,000 (2018: HK$26,064,000). The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in note 1.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

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 that existed at the end of the reporting period.

	Total undiscounted cash flows due on demand or within one year HK$'000	Carrying amount HK$'000
As at 31 March 2019		
Trade and other payables	72,253	72,253
Amounts due to related companies	339	339
Bank borrowings	207,598	207,598
	280,190	280,190

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Total undiscounted cash flows due on demand or within one year HK$'000	Carrying amount HK$'000
As at 31 March 2018		
Trade and other payables	108,165	108,165
Amounts due to related companies	243	243
Bank overdrafts	568	568
Bank borrowings	144,446	144,446
	253,422	253,422

Bank borrowings with a repayment on demand clause are included in the "total undiscounted cash flows due on demand or within one year" time band in the above maturity analysis. As at 31 March 2019, the aggregate principal amounts of these bank borrowings amounted to HK$207,598,000 (2018: HK$144,446,000). 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 borrowings will be repaid in accordance with the scheduled repayment dates set out in the respective loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$216,857,000 (2018: HK$152,121,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

7. REVENUE

Revenue represents revenue arising from sales of goods and service income for the year. An analysis of the Group's revenue is as follows:

	2019 HK$'000	2018 HK$'000 *(Note)*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major sales channels or service lines		
– Sales of goods		
Retail business	766,416	773,795
Distribution business	27,857	104,842
– Services rendered		
Paging and other telecommunication	57,210	69,504
Operation services	387,764	349,432
	1,239,247	1,297,573

Disaggregation of revenue by timing of recognition

	2019 HK'000
Timing of revenue recognition	
At a point in time	793,932
Overtime	445,315
	1,239,247

Note: The amounts for the year ended 31 March 2018 were recognised under HKAS 18.

Transaction price allocated to the remaining performance obligation for contracts with customers

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

8. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the executive directors of the Company. The information reported to the CODM for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the Group's CODM have been aggregated in arriving at the reportable segments of the Group. The Group's operating and reportable segments are as follows:

Retail business	–	Sales of mobile phones and other consumer goods and related services
Distribution business	–	Distribution of mobile phones and related services
Paging and other telecommunications services	–	Provision of paging services and two-way wireless data services
Operation services	–	Provision of operation services

Segment revenues and results

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

For the year ended 31 March 2019

	Retail business HK$'000	Distribution business HK$'000	Paging and other tele-communications services HK$'000	Operation services HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	766,416	27,857	57,210	387,764	–	1,239,247
Inter-segment sales	360	483,936	–	–	(484,296)	–
Segment revenue	766,776	511,793	57,210	387,764	(484,296)	1,239,247
Segment results	58,374	1,016	3,024	98,399		160,813
Bank interest income						232
Finance costs						(4,899)
Share of results of associates						15,394
Corporate expenses, net						(13,419)
Profit before tax						158,121

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

8. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 March 2018

	Retail business HK$'000	Distribution business HK$'000	Paging and other tele-communications services HK$'000	Operation services HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	773,795	104,842	69,504	349,432	–	1,297,573
Inter-segment sales	368	708,622	2,637	–	(711,627)	–
Segment revenue	774,163	813,464	72,141	349,432	(711,627)	1,297,573
Segment results	57,583	9,307	6,599	74,802		148,291
Bank interest income						241
Finance costs						(3,708)
Share of results of associates						20,728
Corporate expenses, net						(13,646)
Profit before tax						151,906

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represented the profits earned by each segment without allocation of bank interest income, certain corporate income, finance costs, share of results of associates, certain corporate expenses and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	2019 HK$'000	2018 HK$'000
Segment assets		
Retail business	262,194	239,403
Distribution business	54,746	74,519
Paging and other telecommunications services	47,645	53,490
Operation services	40,795	44,210
Total segment assets	405,380	411,622
Unallocated corporate assets	253,365	194,467
Total assets	658,745	606,089
Segment liabilities		
Retail business	17,632	15,960
Distribution business	38,153	81,827
Paging and other telecommunications services	20,680	25,268
Operation services	6,781	1,015
Total segment liabilities	83,246	124,070
Unallocated corporate liabilities	224,130	163,307
Total liabilities	307,376	287,377

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

- all assets are allocated to segments other than certain property, plant and equipment, investment properties, club membership, interests in associates, certain other receivables, amounts due from related companies, pledged bank deposits and certain bank balances and cash managed on central basis and corporate assets; and

- all liabilities are allocated to segments other than certain other payables, deferred tax liabilities, amounts due to related companies, bank overdrafts, bank borrowings, tax payables, long service payment obligations and corporate liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

8. SEGMENT INFORMATION (continued)

The segment information is as follows:

For the year ended 31 March 2019

	Retail business HK$'000	Distribution business HK$'000	Paging and other tele-communications services HK$'000	Operation services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	21,205	402	3,193	3	3,056	27,859
Additions to non-current assets	46,277	–	–	–	–	46,277
Allowance for inventories	–	1,714	–	–	–	1,714
Gain on disposal of property, plant and equipment	–	–	40	–	–	40
Loss on written off of property, plant and equipment	278	–	1,538	–	–	1,816
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Income tax expense	11,350	580	617	15,583	980	29,110

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

8. SEGMENT INFORMATION (continued)

For the year ended 31 March 2018

	Retail business HK$'000	Distribution business HK$'000	Paging and other tele-communications services HK$'000	Operation services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	18,128	470	5,829	10	3,865	28,302
Additions to non-current assets	41,615	8	3	–	–	41,626
Loss on written off of property, plant and equipment	297	–	1,213	–	–	1,510
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Income tax expense	9,892	1,274	956	11,703	603	24,428

Additions to non-current assets represented the additions of property, plant and equipment but excluded additions of investment properties, the prepayments for the purchase of property, plant and equipment and investments in associates.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Hong Kong, the PRC and Macau.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of these assets.

Revenue from external customers

	2019 HK$'000	2018 HK$'000
Hong Kong (place of domicile)	1,238,384	1,296,231
Macau	863	1,342
	1,239,247	1,297,573

Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong (place of domicile)	417,000	338,483
The PRC	1,084	–
Macau	19	12
	418,103	338,495

Non-current assets excluded rental deposits.

Information about major customer

Details of the customer contributing over 10% of total revenue of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Customer A[1]	386,988	348,735

1 Revenue from operation services.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

9. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**232**	241
Consultancy income	**300**	300
Gain on disposal of property, plant and equipment	**40**	–
Handling income	**793**	348
Rental and sub-letting income *(Note)*	**4,184**	4,427
Others	**246**	718
	5,795	6,034

Note: Included in rental and sub-letting income was HK$3,203,000 (2018: HK$1,728,000) arising from the operating leases of investment properties of the Group in which direct operating expenses of HK$370,000 (2018: HK$330,000) were incurred during the year ended 31 March 2019.

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on bank borrowings and bank overdrafts	**4,899**	3,708

11. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax		
– current year	**29,714**	25,970
– (over) under-provision in prior years	**(598)**	5
	29,116	25,975
PRC Enterprise Income Tax		
– current year	**38**	–
Deferred tax		
– current year *(note 27)*	**(44)**	(1,547)
	29,110	24,428

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

11. INCOME TAX EXPENSE (continued)

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 qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Other than the qualifying corporation, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for year ended 31 March 2019 (2018: nil).

Pursuant to circular issued by Ministry of Finance and National Tax Bureau, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2021 (50% exemption of taxable income and application of income tax rate as 20% from 1 January 2018 to 31 December 2018). The Group's PRC subsidiaries were qualified during the year.

During the years ended 31 March 2019 and 2018, no Macau Complementary Income Tax has been provided since there were no assessable profits generated.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

11. INCOME TAX EXPENSE (continued)

The income tax expense can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Profit before tax	**158,121**	151,906
Tax expense at rates applicable to profits in the jurisdictions concerned	**26,104**	25,035
Tax benefit for the small-scaled minimal profit enterprise in the PRC	**(85)**	–
Adjustments in respect of current tax of previous periods	**(598)**	5
Tax effect of share of results of associates	**(2,540)**	(3,420)
Tax effect of expenses not deductible for tax purpose	**4,878**	2,086
Tax effect of income not taxable for tax purpose	**(38)**	(39)
Tax effect of tax losses not recognised	**1,931**	1,136
Utilisation of deductible temporary differences previously not recognised	**(31)**	(38)
Tax exemption *(Note)*	**(220)**	(240)
Utilisation of tax losses previously not recognised	**(291)**	(97)
Income tax expense for the year	**29,110**	24,428

Note: During the year ended 31 March 2019, eleven (2018: eight) Hong Kong subsidiaries were entitled to 75% tax deduction on Hong Kong Profits Tax with a cap at HK$20,000 (2018: HK$30,000).

Details of deferred taxation are set out in note 27.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

12. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year is arrived at after charging and crediting:		
Directors' emoluments *(note 13)*		
– fees	**360**	360
– salaries, allowances and other benefits	**7,561**	7,506
– discretionary bonuses	**168**	159
– contributions to retirement benefits scheme	**232**	232
– equity-settled share option expense	**–**	36
	8,321	8,293
Other staff costs		
– salaries, allowances and other benefits	**179,039**	171,216
– contributions to retirement benefits scheme	**7,440**	7,497
– provision for long service payments	**409**	372
– equity-settled share option expense	**–**	3,463
	186,888	182,548
Total staff costs	**195,209**	190,841
Allowance for inventories (included in cost of inventories sold) *(Note)*	**1,714**	–
Auditor's remuneration	**1,090**	1,010
Depreciation of property, plant and equipment	**27,859**	28,302
Depreciation of investment properties	**3,293**	1,951
Impairment loss on an investment property (included in other operating expenses)	**3,485**	–
Impairment loss on loan to an associate (included in other operating expenses)	**3,040**	–
Loss on written off of property, plant and equipment	**1,816**	1,510
Share of income tax expense of associates	**3,005**	4,019
Operating lease rentals in respect of:		
– rented premises	**83,441**	77,506
– transmission stations	**9,621**	11,528
	93,062	89,034

Note: During the year ended 31 March 2019, an allowance for inventories of HK$1,714,000 (2018: nil) was made for write-down of obsolete inventories that are no longer suitable for sell in the market.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of nine, (2018: nine) directors and chief executive were as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000 *(note i)*	Contributions to retirement benefits scheme HK$'000	Equity-settled share option expense HK$'000	Total HK$'000
Year ended 31 March 2019						
Executive directors:						
Mr. Cheung King Shek	–	1,584	–	49	–	1,633
Mr. Cheung King Shan	–	1,584	–	49	–	1,633
Mr. Cheung King Chuen Bobby	–	1,584	–	49	–	1,633
Mr. Cheung King Fung Sunny	–	1,584	–	49	–	1,633
Mr. Wong Wai Man	–	700	96	18	–	814
Ms. Mok Ngan Chu	–	525	72	18	–	615
Independent non-executive directors:						
Mr. Hui Ying Bun	120	–	–	–	–	120
Mr. Lam Yu Lung	120	–	–	–	–	120
Mr. Lau Hing Wah	120	–	–	–	–	120
Total	360	7,561	168	232	–	8,321

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and Chief Executive's emoluments (continued)

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000 *(note i)*	Contributions to retirement benefits scheme HK$'000	Equity-settled share option expense HK$'000	Total HK$'000
Year ended 31 March 2018						
Executive directors:						
Mr. Cheung King Shek	–	1,584	–	49	–	1,633
Mr. Cheung King Shan	–	1,584	–	49	–	1,633
Mr. Cheung King Chuen Bobby	–	1,584	–	49	–	1,633
Mr. Cheung King Fung Sunny	–	1,584	–	49	–	1,633
Mr. Wong Wai Man	–	670	91	18	18	797
Ms. Mok Ngan Chu	–	500	68	18	18	604
Independent non-executive directors:						
Mr. Hui Ying Bun	120	–	–	–	–	120
Mr. Lam Yu Lung	120	–	–	–	–	120
Mr. Lau Hing Wah *(note ii)*	120	–	–	–	–	120
Total	360	7,506	159	232	36	8,293

Notes:

(i) Discretionary bonuses were determined with reference to the Group's operating results and individual performance.

(ii) Appointed on 1 May 2017.

Mr. Cheung King Fung Sunny is also the chief executive ("CE") of the Company and his emoluments disclosed above include those for services rendered by him as the CE.

No directors or CE waived or agreed to waive any emoluments paid by the Group during the years ended 31 March 2019 and 2018. No emoluments were paid by the Group to any of the directors or CE as an incentive payment to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals of the Group included four directors of the Company during the years ended 31 March 2019 and 2018 respectively, whose emoluments are included in the analysis presented above. Details of emoluments paid to the remaining one individual of the Group during the years ended 31 March 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	**1,146**	1,082
Discretionary bonuses *(Note)*	**395**	389
Contribution to retirement benefits scheme	**18**	18
Equity-settled share option expense	**–**	24
	1,559	1,513

The above emolument is analysed as follows:

	2019 No. of employees	2018 No. of employees
HK$1,000,000 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	1	1

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2019 and 2018.

Note: Discretionary bonuses were determined with reference to the Group's operating results and individual performance.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

14. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year:		
2016/17 fourth interim dividend of HK$0.05 per share	–	20,154
2017/18 first interim dividend of HK$0.05 per share	–	20,177
2017/18 second interim dividend of HK$0.05 per share	–	20,180
2017/18 third interim dividend of HK$0.05 per share	–	20,185
2017/18 fourth interim dividend of HK$0.06 per share	**24,225**	–
2018/19 first interim dividend of HK$0.06 per share	**24,225**	–
2018/19 second interim dividend of HK$0.06 per share	**24,225**	–
2018/19 third interim dividend of HK$0.06 per share	**24,225**	–
	96,900	80,696

Subsequent to the end of the reporting period, the fourth interim dividend of HK$0.06 per share in respect of the year ended 31 March 2019 has been declared by the directors of the Company.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**131,753**	128,168

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**403,743**	403,395
Effect of dilutive potential ordinary shares:		
Share options	**17**	499
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**403,760**	403,894

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Radio and transmitting equipment HK$'000	Tele-communication devices HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Total HK$'000
COST							
As at 1 April 2017	196,934	75,100	14,954	13,284	31,912	57,452	389,636
Additions	27,270	–	–	–	6,894	7,462	41,626
Disposal	–	–	(2)	–	–	–	(2)
Written off	–	–	(3,021)	–	(3,599)	–	(6,620)
As at 31 March 2018 and 1 April 2018	224,204	75,100	11,931	13,284	35,207	64,914	424,640
Additions	31,492	–	–	–	6,930	7,855	46,277
Disposal	–	–	–	(168)	–	–	(168)
Written off	–	–	(9,295)	–	(825)	–	(10,120)
As at 31 March 2019	255,696	75,100	2,636	13,116	41,312	72,769	460,629
ACCUMULATED DEPRECIATION							
As at 1 April 2017	15,303	72,499	8,290	11,598	15,339	40,079	163,108
Provided for the year	10,772	1,638	2,494	1,008	6,133	6,257	28,302
Eliminated in disposal	–	–	(1)	–	–	–	(1)
Eliminated in written off	–	–	(1,809)	–	(3,301)	–	(5,110)
As at 31 March 2018 and 1 April 2018	26,075	74,137	8,974	12,606	18,171	46,336	186,299
Provided for the year	11,727	440	1,236	454	6,955	7,047	27,859
Eliminated in disposal	–	–	–	(168)	–	–	(168)
Eliminated in written off	–	–	(7,757)	–	(547)	–	(8,304)
As at 31 March 2019	37,802	74,577	2,453	12,892	24,579	53,383	205,686
CARRYING AMOUNTS							
As at 31 March 2019	217,894	523	183	224	16,733	19,386	254,943
As at 31 March 2018	198,129	963	2,957	678	17,036	18,578	238,341

The above property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land and buildings	Over the shorter of term of the leases or 50 years
Radio and transmitting equipment	5 years
Tele-communication devices	5 years
Motor vehicles	5 years
Leasehold improvements	Over the shorter of lease term or 5 years
Furniture and fixtures	5 years

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

16. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2019, the Group's leasehold land and buildings with carrying amounts of HK$146,151,000 (2018: HK$155,563,000) have been pledged to secure banking facilities granted to the Group.

17. INVESTMENT PROPERTIES

	HK$'000
COST	
As at 1 April 2017	42,315
Additions	32,716
As at 31 March 2018 and 1 April 2018	75,031
Additions	52,322
As at 31 March 2019	127,353
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS	
As at 1 April 2017	778
Provided for the year	1,951
As at 31 March 2018 and 1 April 2018	2,729
Provided for the year	3,293
Impairment loss for the year	3,485
As at 31 March 2019	9,507
CARRYING AMOUNTS	
As at 31 March 2019	117,846
As at 31 March 2018	72,302

The fair value of the Group's investment properties as at 31 March 2019 was HK$125,500,000 (2018: HK$77,500,000). The fair value has been arrived at based on a valuation carried out by Prudential Surveyors (Hong Kong) Limited ("Prudential"), a member of the Hong Kong Institute of Surveyors, by market comparison approach with reference to the prices for similar properties in the similar locations and conditions. The valuation of the fair value of the investment properties is grouped into fair value hierarchy level 3. In estimating the fair value of the investment properties, the highest and best use of fair value hierarchy is its current use.

There were no transfers between levels of fair value hierarchy during the year ended 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

17. INVESTMENT PROPERTIES (continued)

During the year, the directors of the Company conducted a review of the Group's investment properties with reference to the valuation carried out by Prudential, accordingly an impairment loss of HK$3,485,000 (2018: nil) has been recognised.

The above investment properties are depreciated on a straight-line basis over the term of the leases.

At 31 March 2019, the Group's investment properties with carrying amounts of HK$117,846,000 (2018: HK$72,302,000) have been pledged to secure banking facilities granted to the Group.

18. CLUB MEMBERSHIP

	2019 HK$'000	2018 HK$'000
Club membership, at cost	1,560	1,560

The directors of the Company consider no impairment identified with reference to the second hand market price of the club membership as at 31 March 2019 and 2018.

19. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Costs of investment, unlisted	33,600	16,640
Share of post-acquisition results, net of dividends received	7,301	5,970
	40,901	22,610

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

19. INTERESTS IN ASSOCIATES (continued)

Details of the associates as at 31 March 2019 are as follows:

Name of company	Form of entity	Place of incorporation and operation	Class of shares held/ share capital	Proportion of ownership interest held by the Group	Principal activity
SUN Mobile	Incorporated	Hong Kong	Ordinary shares/ HK$1,000	40% (2018: 40%)	Provision of mobile services including voice and data products
Powersky Century Holdings (HK) Limited ("Powersky")	Incorporated	The BVI	Ordinary shares/ US$100,000	16% (2018: nil) *(Notes (a) and (b))*	Provision of catering services
UC Now Communication Limited ("UC Now")	Incorporated	Hong Kong	Ordinary shares/ HK$1,000,000	16% (2018: nil) *(Note (a))*	Sales and provision of online instant communication software, programs, platforms and services

Notes:

(a) The Group is able to exercise significant influence over the newly acquired investees, Powersky and UC Now, because it has 33% and 25% voting interest respectively, in the meetings of board of directors which governs the financial and operating policies decision of the relevant investees pursuant to memorandum and article of association.

(b) During the year ended 31 March 2019, the Group subscribed 16% equity interest in Powersky at a consideration of HK$16,800,000, which was fully settled by cash. As a result, the goodwill of HK$7,891,000 and a trademark of HK$5,824,000 were identified at the date of acquisition and included in the interests in associates accordingly.

The associates were accounted for using the equity method in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

19. INTERESTS IN ASSOCIATES (continued)

In the opinion of the directors of the Company, SUN Mobile is the material associate of the Group for the years ended 31 March 2019 and 2018. Summarised financial information of associate was set out below, which represented amounts shown in its financial statements prepared in accordance with HKFRSs.

	SUN Mobile	
	2019	2018
	HK$'000	HK$'000
Non-current assets	**1,065**	72
Current assets	**254,036**	248,276
Current liabilities	**(193,126)**	(191,823)
Net assets	**61,975**	56,525
Revenue	**1,158,393**	1,120,368
Profit and total comprehensive income for the year	**40,607**	51,820
Dividends received from the associate during the year	**14,063**	22,971

Reconciliation of the above summarised financial information to the carrying amount of the interest in SUN Mobile was set out below:

	SUN Mobile	
	2019	2018
	HK$'000	HK$'000
Opening net assets	**56,525**	62,133
Profit for the year	**40,607**	51,820
Dividend paid out	**(35,157)**	(57,428)
Closing net assets	**61,975**	56,525
The Group's effective interest	**40%**	40%
Carrying amount	**24,790**	22,610

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

19. INTERESTS IN ASSOCIATES (continued)

The financial information and carrying amount, in aggregate, of the Group's interests in associates, that are not individually material and are accounted for using the equity method are set out below:

	2019 HK$'000	2018 HK$'000
The Group's share of losses	(849)	–
Aggregate carrying amount of the Group's interests in immaterial associates	16,111	–

20. INVENTORIES

	2019 HK$'000	2018 HK$'000
Merchandises	99,424	129,034

21. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	4,230	6,398
Less: Allowance for doubtful debts recognised in respect of trade receivables	–	(64)
	4,230	6,334
Other receivables *(Note)*	22,637	14,059
Rental deposits	27,060	26,320
Utility and other deposits	5,177	3,936
Prepayments to suppliers	2,355	11,004
Other prepayments	5,621	3,184
	67,080	64,837
Less: Rental deposits classified as non-current assets	(11,009)	(9,026)
Current portion included in trade and other receivables	56,071	55,811

Note: The amounts comprised credit card receivables from financial institutions and rebate receivables from suppliers which are expected to be recovered within one year from the end of the reporting period.

The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

21. TRADE AND OTHER RECEIVABLES (continued)

The Group allows an average credit period of ranged from 7 to 30 days (2018: 7 to 30 days) to its trade customers. The following is an ageing analysis of trade receivables, net of accumulated impairment loss, presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition date.

	2019 HK$'000	2018 HK$'000
Within 90 days	3,295	5,512
91-180 days	652	625
181-365 days	105	75
Over 365 days	178	122
	4,230	6,334

Starting from 1 April 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The Group considers the credit risk characteristic and the days past due of trade receivables to measure the ECL. The Group considers the historical loss rates in the past three years and adjusts for forward looking macroeconomic data in calculating the expected credit loss rates.

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.

As at 31 March 2019, the expected credit loss rates for trade receivables based on ageing of customers were closed to zero, the identified impairment loss for trade receivables was immaterial.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

21. TRADE AND OTHER RECEIVABLES (continued)

As at 31 March 2018, the Group's trade receivables neither past due nor impaired of HK$2,686,000 mainly represented sales made to recognised and creditworthy customers with good repayment history. The Group regularly monitored the credit quality of these customers, who trade on credit terms.

Trade receivables which were past due as at 31 March 2018 for which the Group had not provided for impairment loss because there had not been a significant change in the credit quality of customers and the amounts were still considered as recoverable.

The ageing analysis of trade receivables that were past due but not impaired was as follows:

	Within 30 days HK$'000	31 – 90 days HK$'000	91 – 180 days HK$'000	181 – 365 days HK$'000	Over 365 days HK$'000	Total HK$'000
As at 31 March 2018	1,713	1,293	445	75	122	3,648

The movement in the allowance for doubtful debts of trade receivables was as follows:

	HK$'000
At 1 April 2017, 31 March 2018 and 1 April 2018	64
Written off	(64)
At 31 March 2019	–

Included in the allowance for doubtful debts of trade receivables at 31 March 2018 was individually impaired trade receivables with an aggregate balance of HK$64,000 which had been placed in severe financial difficulties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. All the deposits have been pledged to secure bank overdrafts as at 31 March 2019 and 2018. The pledged deposits carried interest at prevailing market rates ranging from 0.01% to 0.03% per annum during the year ended 31 March 2019 (2018: 0.01% to 0.02%).

During the year ended 31 March 2019, bank balances carried interest at prevailing market rates ranging from 0.01% to 4.18% (2018: 0.01% to 5.48%) per annum.

During the year ended 31 March 2019, bank overdrafts carried interest at 1-month HIBOR plus 1.25% (2018: 1-month HIBOR plus 1.25%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entity to which they related are set out below:

	2019 **HK$'000**	2018 HK$'000
USD	**2,613**	1,824

23. TRADE AND OTHER PAYABLES

	31 March **2019** **HK$'000**	1 April 2018 HK$'000	31 March 2018 HK$'000
Trade payables	**46,059**	87,309	87,309
Receipts in advance *(Note)*	**–**	–	17,751
Accrued expenses and other payables	**27,043**	20,856	20,856
	73,102	108,165	125,916

Note: Receipts in advance represented advance payments from customers pursuant to the respective sales contracts and such amount is classified as contract liabilities upon adoption of HKFRS 15 as at 1 April 2018 (see note 2).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

23. TRADE AND OTHER PAYABLES (continued)

The average credit period on trade payables is 30 days (2018: 30 days). The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Within 60 days	**42,852**	84,195
61 – 90 days	**–**	38
Over 90 days	**3,207**	3,076
	46,059	87,309

The Group's trade and other payables that are denominated in currencies other than the functional currency of relevant group entity to which they relate are set out below:

	2019 **HK$'000**	2018 HK$'000
USD	**5,535**	2

24. CONTRACT LIABILITIES

	31 March **2019** **HK$'000**	1 April 2018 HK$'000
Advances received to deliver goods of services *(Note)*	**12,468**	17,751

Note: As a result of the adoption of HKFRS 15 at 1 April 2018, receipts in advance from customers of HK$17,751,000, which was included in other payables is recognised as contract liabilities (see note 2).

Receipts in advance are mainly from paging and other telecommunications services. In general, the Group charges service fees derived from standard service plans in advance upon signing of the service contracts.

The significant changes in contract liabilities in 2019 was mainly due to the decrease in number of subscribers on paging and other telecommunications services.

Revenue recognised during the year ended 31 March 2019 that was included in the contract liabilities as at 1 April 2018 is HK$17,751,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

25. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Variable rate bank borrowings:		
– Mortgage loans	66,188	60,926
– Others	16,000	–
Variable rate trust receipt borrowings	125,410	83,520
	207,598	144,446
Secured	105,258	80,138
Unsecured	102,340	64,308
	207,598	144,446

The amounts due below are based on scheduled repayment dates set out in the loan agreements:

	2019 HK$'000	2018 HK$'000
Within one year	145,324	88,774
After one year but within two years	4,012	5,302
After two years but within five years	12,626	16,214
After five years	45,636	34,156
	207,598	144,446
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	145,324	88,774
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	62,274	55,672
	207,598	144,446

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

25. BANK BORROWINGS (continued)

(a) All the bank borrowings carried interest at floating rates. The ranges of effective interest rates per annum on the Group's bank borrowings are as follows:

	2019	2018
Variable rate bank borrowings	1.79%-2.65%	1.67%-2.94%

(b) The bank borrowings are all denominated in HK$.

(c) As at 31 March 2019, secured bank borrowings of HK$105,258,000 (2018: HK$80,138,000) were secured by certain leasehold land and buildings included in property, plant and equipment and investment properties with carrying amounts of HK$146,151,000 (2018: HK$155,563,000) and HK$117,846,000 (2018: HK$72,302,000) respectively.

26. LONG SERVICE PAYMENT OBLIGATIONS

The Group made provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance, as further in note 3. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK$390,000 per employee. The provision represented the management's best estimate of the Group's liability at the end of the reporting period.

The Group exposes to actuarial risks such as interest rate risk, longevity risk and salary risk.

Interest risk	A decrease in the bond interest rate will increase the plan liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2019 by Asset Appraisal Limited, a member of The Hong Kong Institution of Surveyors. The present value of the defined benefit obligation, and the related service cost, were measured using the projected unit credit method.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

26. LONG SERVICE PAYMENT OBLIGATIONS (continued)

Movement of present value of provision for long service payments is as follows:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	1,083	2,240
Charged to profit or loss	409	372
Actuarial gain recognised in other comprehensive income	(419)	(1,134)
Benefits refunded (paid) during the year	106	(395)
At the end of the year	1,179	1,083

Movement of present value of the defined benefit obligations is as follows:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	1,083	2,240
Current service cost	394	346
Interest cost	15	26
Remeasurement gain:		
Actuarial gain recognised in other comprehensive income	(419)	(1,134)
Less: benefits refunded (paid) during the year	106	(395)
At the end of the year	1,179	1,083

Amounts recognised in consolidated statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2019 HK$'000	2018 HK$'000
Current service cost	394	346
Net interest expense	15	26
Components of defined benefit costs recognised in profit or loss (included in staff costs)	409	372

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

26. LONG SERVICE PAYMENT OBLIGATIONS (continued)

Remeasurement on the net defined benefit liability:

	2019 HK$'000	2018 HK$'000
Actuarial gain arising from changes in financial assumptions	**(419)**	(1,134)
Components of defined benefit costs recognised in other comprehensive income	**(419)**	(1,134)

The amounts recognised in consolidated statement of profit or loss and other comprehensive income are as follows:

	2019 HK$'000	2018 HK$'000
Cumulative amount of actuarial (gains) losses at the beginning of the year	**(1,047)**	87
Net actuarial gain during the year	**(419)**	(1,134)
Cumulative amount of actuarial gains at the end of the year	**(1,466)**	(1,047)

As at 31 March 2019 and 2018, the amounts are calculated based on the principal assumptions stated as below:

	2019	2018
Annual salary increment	**3.99%**	3.97%
Turnover rate	**2.50%-33.89%**	1.67%-46.06%
MPF return rate	**3.2%**	4.8%
Discount rate	**1.345%-1.442%**	1.176%-1.951%

Significant actuarial assumptions for the determination of the long service payment obligations are discount rate and annual salary increment. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 100 basis points higher (lower), the long service payment obligations would decrease by HK$61,000 (increase by HK$199,000) (2018: decrease by HK$28,000 (increase by HK$31,000)).

If the annual salary increment increases (decreases) by 100 basis points, the long service payment obligations would increase by HK$831,000 (decrease by HK$483,000) (2018: increase by HK$224,000 (decrease by HK$117,000)).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

26. LONG SERVICE PAYMENT OBLIGATIONS (continued)

The sensitivity analysis presented above may not be representative of the actual change in the long service payment obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the long service payment obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the long service payment obligations liability recognised in the consolidated statement of financial position.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from prior year.

The weighted average duration of the long service payment obligations is 27 (2018: 27) years.

27. DEFERRED TAXATION

	2019 **HK$'000**	2018 HK$'000
Deferred tax liabilities	**1,618**	1,662

The following are the major deferred tax liabilities recognised and movements thereon during the year:

	Accelerated tax depreciation HK$'000	**Deferred employee benefits** HK$'000	**Total** HK$'000
As at 1 April 2017	2,553	656	3,209
Credited to the profit or loss *(note 11)*	(891)	(656)	(1,547)
As at 31 March 2018 and 1 April 2018	1,662	–	1,662
Credited to the profit or loss *(note 11)*	(44)	–	(44)
As at 31 March 2019	1,618	–	1,618

At 31 March 2019, the Group had unused tax losses of HK$23,347,000 (2018: HK$13,408,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

27. DEFERRED TAXATION (continued)

At 31 March 2019, the Group had deductible temporary differences of HK$77,000 (2018: HK$265,000). At 31 March 2019, no deferred asset has been recognised in relation to such deductible temporary difference and it is not considered probable that taxable profits will be available against which such deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Notes	**Number of shares**	**Share capital** HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019		10,000,000,000	100,000
Issued and fully paid:			
At 1 April 2017		402,941,000	4,030
Issue of shares upon:			
Exercise of share options	*(a)*	760,000	8
At 31 March 2018 and 1 April 2018		403,701,000	4,038
Issue of shares upon:			
Exercise of share options	*(b)*	52,000	1
At 31 March 2019		403,753,000	4,039

Notes:

(a) 760,000 share options were exercised during the year ended 31 March 2018 and resulted in issue of 760,000 ordinary shares of the Company and increase in share capital of HK$8,000, as further detailed in note 29.

(b) 52,000 share options were exercised during the year ended 31 March 2019 and resulted in issue of 52,000 ordinary shares of the Company and increase in share capital of HK$1,000, as further detailed in note 29.

All shares issued during the years ended 31 March 2019 and 2018 rank pari passu with existing shares in all respects.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

29. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 20 May 2014 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 May 2024. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, subject to the acceptance from them to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within twenty-eight days from the date of the offer, upon payment of HK$1 per acceptance of offer. Option periods of the options granted shall not be greater than a period of ten years from the date of grant of the options. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. Options may be exercised at any time from the date of grant of the share option up to the 3 anniversary of the date of grant.

On 6 July 2017, the Company granted an aggregate of 6,300,000 (2019: nil) share options to directors and eligible employees of the Company, to subscribe, in aggregate, for up to 6,300,000 ordinary shares of HK$0.01 each of the share capital of the Company under the Scheme.

At 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 4,850,000 (2018: 5,662,000), representing 1.20% (2018: 1.40%) of the ordinary shares of the Company in issue at that date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

29. SHARE OPTION SCHEME (continued)

Details of the share options outstanding during the year are as follows:

For the year ended 31 March 2019

	Date of grant	Exercisable period	Exercise price	Number of share options				
				Outstanding at 1 April 2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2019
Directors	6 July 2017	6 July 2017 – 5 July 2019	HK$3.05	60,000	–	–	–	60,000
Employees	7 July 2015	7 July 2015 – 6 July 2018	HK$2.22	412,000	–	(52,000)	(360,000)	–
Employees	6 July 2017	6 July 2017 – 5 July 2019	HK$3.05	5,190,000	–	–	(400,000)	4,790,000
Total				5,662,000	–	(52,000)	(760,000)	4,850,000
Exercisable at the end of the year								4,850,000
Weighted average exercise price				HK$2.99	N/A	HK$2.22	HK$2.66	HK$3.05

For the year ended 31 March 2018

	Date of grant	Exercisable period	Exercise price	Number of share options				
				Outstanding at 1 April 2017	Granted during the year *(Note)*	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2018
Directors	7 July 2015	7 July 2015 – 6 July 2018	HK$2.22	30,000	–	(30,000)	–	–
Directors	6 July 2017	6 July 2017 – 5 July 2019	HK$3.05	–	60,000	–	–	60,000
Employees	7 July 2015	7 July 2015 – 6 July 2018	HK$2.22	711,000	–	(280,000)	(19,000)	412,000
Employees	6 July 2017	6 July 2017 – 5 July 2019	HK$3.05	–	5,830,000	(450,000)	(190,000)	5,190,000
Total				741,000	5,890,000	(760,000)	(209,000)	5,662,000
Exercisable at the end of the year								5,662,000
Weighted average exercise price				HK$2.22	HK$3.05	HK$2.71	HK$2.97	HK$2.99

Note: The number of share options granted during the year ended 31 March 2018 excluded 410,000 share options that were not accepted by the employees at the date of grant.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

29. SHARE OPTION SCHEME (continued)

In respect of the share options exercised during the year ended 31 March 2019, the weighted average share price at the dates of exercise is HK$2.70 (2018: HK$3.44).

The Group recognised total expense of HK$3,499,000 for the year ended 31 March 2018 in relation to share options granted by the Company. No share option was granted during the year ended 31 March 2019.

Those fair values were calculated using the Binomial model. The inputs into the model were as follows:

	Options granted on 6 July 2017
Underlying stock price	HK$3.05
Exercise price	HK$3.05
Contractual Option Life	2 years
Risk-free rate	0.911%
Expected dividend yield	4.433%
Expected volatility of underlying share	44.516%
Exercise multiple	Directors: 1.47 Employees: 1.62
Exit rate	Directors: 0% Employees: 10.43%
Estimated fair value for each share option	Directors: HK$0.596 Employees: HK$0.594

Expected volatility was determined by using the historical volatility of the share price of certain companies in the similar industry over the previous years. The exit rate in the model had been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
Non-current asset			
Investment in a subsidiary		**37,715**	37,714
Current assets			
Amounts due from subsidiaries	*(i)*	**561,967**	431,236
Bank balance		**311**	105
		562,278	431,341
Current liabilities			
Other payables		**510**	380
Amounts due to subsidiaries	*(i)*	**390,681**	293,289
Tax payable		**13**	–
		391,204	293,669
Net current assets		**171,074**	137,672
Total assets less current liabilities		**208,789**	175,386
Capital and reserves			
Share capital	*28*	**4,039**	4,038
Reserves	*(ii)*	**204,750**	171,348
Total equity		**208,789**	175,386

Notes:

(i) The amounts are unsecured, non-interest bearing and expected to be recovered within one year from the end of reporting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes: (continued)

(ii) Reserves

	Share premium HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017	95,546	31,956	429	50,174	178,105
Profit and total comprehensive income for the year	–	–	–	68,387	68,387
Dividends *(note 14)*	–	–	–	(80,696)	(80,696)
Equity-settled share options reserve *(note 29)*	–	–	3,499	–	3,499
Effect of share options					
– Shares issue upon exercise *(note 28)*	2,504	–	(451)	–	2,053
– Lapse	–	–	(124)	124	–
At 31 March 2018 and 1 April 2018	98,050	31,956	3,353	37,989	171,348
Profit and total comprehensive income for the year	–	–	–	130,187	130,187
Dividends *(note 14)*	–	–	–	(96,900)	(96,900)
Effect of share options					
– Shares issue upon exercise *(note 28)*	145	–	(30)	–	115
– Lapse	–	–	(442)	442	–
At 31 March 2019	98,195	31,956	2,881	71,718	204,750

31. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**60,921**	54,972
In the second to fifth year, inclusive	**31,473**	39,359
Over five years	**–**	280
	92,394	94,611

The Group leases certain of its office premises, transmission stations and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to five years (2018: one to six years) with fixed rentals as at 31 March 2019.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

31. OPERATING LEASES COMMITMENTS (continued)

The Group as lessor

Rental income earned during the year ended 31 March 2019 was HK$4,184,000 (2018: HK$4,427,000). The office premises, transmission stations, warehouse and service outlets are rented to third parties under operating leases with leases negotiated for a term of one to two years (2018: one to two years) as at 31 March 2019.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2019 HK$'000	2018 HK$'000
Within one year	2,976	1,498
In the second to fifth year, inclusive	823	580
	3,799	2,078

32. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	226	188

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

33. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and its employees makes monthly contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,500 (2018: HK$1,500) per month.

Employees employed by the Group's operations in Macau Special Administration Region ("MSAR") are members of government-managed retirement benefits schemes operated by the MSAR government. The MSAR operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the MSAR government is to make the required contributions under the schemes.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 March 2019, the total expenses charged to the consolidated statement of profit or loss and other comprehensive income of HK$7,672,000 (2018: HK$7,729,000) represented contributions payable to the scheme by the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 April 2018	**Financing cash flows**	**31 March 2019**
	HK$'000	HK$'000	HK$'000
Liabilities			
Bank borrowings *(note 25)*	144,446	63,152	207,598

	1 April 2017	**Financing cash flows**	**31 March 2018**
	HK$'000	HK$'000	HK$'000
Liabilities			
Bank borrowings *(note 25)*	150,976	(6,530)	144,446

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

35. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to the balances elsewhere in the consolidated financial statements, the Group had the following material transactions and balances with related parties:

Name of company	Nature of transactions	Notes	2019 HK$'000	2018 HK$'000
Related companies				
Glossy Enterprises Limited ("GEL")	Rental expenses paid thereto	*(ii), (iii) & (v)*	**5,319**	4,623
Glossy Investment Limited	Rental expenses paid thereto	*(ii), (iii) & (v)*	**765**	723
H.K.Magnetronic Company Limited	Rental expenses paid thereto	*(ii), (iii) & (v)*	**120**	110
Marina Trading Inc.	Rental expenses paid thereto	*(ii), (iii) & (v)*	**600**	–
Silicon Creation Limited	Rental expenses paid thereto	*(ii), (iii) & (v)*	**6,142**	5,697
	Repair service fees paid thereto	*(i) & (iii)*	**720**	720
Telecom Digital Securities Limited ("TD Securities")	Subscription fee income received therefrom	*(i) & (iii)*	**1,226**	1,245
	Consultancy fee income received therefrom	*(i) & (iii)*	**300**	300
	Technical support service income received therefrom	*(i) & (iii)*	**120**	120
Telecom Properties Investment Limited	Rental expenses paid thereto	*(ii), (iii) & (v)*	**2,034**	1,914
Telecom Service Limited	Rental expenses paid thereto	*(ii), (iii) & (v)*	**1,086**	1,096
Telecom Service One Limited ("TSO")	Repairs and maintenance fees paid thereto	*(i), (iii) & (v)*	**3,918**	3,576
	Consignment fees received therefrom	*(i), (iii) & (v)*	**565**	734
	Logistic fee income received therefrom	*(i) & (iii)*	**738**	676
	Sub-letting income received therefrom	*(ii) & (iii)*	**–**	502
	Sales of goods thereto	*(i) & (iii)*	**–**	57
Associates				
SUN Mobile	Service income received therefrom	*(i)*	**460,771**	433,601
Powersky Century 6TH Limited	Consignment fees received therefrom	*(i) & (vi)*	**158**	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) In addition to the balances elsewhere in the consolidated financial statements, the Group had the following material transactions and balances with related parties: (continued)

Details of amounts due from related companies are as follows:

		As at 31 March		Maximum amount During the year ended 31 March	
	Notes	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Chief Link Limited	*(iii) & (iv)*	**5**	20	**22**	82
TD Securities	*(iii) & (iv)*	**111**	110	**163**	179
Telecom Paging Limited	*(iii) & (iv)*	**–**	2	**2**	2
		116	132		

Details of amounts due to related companies are as follows:

	Notes	**2019 HK$'000**	2018 HK$'000
GEL	*(iii) & (iv)*	**15**	–
TSO	*(iii) & (iv)*	**324**	243
		339	243

Notes:

(i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.

(ii) The sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.

(iii) Cheung Brothers, the directors of the Company, have direct or indirect beneficial interests in, and control over, the relevant parties.

(iv) The amounts are unsecured, interest-free and repayable on demand.

(v) The transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the "Report of the Directors" section to the annual report.

(vi) Powersky Century 6TH Limited is a subsidy of Powersky, which is an associate of the Company.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) The amount due from an associate is trade in nature, unsecured, interest-free with 7 days (2018: 7 days) credit term and aged within 30 days (2018: 30 days). The amount was neither past due nor impaired.

Starting from 1 April 2018, the Group measures the loss allowance for amount due from an associate at an amount equal to lifetime ECL. The Group considers the days past due of amount due from an associate to measure the expected credit losses. The Group considers the historical loss rates in the past three years and adjusts for forward looking macroeconomic data in calculating the expected credit loss rates. As at 31 March 2019, the expected loss rate for amount due from an associate based on ageing was closed to zero, the identified impairment loss was immaterial.

(c) The loan to an associate is unsecured, interest-free and has no fixed term of repayment.

During the year, the Group has assessed and concluded that the loan was credit-impaired due to the financial position of the associate as at 31 March 2019 was deteriorated. As at 31 March 2019, a full impairment loss on loan to an associate of HK$3,040,000 was recognised.

(d) Compensation of key management personnel

The remuneration of key management during the years ended 31 March 2019 and 2018 was as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**12,995**	12,697
Post-employment benefits	**305**	305
	13,300	13,002

The remuneration of the key management personnel is determined by the directors of the Company having regards to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/operation	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Company				Principal activities
				Direct		Indirect		
				2019	2018	2019	2018	
Anton Sunrise Limited	Hong Kong 18 November 2016	Ordinary	HK$1	–	–	100%	100%	Property investment
Ace Kingdom Enterprise Limited	Hong Kong 18 July 2018	Ordinary	HK$1	–	–	100%	–	Property investment
Carries Technology Limited	Hong Kong 30 June 1987	Ordinary	HK$300,000	–	–	100%	100%	Installation, provision of maintenance and management services for paging transmission stations
CKK Properties Limited	Hong Kong 19 January 1990	Ordinary	HK$1,000	–	–	100%	100%	Property investment
Distribution One Limited	Hong Kong 16 February 2016	Ordinary	HK$100	–	–	72%	72%	Provision of distribution services
F1 Global Limited	Hong Kong 20 February 2017	Ordinary	HK$10	–	–	80%	80%	Inactive company
Fully Sky Corporation Limited	Hong Kong 19 May 2017	Ordinary	HK$1	–	–	100%	100%	Property investment
Gold Hill Limited	Hong Kong 1 June 2016	Ordinary	HK$1	–	–	100%	100%	Property investment
Gold Luck Investment Limited	Hong Kong 21 June 2018	Ordinary	HK$1	–	–	100%	–	Investment holding
Mango Limited	Hong Kong 5 August 2002	Ordinary	HK$1,000	–	–	100%	100%	Provision of technical support activities
Mango Mall Limited (formerly known as TD Mall Limited)	Hong Kong 19 July 2017	Ordinary	HK$1	–	–	100%	100%	E-commerce business
深圳市恩榮咨詢有限公司 *(Note)*	The PRC 6 August 2018	Paid-up capital	RMB1,000,000	–	–	100%	–	Provision of consulting services
深圳市恩榮信息服務有限公司 *(Note)*	The PRC 6 August 2018	Paid-up capital	RMB1,000,000	–	–	100%	–	Provision of technical support activities
Telecom Digital 2 Limited	Hong Kong 7 August 2002	Ordinary	HK$1,000	–	–	100%	100%	Provision of telecommunications services
Telecom Digital Data Limited	Hong Kong 3 September 1999	Ordinary	HK$5,000,000	–	–	100%	100%	Trading of telecommunications products and provision of paging services, maintenance services and two-way wireless data services

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2019

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place and date of incorporation/operation	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Company				Principal activities
				Direct		Indirect		
				2019	2018	2019	2018	
Telecom Digital Investment Limited	BVI 12 March 2014	Ordinary	US$1	100%	100%	–	–	Investment holding
Telecom Digital Mobile Limited	Hong Kong 27 August 2001	Ordinary	HK$1,000	–	–	100%	100%	Provision of operation services
Telecom Digital Services Limited	Hong Kong 17 September 2001	Ordinary	HK$1,000	–	–	100%	100%	Provision of management consultancy and professional services, sales of telecommunications products and provision of telecommunications services
Telecom (Macau) Limited	Macau 15 June 1977	Ordinary	MOP100,000	–	–	100%	100%	Trading of telecommunications products and provision of paging services
Telecom Service Network Limited	Hong Kong 3 September 1999	Ordinary	HK$1,000	–	–	100%	100%	Provision of distribution services

Note: Being wholly foreign owned enterprises.

None of the subsidiaries had any debt securities issued subsisting at the end of both years ended or any time during both years.

Financial Summary

	Year ended 31 March				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**1,239,247**	1,297,573	1,092,263	1,428,914	1,358,304
Cost of inventories sold	**(661,798)**	(745,637)	(630,220)	(1,002,971)	(980,125)
Staff costs	**(195,209)**	(190,841)	(169,153)	(141,632)	(121,003)
Depreciation	**(31,152)**	(30,253)	(24,846)	(22,958)	(20,865)
Other income	**5,795**	6,034	6,078	6,241	8,491
Other operating expenses	**(209,257)**	(201,990)	(193,775)	(190,425)	(172,045)
Share of results of associates	**15,394**	20,728	32,502	31,971	28,428
Finance costs	**(4,899)**	(3,708)	(3,448)	(5,437)	(3,938)
Profit before tax	**158,121**	151,906	109,401	103,703	97,247
Income tax expense	**(29,110)**	(24,428)	(13,659)	(13,934)	(10,430)
Profit for the year	**129,011**	127,478	95,742	89,769	86,817
Profit (loss) for the year attributable to:					
Owners of the Company	**131,753**	128,168	95,593	89,769	86,817
Non-controlling Interests	**(2,742)**	(690)	149	–	–
	129,011	127,478	95,742	89,769	86,817
Earnings per share (HK$)					
Basic	**0.33**	0.32	0.24	0.22	0.23
Diluted	**0.33**	0.32	0.24	0.22	0.23
ASSETS AND LIABILITIES					
Total assets	**658,745**	606,089	494,573	566,995	595,265
Total liabilities	**(307,376)**	(287,377)	(229,337)	(331,909)	(423,976)
	351,369	318,712	265,236	235,086	171,289
Equity attributable to owners of the Company	**354,653**	319,254	265,088	235,086	171,289
Non-controlling interests	**(3,284)**	(542)	148	–	–
	351,369	318,712	265,236	235,086	171,289