TSO

Telecom Service One

Telecom Service One Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3997

Annual Report 2018/19

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Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Cheung King Shek *(chairman)*
Cheung King Shan
Cheung King Chuen Bobby

Executive Director

Cheung King Fung Sunny *(chief executive officer)*

Independent Non-executive Directors

Fong Ping, *BBS, JP*
Kwok Yuen Man Marisa
Tso Ka Yi

COMPANY SECRETARY

Yeung Wing Chong

BOARD COMMITTEES

Audit Committee

Tso Ka Yi *(chairman)*
Fong Ping, *BBS, JP*
Kwok Yuen Man Marisa

Remuneration Committee

Fong Ping, *BBS, JP (chairman)*
Kwok Yuen Man Marisa
Tso Ka Yi

Nomination Committee

Kwok Yuen Man Marisa *(chairman)*
Fong Ping, *BBS, JP*
Tso Ka Yi

AUTHORISED REPRESENTATIVES

Cheung King Fung Sunny
Yeung Wing Chong

COMPANY'S WEBSITE

www.tso.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

Portion B of Unit 1806 and Unit 1807,
18/F., Riley House,
88 Lei Muk Road,
Kwai Chung, New Territories,
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

3997

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019.

Results

The Group's revenue for the year ended 31 March 2019 was approximately HK$65,992,000 (2018: HK$$99,295,000), representing a decrease of approximately 33.5% as compared with the previous year. The decrease was mainly due to an unexpected decline of repair jobs during the year. The Group's gross profit for the year ended 31 March 2019 decreased by approximately 41.0% to approximately HK$29,674,000 (2018: HK$50,288,000). Earnings attributable to owners of the Company for the year ended 31 March 2019 was approximately HK$9,402,000 (2018: HK$25,270,000).

Business Overview

The Group is a well-established mobile phones and personal electronic devices repair service provider in Hong Kong. Its repair and refurbishment services cover mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles, and it also sells related accessories and products.

During the year, the global economy and market environment were riddled with challenges and uncertainties. Global shipment of mobile phones and other electronic products dropped drastically, which inevitably affected the Group's results and performance. Although the market in Hong Kong is highly competitive, we have continued to improve and enhance service quality, with the support of our professional technical team, and thus have been able to maintain leadership in the sector.

As at 31 March 2019, the Group was providing repair and refurbishment services to 11 corporate customers including 7 global mobile phone manufacturers and a global services company.

Prospect

Looking ahead, the Group will continue to widen its income source by offering more value added services. We are exploring opportunities to tap into the mobile phone insurance business, so that, for example, customers who join the insurance programme can enjoy certain repair services for free during the maintenance period.

The Group will also explore more cooperation opportunities with other mobile phone manufacturers and continue to seek other investment opportunities that would enable it to diversify its business. We will continue to strive to improve service quality and enhance operational efficiency by integrating external and internal resources and utilising them in a more effective manner.

The management team is cognisant of the opportunities that an ever-changing operating environment provides, and will, with pragmatism and prudence, execute the Group's proactive operational strategies with the ultimate goal of generating greater value for shareholders.

Appreciation

I would like to express my sincere gratitude to our customers and business partners, suppliers and shareholders for their continuing support, to my fellow Directors for their guidance and to the management team as well as our staff for their dedication and hard work.

Cheung King Shek
Chairman and Non-executive Director
Hong Kong, 25 June 2019

Management Discussion and Analysis

Industry Review

The market for the repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is extremely fragmented and competitive. To stimulate consumer demand, mobile phone manufacturers launch new phone models every three-to-six months. For the Group, smartphone sales growth and increasing smartphone usage provide ample business opportunities. Although market competition is becoming more and more intense, the Group believes that by continuing to enhance operational efficiency and service quality, it will be able to maintain its market share and leadership.

Backed by a professional technical team and boasting close relationships with customers and extensive experience in mobile phone repair and refurbishment services, the Group is committed to providing value-added and quality services, and capable of delivering timely, professional and quality services to customers, which will allow it to stand out among the market competition.

Business Review

The Group has been providing repair and refurbishment services for mobile phones and consumer electronic devices in Hong Kong for the past decade. Its customer base includes corporate customers, telecommunications services providers and global services companies. As at 31 March 2019, the Group recorded a drop in revenue and net profit of approximately 33.5% and approximately 62.8% respectively, resulting from a decline in demand for repair services that was beyond its control. The decline reflected an overall downturn in the mobile telecommunications services sector, which was compounded by a decrease in sales volume of smartphones. Separately, the Group recorded an unrealised exchange loss on an approximately RMB27 million fixed deposit.

Financial Review

Revenue

The Group's revenue comprises repairing service income and income from sales of accessories. Repairing service income for the year ended 31 March 2019 was approximately HK$64,125,000 (2018: HK$96,852,000), representing a decrease of approximately 33.8% over the previous year. The decrease in repairing service income was mainly due to a decrease in repair jobs. Revenue from sales of accessories for the year ended 31 March 2019 decreased approximately 23.6% to approximately HK$1,867,000 as compared which approximately HK$2,443,000 in the previous year. The decrease was solely attributable to a decrease in sales.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year ended 31 March 2019, cost of sales decreased by approximately 25.9% to approximately HK$36,318,000 from approximately HK$49,007,000. The decrease in cost of sales was attributable to the decrease in both parts cost and labour cost. The Group's cost of inventories sold was approximately HK$11,909,000 (2018: HK$15,984,000), representing a decrease of approximately 25.5% from that of the previous year. The decrease was due to the Group having received fewer work orders which required the Group to purchase spare parts and components without reimbursement. In addition, cost of accessories also decreased as a result of a down-turn in the accessories business.

Direct labour cost for the year ended 31 March 2019 was approximately HK$24,409,000 (2018: HK$33,023,000), representing a decrease of approximately 26.1%. The decrease was mainly due to a reduction in manpower.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year was approximately HK$29,674,000 (2018: HK$50,288,000), representing a decrease of approximately 41.0% over the previous year. Gross profit margin decreased by approximately 5.6% to approximately 45.0% from approximately 50.6%. The decrease in gross profit margin was primarily because of a decrease in work orders (for pre-loading of apps), which did not require the Group to purchase spare parts.

Other Income

Other income for the year was approximately HK$3,870,000 (2018: HK$5,110,000). Other income mainly comprised of management fee income, consignment goods handling income, storage income, foreign exchange difference and bank interest income. The decrease was mainly due to the exchange loss on the foreign currency deposit recorded in the current year (as opposed to the exchange gain recorded in 2018).

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2019 were approximately HK$8,418,000 (2018: HK$9,968,000), representing a decrease of approximately 15.5% over the previous year. The decrease was mainly due to decrease in rental expenses for reorganisation of repair centres for corporate customers.

Administrative expenses for the year ended 31 March 2019 was approximately HK$14,023,000 (2018: HK$15,906,000), representing a decrease of approximately 11.8%. The decrease was mainly due to the professional fees incurred for the transfer of listing from GEM to Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2018.

Income Tax Expense

Income tax for the year ended 31 March 2019 was approximately HK$1,701,000 (2018: HK$4,253,000), representing a decrease of approximately 60.0%.

Profit for the Year

Profit for the year ended 31 March 2019 was approximately HK$9,402,000 (2018: HK$25,270,000), representing a decrease of approximately 62.8% as compared to the previous year.

Material Acquisitions or Disposals and Significant Investments

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the year ended 31 March 2019.

Liquidity and Financial Resources

As at 31 March 2019, the Group had current assets of approximately HK$105,230,000 (2018: HK$108,063,000) and current liabilities of approximately HK$5,381,000 (2018: HK$7,518,000).

As at 31 March 2019, the Group's gearing ratio was approximately 0.1% as compared to approximately 0.1% as at 31 March 2018, which is calculated based on the Group's total borrowings of approximately HK$104,000 (2018: HK$53,000) and the Group's total equity of approximately HK$101,086,000 (2018: HK$103,062,000).

At present, the Group generally finances its operations with internally generated cash flows and banking facilities. Net cash generated from operating activities for the year was approximately HK$9,222,000. Net cash from investing activities was approximately HK$10,654,000.

The Group maintained a healthy liquidity position as at 31 March 2019. The Group had cash and cash equivalents of approximately HK$86,749,000 as at 31 March 2019 (2018: HK$78,170,000). Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the placing and listing (the "Listing") of the issued ordinary shares of the Company on GEM on 30 May 2013 to meet potential needs for business expansion and development. As at 31 March 2019, the Group had no bank borrowings and unutilised banking facilities of approximately HK$200,000 available for further drawdown should it have any further capital needs.

Contingent Liabilities

As at 31 March 2019, the Group had no material contingent liabilities (2018: nil).

Foreign Currency Risk

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

Capital Commitments

As at 31 March 2019, the Group did not have any significant capital commitments (2018: nil).

Dividend

At a meeting held on 25 June 2019, the Board declared the fourth interim dividend of HK$0.03 per share for the year ended 31 March 2019 (2018: HK$0.05 per share).

Capital Structure

Except for the issue of new shares upon the exercise of share options as disclosed in note 24 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 balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves. The management reviews 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.

Significant Investments Held

Except for investments in subsidiaries, during the year ended 31 March 2019, the Group did not hold any significant investment in equity interest in any other company and did not own any property.

Employees and Remuneration Policies

As at 31 March 2019, the Group employed 85 (2018: 142) 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

Going forward, the Group will explore more value-added services. A mobile phone insurance programme is slated to be launched in July 2019. Participants will consequently be entitled to certain free repair services within a specified period. The aforesaid insurance programme is expected to contribute to the Group's overall revenue from the coming financial year onwards. The Group will duly explore opportunities to attract mobile phone manufacturers to engage in the programme.

Besides delivering value-added services, the Group will explore business and investment opportunities that lead to wider sources of income, and particularly greater profitability. In addition, the Group will continue to implement its diversification strategy, which is aimed at better responding to the rapidly changing business environment, as well as creating synergies with the core repair and refurbishment services operation.

Use of Proceeds

The net proceeds from the Listing were approximately HK$14.9 million, which was based on the final placing price of HK$1.00 per share and the actual expenses on the Listing. As disclosed in the prospectus of the Company dated 23 May 2013 (the "Prospectus"), approximately HK$13.4 million will be used for the acquisition of a commercial property in Hong Kong for use as a customer service centre. The balance of approximately HK$1.5 million will be reserved as general working capital.

As at the date of this annual report, the net proceeds of approximately HK$13.4 million have not been utilised and are held by the Company in short-term deposits with licensed banks and authorised financial institutions in Hong Kong.

The Company currently intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

Directors and Senior Management

Non-Executive Directors

Mr. Cheung King Shek, aged 67, was appointed as a Director in August 2012, appointed as chairman of the Company and re-designated as non-executive Director in April 2013, and is responsible for advising on overall strategic planning and management of the Group. Mr. Cheung King Shek has been a director of Telecom Service One Limited ("TSO", a wholly-owned subsidiary of the Company) since April 1987. He was appointed as a director of Telecom Digital Holdings Limited ("TDHL", stock code: 6033, a company listed on Main Board of the Stock Exchange) in November 2002, and was appointed as its chairman and re-designated as its executive director in March 2014. He joined TDHL group in 1981 and is responsible for the overall strategic planning and corporate policies. Mr. Cheung King Shek brings to TDHL 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, TDHL 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 (non-executive Director), Mr. Cheung King Chuen Bobby (non-executive Director) and Mr. Cheung King Fung Sunny (chief executive officer and executive Director).

Mr. Cheung King Shan, aged 60, was appointed as a Director in August 2012 and re-designated as non-executive Director in April 2013 and is advising on marketing and sales strategies. Mr. Cheung King Shan has been a director of TSO since June 1999. He was appointed as a director of TDHL in November 2002, re-designated as its non-executive director in March 2014 and re-designated as its executive director on 8 September 2015, and is responsible for advising on sales and marketing and apps writing in relation to TDHL's information broadcasting services. Mr. Cheung King Shan joined TDHL 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. He is the younger brother of Mr. Cheung King Shek (chairman and non-executive Director), and the elder brother of Mr. Cheung King Chuen Bobby (non-executive Director) and Mr. Cheung King Fung Sunny (chief executive officer and executive Director).

Mr. Cheung King Chuen Bobby, aged 60, was appointed as a Director in August 2012 and re-designated as non-executive Director in April 2013 and is advising on administrative operation. Mr. Cheung King Chuen Bobby has been a director of TSO since April 1987. He was appointed as a director of TDHL in November 2002, re-designated as its non-executive director in March 2014 and re-designated as its executive director on 8 September 2015, and is responsible for advising on administration and human resources. He joined TDHL 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 China 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 Consultative 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 non-executive Director) and Mr. Cheung King Shan (non-executive Director), and the elder brother of Mr. Cheung King Fung Sunny (chief executive officer and executive Director).

Executive Director

Mr. Cheung King Fung Sunny, aged 51, was appointed as a Director in August 2012, re-designated as executive Director in April 2013 and appointed as the chief executive officer of the Company in August 2014, and is primarily responsible for managing the Group's relationship with the customers and exploring new business opportunities for the Group. Mr. Cheung King Fung Sunny has been a director of TSO since June 1999. He was appointed as a director of TDHL in November 2002, re-designated as its executive director in March 2014, appointed as its chief executive officer on 8 September 2015, 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 TDHL group. He joined TDHL group in 1990. 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. Mr. Cheung King Fung Sunny is the younger brother of Mr. Cheung King Shek (chairman and non-executive Director), Mr. Cheung King Shan (non-executive Director) and Mr. Cheung King Chuen Bobby (non-executive Director).

Independent Non-Executive Directors

Mr. Fong Ping, ***BBS, JP,*** aged 69, was appointed as an independent non-executive Director on 30 April 2013. He is also the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company. Mr. Fong is currently a chairman of the board of directors of Canaan International Trading Limited and Hong Kong Isabelle Company Limited, which are engaged in the manufacturing and trading business. He has over 31 years of experience in garment and fashion industries. Mr. Fong is the committee member of Hong Kong Fight Crime Committee and an observer of Independent Police Complaints Council. He completed secondary education in the People's Republic of China. He was an independent non-executive director of TC Orient Lighting Holdings Limited (stock code: 515) from 15 June 2012 to 16 October 2014, the shares of which are listed on the Main Board of the Stock Exchange.

Ms. Kwok Yuen Man Marisa, aged 64, was appointed as an independent non-executive Director on 30 April 2013. She is also the chairman of nomination committee and a member of the audit committee and remuneration committee of the Company. She has over 30 years of experience in holding senior managerial roles in telecommunication industry. She joined Cable & Wireless HKT Limited in April 1982 and left the company in February 2000 when she was the director of corporate market. In 2001, she joined Hong Kong CSL Limited as director, marketing and operations and left the company in June 2004. She later joined PCCW-HKT Limited as managing director, commercial group from June 2004 to February 2006. From June 2006 to March 2007, she was the managing director of Boyden China Limited, a global executive search firm. From March 2007 to March 2011, Ms. Kwok was the general manager, marketing unit Hong Kong & Macau, of Sony Ericsson Mobile Communications International AB. Currently, Ms. Kwok is a director of Rich Gain Worldwide Limited, which is principally engaged in retail of apparel, leather goods and accessories. She holds a bachelor of arts honours degree in business administration from the University of Western Ontario.

Mr. Tso Ka Yi, aged 55, was appointed as an independent non-executive Director on 15 January 2018. He is also the chairman of audit committee and a member of the nomination committee and remuneration committee of the Company. He is currently a director of Mandarin Kopitiam Management Limited, a company focuses on the franchise business of a Singaporean famous kopitiam brand "Killiney" in Hong Kong. From January 2011 to December 2013, he served as a chief financial officer of Mandarin International Limited, a master franchisee of "Killiney". Afterwards, he was appointed as director of Mandarin International Limited from December 2013 to September 2017. He joined Ernst & Young Tax Services Limited as junior accountant in December 1990 and left the company as a senior manager in December 1999. Mr. Tso graduated from The Chinese University of Hong Kong with a Bachelor's degree of Business Studies in 1987. In 2005, he also obtained a Master's degree of Management and a Bachelor's degree of Arts (Japan Studies) from Massey University in New Zealand. Mr. Tso is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Senior Management

Ms. Fong Kit Sze, aged 45, has been the general manager of TSO since October 2008 and is primarily responsible for client management and supervision of the daily operation of TSO. She joined TSO in May 2004 as business development manager. Ms. Fong was the business development manager of Telecom Digital Services Limited ("TDS") from October 2003 to April 2004 and was primarily responsible for the development of IDD business. Since May 2004, Ms. Fong has been under the Group's employment but not the other businesses of the controlling shareholders of the Company. Ms. Fong also worked for Wharf T&T Limited and New World Telephone Limited as account manager from June 2003 to September 2003 and from February 2002 to June 2003 respectively. Ms. Fong received her bachelor's degree in social science in East Asian studies from the City University of Hong Kong in November 1998.

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 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 Board has adopted the principles and the code provisions of the Corporate Governance Code (the "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".

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 regarding securities transactions by the Directors. Having made specific enquiry of all Directors who were in office during the year ended 31 March 2019, all of them have confirmed that they have complied with the required standards of dealings during the year.

BOARD OF DIRECTORS

Composition of the Board of Directors

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

Non-executive Directors
Mr. Cheung King Shek *(chairman)*
Mr. Cheung King Shan
Mr. Cheung King Chuen Bobby

Executive Director
Mr. Cheung King Fung Sunny *(chief executive officer)*

Independent Non-executive Directors
Mr. Fong Ping, *BBS, JP*
Ms. Kwok Yuen Man Marisa
Mr. Tso Ka Yi

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 10 to 12 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 of the Company has provided and will continue to provide 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.

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.

The executive Director has entered into a service agreement with the Company for an indefinite term commencing from 30 April 2013 until terminated by not less than three months notice in writing to the other party and subject to the early termination provisions contained therein.

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company, and is appointed for a fixed term of three years subject to early removal from office in accordance with the Articles of Association, and retirement and re-election provisions in the Articles of Association.

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 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. Tso Ka Yi 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 independent non-executive Directors the written confirmation of his/her independence. The Company, based on such confirmations, considers Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi to be independent.

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
Non-executive Directors	
Mr. Cheung King Shek *(chairman)*	✓
Mr. Cheung King Shan	✓
Mr. Cheung King Chuen Bobby	✓
Executive Director	
Mr. Cheung King Fung Sunny *(chief executive officer)*	✓
Independent Non-executive Directors	
Mr. Fong Ping	✓
Ms. Kwok Yuen Man Marisa	✓
Mr. Tso Ka Yi	✓

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.

BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 2 May 2013 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, reappointment and removal of external auditor; to monitor integrity of the Company's financial statements and reports and accounts, and review significant financial reporting judgments contained in them; 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 possible improprieties in financial reporting, internal control or other matters.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi. Mr. Tso Ka Yi 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;

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

(i) reviewed the terms of reference of the Audit Committee.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 2 May 2013 with written terms of reference in compliance with the CG Code. The terms of reference of 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.

The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi. Mr. Fong Ping 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; and

(c) reviewed the remuneration policy of the Group.

Remuneration Policy for Directors and Senior Management

The executive Director, the independent non-executive Directors and senior management of the Company receive compensation in the form of director's fees, salaries, benefits in kind and/or discretionary bonuses with reference to the amount 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 remuneration and compensation 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 14 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 39 to 42 of this annual report.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 2 May 2013 with written terms of reference in compliance with the CG Code. The terms of reference of 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 succession planning for Directors.

The Nomination Committee comprises three independent non-executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi. Ms. Kwok Yuen Man Marisa is the chairman of the Nomination Committee.

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.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board since 7 November 2013. 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 seven 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				
Non-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
Executive Director					
Mr. Cheung King Fung Sunny *(chief executive officer)*	4/4	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Fong Ping	4/4	3/3	2/2	1/1	1/1
Ms. Kwok Yuen Man Marisa	4/4	3/3	2/2	1/1	1/1
Mr. Tso Ka Yi	4/4	3/3	2/2	1/1	1/1

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, in respect of their audit and non-audit services was as follows:

	HK$'000
Audit service	710
Non-audit services	420
Total	1,130

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 and investors may be put to the Board through the following channels to the chief executive officer of the Company:

(a) by mail to the Company's principal place of business at Portion B of Unit 1806 and Unit 1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong; or

(b) by email at enquiry@tso.cc.

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.

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 Portion B of Unit 1806 and Unit 1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, 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.tso.cc) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY

Ms. Yeung Wing Chong has been appointed as the company secretary of the Company in October 2016. She is an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

AMENDMENTS TO 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 during the year. The Group will continue to strengthen its efforts in information collection in order to enhance the performance on environmental and social aspects and to disclose related information in the future.

1.1 Scope of the Report

The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products, as well as sale of related accessories in Hong Kong. The ESG Report focuses on the environmental and social performance of the core business of the Group in Hong Kong during the year. The disclosure of the key performance indicators ("KPIs") in the year covers the Group's head office, repair centres and warehouse located in Hong Kong. For detailed information of corporate governance of the Company, please refer to the Corporate Governance Report on pages 13 to 23 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. If you have any advice or suggestions, please share with us via email at ESG_enquiry@tso.cc.

2. ESG GOVERNANCE

The Group believes that good ESG governance strategies and practices are the key to enhancing its investment value, thereby bringing long-term returns for its stakeholders. The Board bears the primary responsibilities of overseeing and reporting of the Group's ESG strategies, as well as identifying and assessing ESG related risks, so as to establish effective management approaches on ESG risk. The Board delegates authority to the management of different departments, where ESG policies and measures are formulated and executed.

2.1 Stakeholder Engagement

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

Meanwhile, the Group strives to maintain supporting and trusting relationships with its 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 production and product safety	• Regular information reporting • Regular meetings with regulators
Shareholders	• Returns • Compliant operation • Increasing company value • Transparent information and effective communication	• General meetings • Announcements • Email, telephone communication and company website • Site visits
Business Partners	• Operational integrity • Equal rivalry • Performance of contracts • Mutual benefits and win-win situations	• Business communications • Engagement and cooperation
Customers	• Health and safety • Performance of contracts • Operational integrity	• Customer service centre and hotlines • Customer feedback survey • Social media platforms • Calling for feedback
Environment	• Energy saving and emission reduction	• Reporting
Employee	• Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares	• Employee communication meetings • Employee mailbox • Training and workshops • Employee activities
Community and the Public	• Participation in charity	• Company website

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 during the preparation of the ESG Report. The valuable opinions collected are helpful in improving the quality of the ESG Report, as well as reinforcing the Group's internal management. In the future, the Group will continue to increase the involvement of stakeholders in order to collect more constructive opinions to improve its governance.

3. ENVIRONMENTAL PROTECTION

3.1 Emissions

The Group recognises the importance of maintaining environmental sustainability in its daily operation and acts in strict compliance with local laws and regulations relating to environmental protection and pollutant control, including but not limited to the Water Pollution Control Ordinance and Waste Disposal Ordinance. As a service-based enterprise, although the Group does not generate industrial pollutants or raise any significant environmental issues, it is committed to reducing emissions produced during its operation. Due to the business nature of the Group and no vehicles being used, no exhaust emission is generated by the Group.

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, such as setting water pressure to the lowest practical level. During the year, as our head office, repair centres and warehouse in Hong Kong are rented properties, only the water consumption records at Riley House can be obtained, while the water charges of other rented units are included in the management fee. Thus, total water consumption and water consumption intensity of Riley House during the year are 83 m^3 and 2.18 m^3 per employee respectively.

The non-hazardous wastes of the Group mainly include waste paper, master cartons, and general domestic garbage. The Group places three kinds of recycling bins in the office and warehouse to collect waste papers, aluminium cans and plastics, which are subsequently transferred to qualified companies for recycling. In order to reduce waste generation, the Group not only encourages suppliers to avoid using one-off packaging materials for shipping, but also suggests employees to reuse packaging materials, such as plastic bags and antistatic materials. Other general wastes are collected and processed by the property management office. The hazardous wastes produced by the Group, such as printer toners, malfunctioned mobile phones, parts, electronic products and related accessories, are collected and transferred to the corresponding suppliers for further handling. When handling malfunctioned computers, the IT department will attempt to repair the units and those computers will only be disposed by qualified companies when they are beyond repair.

3.2 Energy Conservation

The Group employs multiple energy saving initiatives to improve the working efficiency of equipment or devices and reduce energy consumption. For the lighting system, the Group has installed energy-efficient lighting and encourages employees to switch off unnecessary lights. In order to reduce the use of air conditioners, anti-ultraviolet films are applied on windows to reduce heat gain and employees are required to switch off the air-conditioners during non-working hours. The Group also encourages employees to set the computers to automatic standby or sleep mode and turn off unused electrical devices or lights before leaving the office.

3.3 Green Operation

The Group places emphasis on employees' support and participation in the green operation, thus measures are adopted to enhance employees' awareness of environmental protection. For instance, the Group puts up notices in the office to remind employees of saving resources and energy. During the year, trainings related to environmental protection were also provided to employees.

The Group also seeks out multiple ways to reduce paper consumption in the office, such as using recyclable papers, printing documents on both sides, recycling red envelopes, setting printing quota, using smaller font size and adjusting line spacing for documents, turning off printers when leaving office, reusing promotional brochures and packaging materials and disseminating information via electronic means. The Group also promotes paperless office concept by encouraging customers to use its online platform for making reservations, as well as minimising greenhouse gas emissions due to paper waste disposal at landfills and reducing the hazardous wastes from the use of ink.

4. EMPLOYMENT AND LABOUR PRACTICES

4.1 Employment Guidelines

The Group complies with the relevant labour laws and regulations, including but not limited to the Employment Ordinance and Employees' Compensation Ordinance, regarding compensation, benefits, dismissal, working hours and rest periods. The Group respects every employee and treats them equally with no tolerance for any form of discrimination on the grounds of gender, race, region or lawfully protected characteristics. The non-discriminatory approach applies to all employment activities and human resources-related matters, including recruitment, promotion, transfer, reward provisions and training. If any unfair treatment is discovered, the concerned employees should report the incident to their supervisors. Much effort is also given by the Group to safeguard the legitimate rights and interests of employees, and cater for the developmental needs of employees.

Before an employment being offered to an applicant, the Human Resources Department will verify his or her age by checking the identification documents to prevent employing child labour. Working hours are clearly stated in the employment agreement, while overtime working is on a voluntary basis, in order to avoid forced labour. When a resignation is tendered by an employee, the Human Resources Department will arrange an exit interview for the employee to better understand his or her reason of quitting. The Group determined constantly in improving the quality of the management through the analysis of exit survey results.

4.2 Salary and Benefits

A comprehensive performance appraisal system has been developed to assess employees' performance on a regular basis in terms of employees' working performance, abilities of organisation and management, interpersonal skills, presentation of employees and so on. Employees with outstanding performance in the appraisal may be offered opportunities of promotion. Annual review on salaries is also conducted with reference to the results in the performance appraisal.

Overtime working will be compensated by holidays or additional payment. Apart from statutory holidays, all employees are entitled to sick leave, annual leave, marriage leave, compassionate leave and maternity leave. In compliance with the provisions under the Mandatory Provident Fund Schemes Ordinance, the Group makes contributions to Mandatory Provident Fund Schemes for full-time employees. Employees are also entitled to discretionary bonus, medical insurance and labour insurance offered by the Group.

During the year, the Group has organised various events, such as New Year Party, Chinese New Year dinner and company trip to Tokyo, so as to enhance employees' sense of belongings to the Group and to promote work-life balance culture.

4.3 Health and Safety

The Group maintains occupational health and safety in strict compliance with relevant laws and regulations, including but not limited to the Occupational Safety and Health Ordinance. In order to create a safe and healthy workplace for employees, the Group provided arrangements in the event where typhoons or rainstorm signals are hoisted and established emergency procedures as a reference for employees if accidents occured. The Group also posted a few safety leaflets published by the Occupational Safety and Health Council in the workplace, such as the Safe Manual Handling, Electrical Safety, Fire Prevention and Emergency Response Plan. In addition, the Group prohibits smoking at workplace, arranges health examinations, and organises regular office cleaning.

4.4 Development and Training

It is our strong belief that human capital is the most prominent resource of an enterprise. Therefore, the Group is committed to organising internal training courses and encouraging employees to attend external seminars so as to enrich their knowledge in discharging the duties and to improve working efficiency. New employees are required to attend induction trainings, operation and technical training courses while managers and staff in designated posts are offered with professional training programmes, covering topics such as administration and inspection skills. Additional trainings are arranged with reference to the needs of departments, for instance, brand oriented trainings ranging from repair to software skills are offered to corresponding teams.

5. OPERATING PRACTICES

5.1 Supply Chain Management

Procurement decisions are made based on inventory levels and movement, expected sales, lead time of the products and other factors. The Group also pays attention to the suppliers' performance in environmental protection, employees' management and social governance. When making procurement, the Group will select the supplier from a list of approved suppliers that passed the approval procedures. Should any repeated non-conformity of products from a supplier is found, the Group will consider removing the supplier from the list of approved suppliers. In addition, the departments can place orders to the suppliers based on their needs. All procurement orders must receive the approval from the General Manager.

5.2 Product and Service Quality

The Group is committed to providing customers with reliable services and products. For assurance of product quality, the Group has developed a comprehensive quality management system that requires employees to carry out a quality and safety check for each product and fill out the quality check form upon receipt. Once any non-conforming product is found, the product will be isolated and prevent from misuse, while the Group will notify the suppliers and return the products for their follow-up actions. After the repair work done, the quality of products will be examined by at least two employees. The Group has successfully obtained the ISO9001:2015 Quality Management System certification as recognition of its outstanding work in quality control.

To protect customers' properties from burglary or property risks, the Group also took steps to upgrade the security of the warehouse, such as by installing 24-hour monitoring CCTV system, alarm system control and door access control.

The Group values effective communication with customers. Through customer service hotlines, the Group would collect comments and feedback from the customers. In order to enhance customer satisfaction, customers' complaints are all transferred to suppliers for handling in a prompt and efficient manner.

The advertising and promotional activities carried out by the Group are fully governed by the Trade Descriptions Ordinance and other relevant laws and regulations. The Group monitors the advertising content to ensure that all advertising contents are clear, true and free from any false and misleading product descriptions.

5.3 Privacy Protection

The Group attaches great attention to privacy protection and strictly complies with the Personal Data (Privacy) Ordinance. Employees are required to keep customer information in confidential, sign a non-disclosure agreement upon employment and wipe any personal data on the phone in presence of the customer before proceeding to repair. Since customer information is necessary for the repair service, the customers will be fully informed for collection and use of personal information with consent obtained from the customers.

Apart from protecting customers' privacy, employees are not allowed to disclose to any individual, firm or third party about the employment terms, product specifications, business strategies of the Group, or any of its dealings, transactions or affairs, or any other confidential information both during and after their employment. Without obtaining consent from the Group, downloading or making copies of the confidential information from the Group's computers are prohibited.

5.4 Protecting Intellectual Property

The Group respects intellectual property and is in strict compliance with relevant laws and regulations, including but not limited to the Copyright Ordinance. Unauthorised software are not recommended by the Group and employees should seek permission from the Group before installing the software.

5.5 Anti-corruption

The Group determined to maintain a fair and competitive market and promotes sustainable development of the industry. In line with the Prevention of Bribery Ordinance and other relevant laws and regulations, employees are forbidden to receive any benefits from suppliers, customers and the parties related to the Group. The Group also forbids its employees from accepting any illegal rebate. Employees are required to make declaration of interest for unavoidable potential conflict of interest.

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

6. COMMUNITY INVESTMENT

Over the years, the Group never stopped promoting social well-being through its keen participation in charitable activities, and strongly encourages its employees to participate in various volunteering works. Moreover, the Group strives to establish and maintain close relationship with the society amid its business development.

7. KEY PERFORMANCE INDICATORS

The data of KPIs for the Group's head office, repair centres and warehouse in Hong Kong are as follows:

Environmental Indicators	2018/19
Greenhouse Gases	
Total greenhouse gas emissions (tonnes CO_2e)	188
Greenhouse gas emissions per employee (tonnes CO_2e/employee)	1.77
Wastes	
Total hazardous waste produced (tonnes)	1
Hazardous waste produced per working day per centre (kg/working day/centre)	0.87
Total non-hazardous waste produced (tonnes)	15
Non-hazardous waste produced per employee (tonnes/employee)	0.15
Use of Resources	
Total energy consumption (MWh)	338
Energy consumption per employee (MWh/employee)	3.19
Use of Packaging Material	
Total paper used (kg)	15
Paper used per product (kg/product)	0.30
Total plastics used (kg)	1,311
Plastics used per product (kg/product)	0.04

Social Indicators	2018/19
Number of Employees	
By gender	
Male	61
Female	45
By age group	
Below age 30	28
Age 30 to 50	62
Above age 50	16
Average Hours of Training per Employee and Percentage of Employees who Received Training	
By gender	
Male	5 (82%)
Female	6 (78%)
By employee category	
Junior	5 (82%)
Middle	2 (85%)
Senior	2 (27%)
Part-time	8 (96%)

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	 26 27
Aspect A2: Use of Resources	**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection Emissions Energy Conservation	 26 26
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	 26 26
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 Salary and Benefits	 27 28

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 Health and Safety	 28
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	 28
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	 27
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	 29
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 Product and Service Quality Privacy Protection Protecting Intellectual Property	 29 30 30
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	 30

ESG Indicators	Summary	Sections	Page
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	30

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 at Portion B of Unit 1806 and Unit 1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are repair and refurbishment services for mobile phones and personal electronic products as well as sale of related accessories therefor. Details of the principal activities of the subsidiaries of the Company are set out in note 32 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 59 to 119.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The third interim dividend for the year ended 31 March 2019 of HK$0.01 per share was paid on Friday, 15 March 2019.

On 25 June 2019, the Board declared a fourth interim dividend of HK$0.03 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.

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 10 May 2013 ("Deed of Non-competition") entered into by East-Asia Limited ("East-Asia"), Amazing Gain Limited ("Amazing Gain"), the Cheung Brothers and J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust) (collectively, the "Controlling Shareholders") regarding certain non-competition undertakings given by the Controlling Shareholders in favour of the Company (for itself and for the benefit of each of the members of the Group) that, 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, the principal terms of which are set out in the paragraph headed "Deed of Non-competition" under the section headed "Relationship with Controlling Shareholders and Telecom Digital Group" of the Prospectus.

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 have confirmed that they have complied with the undertakings for the year ended 31 March 2019.

(ii) The Controlling Shareholders also confirmed 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.

(iii) The independent non-executive Directors have reviewed the annual declaration of the Controlling Shareholders as referred to (i) and (ii) above as part of their annual review process.

(iv) The Company, as part of its business planning and development function, constantly monitors the trend of and business opportunities in the market in which the Group operates, and is familiar with the existing and potential players and competitors in the market. The Company is not aware of any situation which indicates that any of the Controlling Shareholders have breached the undertakings for the year ended 31 March 2019.

In view of the above, the independent non-executive Directors are satisfied that the undertakings were complied with by the Controlling Shareholders for 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 60.6% of the revenue. The top five suppliers accounted for approximately 98.6% of the cost of inventories recognised as expenses for the year. In addition, the Group's largest customer accounted for approximately 26.2% of the revenue and the Group's largest supplier accounted for approximately 74.0% of the cost of inventories recognised as expenses for the year.

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

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 31 to the consolidated financial statements respectively.

As at 31 March 2019, the Company's reserves available for distribution to Shareholders amounted to HK$59,524,000 (2018: HK$57,020,000) as calculated in accordance with the Companies Law of the Cayman Islands.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2019 are set out in note 24 to the consolidated financial statements.

SUBSIDIARY

Particulars of the Company's principal subsidiaries are set out in note 32 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:

Non-executive Directors

Mr. Cheung King Shek *(chairman)*
Mr. Cheung King Shan
Mr. Cheung King Chuen Bobby

Executive Director

Mr. Cheung King Fung Sunny *(chief executive officer)*

Independent Non-executive Directors

Mr. Fong Ping, *BBS, JP*
Ms. Kwok Yuen Man Marisa
Mr. Tso Ka Yi

By virtue of Article 108(a) of the Articles of Association, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny 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.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

The executive Director has entered into a service agreement with the Company for an indefinite term commencing from 30 April 2013 until terminated by not less than three months notice in writing to the other party and subject to the early termination provisions contained therein.

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company, and is appointed for a fixed term of three years subject to early removal from office in accordance with the Articles of Association, and retirement and re-election provisions in the Articles of Association.

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 the written resolutions of all the Shareholders passed on 2 May 2013 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The Share Option Scheme remains effective following the Company's transfer of listing to Main Board subject to certain immaterial amendments to the Share Option Scheme and is 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 attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to the Qualifying Grantees (as defined below); and to promote the long term financial success of the Group by aligning the interests of option holders to Shareholders.

(2) Participants of the Share Option Scheme

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option to any Qualifying Grantees as the Board may in its absolute discretion select. "Qualifying Grantee" means:

(i) (1) any employee (whether full-time or part-time employee) and any person who is an officer of any members of the Group or any Affiliates;

(2) any person who is seconded to work for any member of the Group or any Affiliates;

(3) any consultant, agent, representative, adviser, customer, contractor of the Group or any Affiliates;

(4) any business partner/ally/alliance, joint venture partner, supplier of goods or services to the Group or any Affiliates or any employee thereof; or

(collectively the "Eligible Person")

(ii) any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members.

"Affiliate" means a company that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an Associated Company of the holding company of the Company; or (i) an Associated Company of the Company; or (j) Associated Company of controlling shareholder of the Company;

"Associated Company" means a company in the equity share capital of which a company, directly or indirectly, has 20% or greater beneficial interest but excluding the subsidiaries of that company;

"immediate family members" means a spouse or person co-habiting as the spouse of an Eligible Person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person;

"officer" means company secretary or director (whether executive or non-executive); and

"subsidiary" has the meaning set out in the Listing Rules.

(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 8,674,000 representing approximately 6.76% of the total number of shares in issue as at the date of this annual report.

(4) Maximum entitlement of each 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.

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

The period as the Board may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the Listing Rules from time to time (which is, as at the date of this annual report, a period of 10 years from the date of the granting of the option).

(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:

HK$1

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

28 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 in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is 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 granting of the option;

(ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of the granting of the option; 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 the Adoption Date i.e. the remaining life of the Share Option Scheme is approximately 4 years.

(II) Details of Share Options Granted

On 7 July 2015, share options to subscribe for a total of 1,426,000 ordinary shares of HK$0.1 each of the Company were granted under the Share Option Scheme.

On 6 July 2017, share options to subscribe for a total of 2,560,000 ordinary shares of HK$0.1 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 780,000 shares are issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 0.61% 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:

				Balance as at	Changes during the year ended 31 March 2019				Balance as at
Grantees	**Date of grant**	**Exercise price**	**Exercise period**	**1 April 2018**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**31 March 2019**
Eligible employees Note (i)	7 July 2015	HK$2.59 Note (ii)	7 July 2015– 6 July 2018 Note (iii)	740,000	—	—	—	(740,000)	—
Eligible employees Note (i)	6 July 2017	HK$1.78 Note (iv)	6 July 2017– 5 July 2019 Note (v)	1,380,000	—	(140,000) Note (vi)	—	(460,000)	780,000
				2,120,000	—	(140,000)	—	(1,200,000)	780,000

Notes:

(i) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

(ii) The closing price of the shares immediately before the date of grant (i.e. as of 6 July 2015) was HK$2.22.

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

(iv) The closing price of the shares immediately before the date of grant (i.e. as of 5 July 2017) was HK$1.75.

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

(vi) The weighted average closing price of the shares immediately before the date on which the shares options were exercised was HK$2.95.

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 EXECUTIVE'S 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 executive 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 the Model Code, were as follows:

(i) The Company

Long Position

Name of Directors	Capacity	Number of shares held	Approximate percentage of shares in issue *Note A*
Mr. Cheung King Shek	Beneficial owner	6,314,000	4.92%
	Beneficiary of a trust *Note B*	66,000,000	51.43%
Mr. Cheung King Shan	Beneficial owner	6,244,000	4.87%
	Beneficiary of a trust *Note B*	66,000,000	51.43%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,748,000	5.26%
	Beneficiary of a trust *Note B*	66,000,000	51.43%
Mr. Cheung King Fung Sunny	Beneficial owner	7,182,000	5.60%
	Beneficiary of a trust *Note B*	66,000,000	51.43%

(ii) Associated corporations

Amazing Gain is one of the controlling shareholders of the Company and the holding company of the Company. The companies listed in the table below (apart from Amazing Gain) are wholly-owned subsidiaries of Amazing Gain. Hence, Amazing Gain and the rest of the companies listed in the table below are associated corporations of the Company under the SFO. Each of the Cheung Brothers is deemed to have 100% interest in the said associated corporations under the SFO.

Long Position

Name of associated corporations	Capacity	Number of shares/Amount of share capital	Approximate percentage of interests
Mr. Cheung King Shek	Beneficial owner	6,314,000	4.92%
Amazing Gain Limited	Beneficiary of a trust *Note B*	100	100%
East-Asia Pacific Limited	Beneficiary of a trust *Note B*	6	100%
Telecom Service Limited	Beneficiary of a trust *Note B*	2,000,000	100%
H.K. Magnetronic Company Limited	Beneficiary of a trust *Note B*	50,000	100%
Oceanic Rich Limited	Beneficiary of a trust *Note B*	10,000	100%
Glossy Investment Limited	Beneficiary of a trust *Note B*	10,000	100%
Glossy Enterprises Limited	Beneficiary of a trust *Note B*	10,000	100%
Yiutai Industrial Company Limited	Beneficiary of a trust *Note B*	1,000	100%
Txtcom Limited	Beneficiary of a trust *Note B*	100	100%
Telecom Properties Investment Limited	Beneficiary of a trust *Note B*	24	100%
Telecom Digital Limited (incorporated in Macau)	Beneficiary of a trust *Note B*	MOP100,000	100%
Hellomoto Limited	Beneficiary of a trust *Note B*	1,000	100%
Marina Trading Inc.	Beneficiary of a trust *Note B*	1	100%
Telecom Digital Limited	Beneficiary of a trust *Note B*	2	100%
Silicon Creation Limited	Beneficiary of a trust *Note B*	100	100%
Kung Wing Enterprises Limited	Beneficiary of a trust *Note B*	1,000,000	100%
東莞恭榮房地產管理服務有限公司	Beneficiary of a trust *Note B*	US$1,500,000	100%

Note A:

The calculation is based on 128,342,000 shares of the Company in issue as at 31 March 2019.

Note B:

The 66,000,000 shares, representing approximately 51.43% of the shares in issue, are held by East-Asia, of which the Cheung Brothers are directors. East-Asia 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/share capital in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at 31 March 2019, none of the Directors nor chief executive 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 executive 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.

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 executive 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*
East-Asia Pacific Limited *Note B*	Beneficial owner	66,000,000	51.43%
Amazing Gain Limited *Note B*	Interest in a controlled corporation	66,000,000	51.43%
J. Safra Sarasin Trust Company (Singapore) Limited *Note B*	Trustee (other than a bare trustee)	66,000,000	51.43%
Ms. Tang Fung Yin Anita *Note C*	Interest of spouse	72,244,000	56.30%
Ms. Yeung Ho Ki *Note C*	Interest of spouse	73,182,000	57.03%

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 72,244,000 shares and 73,182,000 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 executive 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.

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 14 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.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2019 are set out in note 26 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The related party transactions of the Company for the year ended 31 March 2019 are set out in note 28 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Company 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.

(A) 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 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) Tenancy Agreements with connected persons of the Company

The Group has been leasing properties in Hong Kong and Macau from the below connected persons of the Company for the use by the Group as head office, repair centres and warehouse:

(i) Oceanic Rich Limited* ("ORL");

(ii) Glossy Investment Limited* ("GIL");

(iii) Glossy Enterprises Limited* ("GEL");

(iv) H.K. Magnetronic Company Limited* ("HKMag"); and

(v) Marina Trading Inc.* ("Marina").

Accordingly, each of these tenancy agreements constitutes a continuing connected transaction for the Company.

* As ORL, GIL, GEL, HKMag and Marina are wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.43% of shares of the Company in issue, they are connected persons of the Company under the Listing Rules.

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
(i)	Unit 1807, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	ORL	29 March 2018 30 March 2019	from 1 April 2018 to 31 March 2019 from 1 April 2019 to 31 March 2020	HK$79,420 HK$79,420 (exclusive of government rates, government rent and building management fee)	head office, repair centre and warehouse saleable area: 5,511 sq. ft (net).
(ii)	Unit 1805 & Portion B of Unit 1806, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	GIL	29 March 2018	from 1 April 2018 to 31 March 2019	HK$120,824 (exclusive of government rates, government rent and building management fee)	head office, repair centre and warehouse saleable area: 8,380 sq. ft. (net)
(iii)	Portion B of Unit 1806, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	GIL	30 March 2019	from 1 April 2019 to 31 March 2020	HK$32,626 (exclusive of government rates, government rent and building management fee)	head office, repair centre and warehouse saleable area: 2,966 sq. ft. (gross)
(iv)	Rua de Pequim, n°s 170–174, Edificio Centro Commercial Kong Fat, 16° andar portion of D1 and E1, em Macau	HKMag	29 March 2018	from 1 April 2018 to 31 March 2019 (tenancy terminated on 30 September 2018)	HK$15,372 (inclusive of building management fee)	repair centre saleable area: 915 sq. ft. (net)
(v)	Unit 1005, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	GEL	29 March 2018	from 1 April 2018 to 31 March 2019	HK$32,424 (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 772 sq. ft. (gross)

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
(vi)	Unit 1006, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	GIL	29 March 2018	from 1 April 2018 to 31 March 2019	HK$42,882 (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 1,021 sq. ft. (gross)
(vii)	12/F., Ginza Plaza, No.2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	ORL	29 March 2018	from 1 April 2018 to 31 March 2019	HK$182,994 (exclusive of building management fee and air-conditioning charges but inclusive of government rates and government rent)	repair centre saleable area: 4,357 sq. ft. (gross)
(viii)	Units 1201-1203 and Units 1205-1206, 12/F., Ginza Plaza, No.2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	ORL	30 March 2019	from 1 April 2019 to 31 March 2020	HK$152,495 (exclusive of building management fee and air-conditioning charges but inclusive of government rates and government rent)	repair centre saleable area: 4,357 sq. ft. (gross)
(ix)	Unit 703, 7/F, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Kowloon, Hong Kong	GIL	31 May 2017	from 1 July 2017 to 31 March 2019 (tenancy terminated on 31 July 2018)	HK$29,716 (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 782 sq. ft. (gross)
(x)	Portion of Unit A, 23/F., Kyoto Plaza, Nos. 491–499 Lockhart Road, Causeway Bay, Hong Kong	GEL	31 May 2017 30 March 2019	from 1 July 2017 to 31 March 2019 from 1 April 2019 to 31 March 2020 (tenancy terminated on 31 May 2019)	HK$19,200 HK$21,120 (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 640 sq. ft. (gross)

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
(xi)	Unit B, 23/F, Kyoto Plaza, Nos. 491-499 Lockhart Road, Hong Kong	ORL	31 May 2017	from 1 July 2017 to 31 March 2019	HK$38,520	repair centre
			30 March 2019	from 1 April 2019 to 31 March 2020 (tenancy terminated on 31 May 2019)	HK$42,372 (exclusive of government rates, government rent and building management fee)	saleable area: 1,284 sq. ft. (gross)

The rentals under the above tenancy agreements were determined with reference to the prevailing market rentals of similar properties in the nearby locations. As disclosed in the announcements of the Company dated 31 March 2019 and 6 May 2019, the aggregate annual caps of the rentals payable under the above tenancy agreements for the year ending 31 March 2020 is HK$3,302,000. The aggregate rentals paid by the Group for the year ended 31 March 2019 in respect of the above leased properties to the above connected persons were approximately HK$6,405,000.

(2) Transactions with TDHL group

On 29 March 2018, TSO (a wholly-owned subsidiary of the Company) entered into a 2018/19 master agreement with TDHL group (the "2018/19 Master Agreement") in relation to the (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL group and (b) consignment of accessories for mobile phones and personal electronic products of TSO for a term up to 31 March 2019.

On 30 March 2019, TSO entered into the separate individual service agreements with certain members of TDHL group in respect of the (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL group; (b) consignment of accessories for mobile phones and personal electronic products of TSO; (c) provision of logistic services to TSO by Telecom Service Network Limited ("TSN") and (d) provision of repair and refurbishment services for mobile phones by TSO to TDHL group for a term of one year commencing from 1 April 2019 and to fix the annual caps for the year ending 31 March 2020 for services (a), (b), (c) and (d) as listed below to HK$4,000,000, HK$2,000,000, HK$800,000 and HK$500,000 respectively.

TDHL is indirectly owned by the Cheung Family Trust as to 54.49% which indirectly holds 51.43% of the shares of the Company 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.

(a) Provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL group

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

As disclosed in the announcement of the Company dated 31 March 2019, the annual cap in respect of the aggregate repair and refurbishment service fees for pagers and Mango Devices to be paid by the TDHL group to TSO for the year ending 31 March 2020 is HK$4,000,000. The repair and refurbishment service fees for pagers and Mango Devices paid by the TDHL group to TSO for the year ended 31 March 2019 was approximately HK$3,918,000.

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

TDS (a wholly-owned subsidiary of TDHL) has allowed TSO to sell the accessories for mobile phones and personal electronic products of certain brands at retail shops of TDHL group 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 paid by TSO to TDHL group.

As disclosed in the announcement of the Company dated 31 March 2019, the annual caps for the consignment fees to be paid by TSO to TDHL group for the year ending 31 March 2020 is HK$2,000,000. The consignment fees paid by TSO to TDHL group for the year ended 31 March 2019 was approximately HK$565,000.

(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 centers 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 annual caps for the logistics service fees to be paid by TSO to TDHL group for the year ending 31 March 2020 is HK$800,000. The logistics service fees paid by TSO to TDHL group for the year ended 31 March 2019 was approximately HK$738,000.

(d) Provision of repair and refurbishment services for mobile phones by TSO to TDHL group

TSO provides repair and refurbishment services for mobile phones to TDHL 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 TDHL 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 annual caps for the repair and refurbishment service fees to be received by TSO from TDHL group 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 TDHL 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.

(B) 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 are:

(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.

(C) 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;

d. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual caps 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 13 to 23. 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.

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 9 of this annual report. These discussions form part of this Report of the Directors.

ENVIRONMENTAL POLICY

An Environmental, Social and Governance Report of the Company for the year ended 31 March 2019 is set out on pages 24 to 34 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 principle 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 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.

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 five years financial summary on page 120 of this annual report.

AUDITOR

The 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

信永中和
ShineWing

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

TO THE SHAREHOLDERS OF TELECOM SERVICE ONE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Telecom Service One Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 119, 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses ("ECL") of trade receivables

Refer to note 19 to the consolidated financial statements and the accounting policies on page 70.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2019, the Group has outstanding trade receivables of approximately HK$7,657,000. No ECL was recognised as at 31 March 2019. Management performed periodic assessment on the ECL of the trade receivables and the sufficiency of provision for impairment based on information including ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and ongoing trading relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the ECL. We have identified assessment of ECL of trade receivables as a key audit matter because the assessment of trade receivables under the ECL model involved the use of significant degree of management judgement and may be subject to management bias.	Our audit procedures were designed to review the management's assessment of ECL model and challenge the reasonableness of the methods and assumptions used to estimate ECL of trade receivables. We have assessed the elements of the ECL model which affect by judgements and estimates, including the credit risk characteristic, the ageing of trade receivables and forward looking information. We have assessed the reasonableness of management's loss allowance which based on provision matrix. We have examined the information used by management to form such judgements, including evaluating whether the historical loss rates in the past three years are appropriately adjusted based on forward looking factors and examining the actual losses recorded and assessing whether there was an indication of management bias when recognising loss allowances.

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.

Responsibilities of Directors of the Company and the Audit Committee for the Consolidated Financial Statements

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

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material 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.

- 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 the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

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	**65,992**	99,295
Cost of sales		**(36,318)**	(49,007)
Gross profit		**29,674**	50,288
Other income	9	**3,870**	5,110
Other operating expenses, net	10	**(8,418)**	(9,968)
Administrative expenses		**(14,023)**	(15,906)
Finance costs	11	**—**	(1)
Profit before tax		**11,103**	29,523
Income tax expense	12	**(1,701)**	(4,253)
Profit for the year	13	**9,402**	25,270
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of long service payment obligations		**(75)**	(87)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(10)**	3
Other comprehensive expense for the year		**(85)**	(84)
Total comprehensive income for the year		**9,317**	25,186
Earnings per share (HK$)			
Basic	16	**0.0733**	0.1972
Diluted		**0.0731**	0.1970

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Plant and equipment	*17*	**651**	1,799
Deferred tax asset	*23*	**586**	809
		1,237	2,608
Current assets			
Inventories	*18*	**1,294**	1,715
Trade and other receivables	*19*	**12,921**	18,952
Amounts due from related companies	*28a*	**428**	296
Tax recoverable		**3,637**	409
Pledged bank deposits	*20*	**201**	8,521
Bank balances and cash	*20*	**86,749**	78,170
		105,230	108,063
Current liabilities			
Trade and other payables	*21*	**5,277**	7,465
Amounts due to related companies	*28b*	**104**	53
		5,381	7,518
Net current assets		**99,849**	100,545
Total assets less current liabilities		**101,086**	103,153
Non-current liability			
Long service payment obligations	*22*	**—**	91
Net assets		**101,086**	103,062

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	*24*	**12,834**	12,820
Reserves		**88,252**	90,242
Total equity		**101,086**	103,062

The consolidated financial statements on pages 59 to 119 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

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(Note)*	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
1 April 2017	12,800	36,315	70	(163)	456	34,382	83,860
Profit for the year	—	—	—	—	—	25,270	25,270
Remeasurement of long service payment obligations	—	—	—	—	—	(87)	(87)
Exchange differences arising on translation of foreign operations	—	—	—	3	—	—	3
Total comprehensive income for the year	—	—	—	3	—	25,183	25,186
Payment of dividends (Note 15)	—	—	—	—	—	(6,409)	(6,409)
Recognition of equity-settled share based payments (Note 27)	—	—	—	—	69	—	69
Lapse of share options (Note 27)	—	—	—	—	(37)	37	—
Issue of shares upon exercise of share options (Note 24)	20	344	—	—	(8)	—	356
At 31 March 2018 and 1 April 2018	12,820	36,659	70	(160)	480	53,193	103,062
Profit for the year	—	—	—	—	—	9,402	9,402
Remeasurement of long service payment obligations	—	—	—	—	—	(75)	(75)
Exchange differences arising on translation of foreign operations	—	—	—	(10)	—	—	(10)
Total comprehensive income for the year	—	—	—	(10)	—	9,327	9,317
Payment of dividends (Note 15)	—	—	—	—	—	(11,542)	(11,542)
Lapse of share options (Note 27)	—	—	—	—	(441)	441	—
Issue of shares upon exercise of share options (Note 24)	14	241	—	—	(6)	—	249
At 31 March 2019	12,834	36,900	70	(170)	33	51,419	101,086

Note:

During the year ended 31 March 2014, Telecom Service One Holdings Limited (the "Company") acquired 100% of equity interest in Telecom Service One (Macau) Limited ("TSO Macau") from East-Asia Pacific Limited, the immediate holding company of the Company. The acquisition was accounted for using merger accounting. Other reserve represents the difference between the issued share capital of TSO Macau and the consideration paid for acquiring it.

In addition, other reserve represents the difference between the nominal value of the issued capital of Telecom Service One Investment Limited ("TSO BVI") and its subsidiaries acquired pursuant to a group reorganisation over the consideration paid by the Company during the year ended 31 March 2013.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**11,103**	29,523
Adjustments for:		
Depreciation of plant and equipment	**851**	1,347
Finance costs	**—**	1
Bank interest income	**(2,334)**	(997)
Share-based payment expenses	**—**	69
Long service payment obligations	**37**	166
(Reversal of allowance) allowance for inventories	**(320)**	825
Loss on write-off of plant and equipment	**296**	109
Bad debts written off	**—**	303
Operating cash flows before movements in working capital	**9,633**	31,346
Decrease in inventories	**741**	2,249
Decrease in trade and other receivables	**6,026**	1,297
(Increase)/decrease in amounts due from related companies	**(132)**	2,084
(Decrease)/increase in trade and other payables	**(2,188)**	575
Increase/(decrease) in amounts due to related companies	**51**	(51)
Payments for long service payment obligations	**(203)**	(162)
Cash generated from operations	**13,928**	37,338
Hong Kong Profits Tax paid	**(4,706)**	(4,748)
NET CASH FROM OPERATING ACTIVITIES	**9,222**	32,590
INVESTING ACTIVITIES		
Purchase of plant and equipment	**—**	(652)
Placement of pledged bank deposits	**—**	(2,780)
Interest received	**2,334**	997
Withdrawal of pledged bank deposits	**8,320**	23,003
NET CASH FROM INVESTING ACTIVITIES	**10,654**	20,568

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Dividends paid	**(11,542)**	(6,409)
Repayments of bank borrowings	**—**	(240)
Interest paid	**—**	(1)
Proceeds from issue of shares upon exercise of share options	**249**	356
NET CASH USED IN FINANCING ACTIVITIES	**(11,293)**	(6,294)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,583**	46,864
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**78,170**	31,291
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(4)**	15
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**86,749**	78,170
Analysis of components of cash and cash equivalents:		
Bank balances and cash	**86,749**	78,170

1. GENERAL

Telecom Service One Holdings Limited (the "Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 August 2012 and its shares are listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 May 2013. On 27 March 2018, its shares have been transferred from GEM to the Main Board of the Stock Exchange (Stock Code: 3997). The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is at Portion B of Unit 1806 and Unit 1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The directors of the Company consider the immediate holding company is East-Asia Pacific Limited ("East-Asia"), a company incorporated in the British Virgin Islands (the "BVI") and the ultimate parent is Cheung Family Trust.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are set out in note 32.

The functional currency of the Company is Hong Kong dollars ("HK$") while the functional currencies for certain subsidiaries are Renminbi ("RMB"), Macau Patacas ("MOP") and United States dollars ("US$"). For the purpose of presenting the consolidated financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") adopted HK$ as its presentation currency which is the same as the functional currency of the Company.

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

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 Certificated Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
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
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. Except as described below, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets 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 are continued to be measured at amortised cost as were previously measured under HKAS 39.

(ii) 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 to the impairment losses previously recognised under HKAS 39.

All financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis as they were under HKAS 39.

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

The impact of transition to HKFRS 15 was insignificant on the retained profits at 1 April 2018.

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[4]
HK(IFRIC)—Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
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 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.
4 Effective for annual periods beginning on or after 1 January 2021.
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 the other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 is effective for the Group's 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 lease in HKFRS 16 only to contracts that are entered into 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 modified retrospective approach for the adoption HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019, if any, and will not restate the comparative information. As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$328,000 as disclosed in note 25.

The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis.

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

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

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). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transaction and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statement in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group:

- has power over the investee;
- is exposure, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year 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 are attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives 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 plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of 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.

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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.

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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (*Continued*)

Amortised cost and effective interest method *(Continued)*

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. The ECL on these financial assets are estimated by using a provision matrix based on the credit risk characteristic and ageing of trade receivables. The Group considers the historical credit loss rates in the past three years and adjusted for forward looking factors 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 (i.e. other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash), the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Financial assets (Continued)

Impairment of financial assets (*Continued*)

Significant increase in credit risk *(Continued)*

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; and
- 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 6 months 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 an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Financial assets (Continued)

Impairment of 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 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of 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 described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Financial assets (Continued)

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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. 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.

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 financial asset, 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, pledged bank deposits, bank balances and cash, amounts due from related companies are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each 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 or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation.

For certain categories of financial assets, 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 30 days to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKAS 39 (applicable before 1 April 2018) *(Continued)*

Financial assets (Continued)

Impairment loss on financial assets *(Continued)*

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's 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 and amounts due from related companies, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable or an amount due from a related company is 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 the 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 loss not been recognised.

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.

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to related companies are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Under HKAS 39 (applicable before 1 April 2018) *(Continued)*

Financial liabilities and equity instruments (Continued)

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 net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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 ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment loss on tangible assets *(Continued)*

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 a CGU) 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 a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 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;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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: *(Continued)*

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

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

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

The Group recognised revenue from the following major sources:

- provision of repairing service; and
- sales of accessories

Provision of repairing services

Revenue from provision of repairing services is recognised at the point when the services were rendered.

Sale of accessories

Revenue from sale of accessories is recognised at the point when the control of the accessories is transferred to the customers (generally on delivery of the accessories).

Policy applicable to the year ended 31 March 2018

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

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;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Policy applicable to the year ended 31 March 2018 *(Continued)*

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: *(Continued)*

- 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, handling income and management fee income are recognised when services are rendered.

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 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 asset to that asset's net carrying amount on initial recognition.

Other Income

Handling income, management fee income and storage income are recognised when services are rendered.

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 lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and other defined contribution retirement schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utlilised by the respective employees in the following year. An accrual is measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Long service payment obligations

For defined benefit retirement 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 the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period 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. Current 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.

Defined benefit costs are categorised as follows:

— service cost (including current service cost, as well as gains and losses on curtailments and settlements);

— net interest expense; and

— remeasurement.

Foreign currencies

In preparing the 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 on 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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 expense 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 translation reserve.

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 recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 goodwill or from the initial recognition (other than in a business combination) 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.

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 are recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees under share option scheme

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 options reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees under share option scheme (Continued)

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained profits.

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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities 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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated allowance for inventories

The management of the Group reviews an ageing analysis at the end of the reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. 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 of the Group was approximately HK$1,294,000 (2018: HK$1,715,000), net of allowance for inventories of approximately HK$2,212,000 (2018: HK$2,988,000).

Estimated impairment of trade and other receivables

Starting from 1 April 2018, the impairment provisions for trade receivables are based on ECL. The Group uses judgement in making assumptions and selecting the inputs to the ECL model, based on the ageing of trade receivables as well as the Group's historical loss rates and forward looking factors at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. The ECL on trade receivables is assessed collectively by using a provision matrix with appropriate groupings. As at 31 March 2019, the carrying amounts of trade receivables of the Group were approximately HK$7,657,000 (2018: HK$13,324,000). No impairment loss was recognised for the year ended 31 March 2019.

The carrying amount of trade receivables as at 31 March 2018 was HK$13,324,000. The Group assessed impairment loss based on HKAS 39. There was bad debts of approximately HK$303,000 directly written off for the year ended 31 March 2018.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consist of pledged bank deposits and 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 recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	—	105,815
Financial assets at amortised cost	100,135	—
	100,135	105,815
Financial liabilities		
Amortised cost	4,621	6,758

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables and amounts due to related companies. Details of the 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

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. During the year ended 31 March 2019, approximately 17% (2018: 28%) of the Group's sales and approximately 71% (2018: 77%) of total net purchase are denominated in US$ which is different from the functional currencies of the group entities carrying out the transactions.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Also, certain trade and other receivables, bank balances and cash and trade and other payables are denominated in US$, RMB and Japanese Yen ("JPY") which are currencies other than the functional currencies of the relevant group entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**18,576**	14,874	**1,037**	670
RMB	**31,605**	32,134	**—**	95
JPY	**—**	—	**153**	153

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to US$, RMB and JPY.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase or decrease in the functional currencies of the relevant group entities, HK$, RMB and MOP, against the relevant foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where respective functional currency strengthens 5% (2018: 5%) against the relevant foreign currency. For a 5% (2018: 5%) weakening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit and the balances below would be positive.

	Effect on profit or loss	
	2019	2018
	HK$'000	HK$'000
US$	**(732)**	(596)
RMB	**(1,320)**	(1,338)
JPY	**6**	6

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits for the years ended 31 March 2019 and 2018. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances carried at prevailing market rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the Group's bank balances denominated in HK$, US$, RMB and MOP.

Sensitivity analysis

The sensitivity analysis below has been determined based on the net exposure to interest rates for non-derivative instruments at the end of reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2019 would increase/decrease by approximately HK$22,000 (2018: HK$40,000).

Credit risk

At the end of each reporting period, 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 our Group mainly arises from bank balances and cash, trade and other receivables and amounts due from related companies.

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Starting from 1 April 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed by using a provision matrix based on credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the expected credit loss rates. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Management considered amounts due from related companies to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increase in credit risk on other financial instruments of the debtor

The Group's exposure to credit risk

In order to minimise credit risk, 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. In addition, the Group reviews the recoverable amount of trade debts at the end of each reporting period to ensure that adequate credit losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (Continued)

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

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

The tables below detail 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.

As at 31 March 2019	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	N/A	Lifetime ECL simplified approach	**7,657**	**—**	**7,657**
Other receivables	Performing	12-month ECL	**245**	**—**	**245**
Deposits	Performing	12-month ECL	**4,855**	**—**	**4,855**
Amounts due from related companies	Performing	12-month ECL	**428**	**—**	**428**
Pledged bank deposits	*(Note)*	12-month ECL	**201**	**—**	**201**
Bank balances and cash	*(Note)*	12-month ECL	**86,749**	**—**	**86,749**

Note: The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group has concentration of credit risk as 28% (2018: 20%) of the total trade receivables at 31 March 2019 was due from the Group's largest customer.

The Group has concentration of credit risk as 69% (2018: 82%) of the total trade receivables at 31 March 2019 was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% (2018: 99%) of the total trade receivables as at 31 March 2019.

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 Group's contractual maturity for its non-derivative financial liabilities is mainly within one year or on demand from the end of the reporting period. In the opinion of the directors of the Company, the carrying amounts of the financial liabilities are the same as the undiscounted cash flows based on the earliest date on which the Group can be required to pay and therefore, no further analysis is presented.

(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.

7. REVENUE

Revenue represents the amounts received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. An analysis of the Group's revenue for the year is as follows:

	2019 HK$'000	2018* HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
— Repairing service income	**64,125**	96,852
— Sales of accessories	**1,867**	2,443
	65,992	99,295

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

Disaggregation of revenue by geographical region

	2019 HK$'000	2018 HK$'000
Geographical region of revenue recognition		
Hong Kong	**65,564**	97,577
PRC	**—**	101
Macau	**428**	1,617
At a point in time	**65,992**	99,295

8. SEGMENT INFORMATION

The Group is engaged in a single segment, the provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories. Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

During the years ended 31 March 2019 and 2018, the Group's operations were located in Hong Kong, the PRC and Macau.

During the year ended 31 March 2019, 99% (2018: 98%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2019,100% (2018: 96%) of the non-current assets, based on the geographical location of the assets, was located in Hong Kong. Hence, no geographical information is presented.

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer I	**N/A***	23,334
Customer II	**17,621**	22,552
Customer III	**9,087**	10,967

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Management fee income *(Note i)*	**123**	363
Consignment goods handling income *(Note ii)*	**321**	296
Bank interest income	**2,334**	997
Exchange gain	**—**	2,781
Storage income *(Note iii)*	**997**	414
Others	**95**	259
	3,870	5,110

Notes:

(i) The amount represents management income received from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong.

(ii) The amount represents fee income received for handling consignment goods for certain manufacturers of mobile phones at the Group's service centres.

(iii) The amount represents storage income received from manufacturers of mobile phones for the provision of management service of damaged mobile phones in Hong Kong.

10. OTHER OPERATING EXPENSES, NET

	2019 HK$'000	2018 HK$'000
Reimbursement of expenses for service centres	**—**	55
Miscellaneous income charges	**111**	256
	111	311
Less: Other operating expenses of service centres	**(8,529)**	(10,279)
Other operating expenses, net	**(8,418)**	(9,968)

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank loans and overdrafts	**—**	1

12. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax		
— current year	**1,317**	4,412
— Under(over)-provision in prior years	**161**	(115)
	1,478	4,297
Deferred tax		
— current year *(Note 23)*	**223**	(44)
	1,701	4,253

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.

Hong Kong Profits Tax is calculated at 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 subsidiary is 25% for both years. No provision for taxation has been made for the PRC subsidiary as there were no assessable profits for both years.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. No provision for Macau taxation has been made for the Macau subsidiary for the year ended 31 March 2019 as there were no assessable profits. No provision for Macau taxation has been made for the year ended 31 March 2018 since the assessable profits are wholly absorbed by tax losses brought forward.

12. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year 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	**11,103**	29,523
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**1,884**	4,868
Tax effect of income not taxable for tax purpose	**(385)**	(553)
Tax effect of expenses not deductible for tax purpose	**81**	232
Hong Kong Profits Tax concession *(Note)*	**(40)**	(30)
Under(over)-provision in prior years	**161**	(115)
Tax effect of tax loss not recognised	**—**	77
Utilisation of tax loss previously not recognised	**—**	(226)
	1,701	4,253

Note:

A tax concession of 75%, subject to a ceiling of HK$20,000 per company, was granted to the Group's subsidiary under Hong Kong tax jurisdiction for the year ended 31 March 2019 (2018: HK$30,000).

Details of deferred taxation are set out in note 23.

13. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments *(Note 14)*		
— salaries, allowances and other benefits	**684**	684
— employer's contributions to retirement benefits schemes	**16**	16
	700	700
Other staff costs		
— salaries, allowances and other benefits	**26,531**	34,501
— employer's contributions to retirement benefits schemes	**1,216**	1,577
— share-based payment expenses	**—**	69
— long service payment obligations	**37**	166
	27,784	36,313
Total staff costs	**28,484**	37,013
Auditor's remuneration	**710**	710
Depreciation of plant and equipment	**851**	1,347
Exchange loss	**2,018**	—
(Reversal of allowance) allowance for inventories (included in cost of sales)	**(320)**	825
Amount of inventories recognised as an expense	**11,909**	15,984
Bad debts written off (included in administrative expenses)	**—**	303
Loss on write-off of plant and equipment	**296**	109
Operating leases rentals in respect of rented premises	**7,471**	8,273

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the seven (2018: eight) directors and the 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 subsidiaries undertaking				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Employer's contributions to retirement benefits schemes HK$'000	Total HK$'000
Year ended 31 March 2019					
Executive director					
Mr. Cheung King Fung Sunny	—	324	—	16	340
Non-executive directors					
Mr. Cheung King Chuen Bobby	—	—	—	—	—
Mr. Cheung King Shan	—	—	—	—	—
Mr. Cheung King Shek	—	—	—	—	—
Independent non-executive directors					
Mr. Fong Ping	120	—	—	—	120
Ms. Kwok Yuen Man Marisa	120	—	—	—	120
Mr. Tso Ka Yi	120	—	—	—	120
Total	360	324	—	16	700

14. DIRECTORS', CHIEF EXECUTIVE'S 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 subsidiaries undertaking				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Employer's contributions to retirement benefits schemes HK$'000	Total HK$'000
Year ended 31 March 2018					
Executive director					
Mr. Cheung King Fung Sunny	—	324	—	16	340
Non-executive directors					
Mr. Cheung King Chuen Bobby	—	—	—	—	—
Mr. Cheung King Shan	—	—	—	—	—
Mr. Cheung King Shek	—	—	—	—	—
Independent non-executive directors					
Mr. Chu Kin Wang Peleus (Resigned on 27 December 2017)	120	—	—	—	120
Mr. Fong Ping	120	—	—	—	120
Ms. Kwok Yuen Man Marisa	120	—	—	—	120
Mr. Tso Ka Yi (Appointed on 15 January 2018)	—	—	—	—	—
Total	360	324	—	16	700

Note:

Mr. Cheung King Fung Sunny has been appointed as the chief executive of the Company on 11 August 2014 and his emoluments disclosed above include those for services rendered by him as the chief executive for the years ended 31 March 2019 and 2018.

Neither the chief executive nor any of the directors of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 March 2019 and 2018. No emoluments were paid or payable by the Group to the chief executive nor any of the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2019 and 2018.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none of them (2018: none) were the directors and chief executive of the Company. The emoluments of the five (2018: five) individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	3,268	2,940
Employer's contributions to retirement benefits schemes	89	88
Equity-settled share option expenses	—	5
	3,357	3,033

Their emoluments were within the following bands:

	2019 No. of employees	2018 No. of employees
Nil to HK$1,000,000	4	4
HK$1,000,001 — HK$1,500,000	1	1
	5	5

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

15. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year:		
2017/18 first interim dividend of HK$0.01 per share	—	1,281
2017/18 second interim dividend of HK$0.02 per share	—	2,564
2017/18 third interim dividend of HK$0.02 per share	—	2,564
2017/18 fourth interim dividend of HK$0.05 per share	**6,411**	—
2018/19 first interim dividend of HK$0.02 per share	**2,565**	—
2018/19 second interim dividend of HK$0.01 per share	**1,283**	—
2018/19 third interim dividend of HK$0.01 per share	**1,283**	—
	11,542	6,409

Subsequent to the end of the report period, the fourth interim dividend of HK$0.03 per share in respect of the year ended 31 March 2019 has been declared by the directors of the Company.

16. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	**9,402**	25,270

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**128,265,507**	128,121,342
Effect of dilutive potential ordinary shares: Share options	**393,270**	167,736
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**128,658,777**	128,289,078

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options granted on 7 July 2015 as the exercise price of those share options was higher than the average market price for the shares for both years.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Machinery HK$'000	Computers HK$'000	Total HK$'000
COST						
At 1 April 2017	10,205	4,290	2,291	6,279	4,506	27,571
Exchange realignment	(2)	—	—	—	2	—
Additions	197	80	17	—	358	652
Written off	(928)	(4)	—	—	(53)	(985)
At 31 March 2018 and 1 April 2018	9,472	4,366	2,308	6,279	4,813	27,238
Exchange realignment	(1)	(1)	(1)	—	(2)	(5)
Written off	(2,213)	(53)	(75)	—	(169)	(2,510)
At 31 March 2019	**7,258**	**4,312**	**2,232**	**6,279**	**4,642**	**24,723**
ACCUMULATED DEPRECIATION						
At 1 April 2017	8,936	4,013	2,016	6,279	3,723	24,967
Exchange realignment	(1)	—	(1)	—	3	1
Provided for the year	709	156	123	—	359	1,347
Eliminated on written off	(822)	(4)	—	—	(50)	(876)
At 31 March 2018 and 1 April 2018	8,822	4,165	2,138	6,279	4,035	25,439
Exchange realignment	(1)	(1)	(1)	—	(1)	(4)
Provided for the year	341	82	85	—	343	851
Eliminated on written off	(1,935)	(52)	(67)	—	(160)	(2,214)
At 31 March 2019	**7,227**	**4,194**	**2,155**	**6,279**	**4,217**	**24,072**
CARRYING VALUES						
At 31 March 2019	**31**	**118**	**77**	—	**425**	**651**
At 31 March 2018	650	201	170	—	778	1,799

17. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvements	Over the shorter of the lease term or 5 years
Office equipment	5 years
Furniture and fixtures	5 years
Machinery	5 years
Computers	3–5 years

18. INVENTORIES

	2019 HK$'000	2018 HK$'000
Merchandises	**1,294**	1,715

During the year ended 31 March 2019, certain impaired inventories were sold at a gross profit. As a result, a reversal of write-down of merchandises of approximately HK$320,000 has been recognised and included in cost of sales.

19. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**7,657**	13,324
Other receivables	**245**	347
Deposits	**4,855**	5,157
Prepayments	**164**	124
	12,921	18,952

The Group does not hold any collateral over these balances.

As at 31 March 2019, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK$7,657,000 (2018: HK$13,324,000).

The Group grants an average credit period of 30 days to 60 days to its trade customers.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The following was an aged analysis of trade receivables presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2019 HK$'000	2018 HK$'000
Within 30 days	**3,317**	6,741
31 to 60 days	**4,107**	6,237
61 to 90 days	**6**	6
91 to 120 days	**193**	59
Over 120 days	**34**	281
	7,657	13,324

The aged analysis of trade receivables that were past due as at the end of the reporting period but not impaired was as follows:

	2018 HK$'000
Past due for:	
31 to 60 days	4,321
61 to 90 days	6
91 to 120 days	59
Over 120 days	281
	4,667
Neither past due nor impaired	8,657
Total	13,324

As at 31 March 2018, the Group has not provided for any impairment loss for the above balances as there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

The Group performs ongoing credit evaluations of its customers and credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers.

Before the application of HKFRS 9 on 1 April 2018, the Group has policy regarding impairment losses on trade receivables. The Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

19. TRADE AND OTHER RECEIVABLES (Continued)

Starting from 1 April 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are assessed by using a provision matrix based on the credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the ECL rates.

The Group's lifetime ECL for trade receivables based on the ageing of customers.

	Weighted average expected loss rate %	Gross carrying amount HK$'000
Within 30 days	*	3,317
31 to 60 days	*	4,107
61 to 90 days	*	6
91 to 120 days	*	193
Over 120 days	*	34
		7,657

* The weighted average expected loss rate is immaterial.

Directors of the Company consider the ECL of trade receivables is insignifant, therefore no loss allowance on trade receivables was recognised as at 31 March 2019.

The assessments on ECL of other receivables and deposits are set out in note 6(b).

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 HK$'000	2018 HK$'000
US$	5,277	7,231

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$201,000 (2018: HK$8,521,000) have been pledged to secure short-term bank overdrafts and letter of credit and are therefore classified as current assets.

Bank balances carried interest at market rates ranged from 0.01% to 4.51% (2018: 0.01% to 0.35%) per annum. The pledged bank deposits carried interest at fixed rates ranged from 0.01% to 3.10% (2018: 0.02% to 3.10%) per annum.

The Group's pledged bank deposits and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 **HK$'000**	2018 HK$'000
Pledged bank deposits and bank balances and cash		
US$	**13,299**	7,643
RMB	**31,605**	32,134

21. TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables	**2,738**	2,736
Accrued expenses and other payables	**2,539**	4,729
Total	**5,277**	7,465

The average credit period on purchases of goods ranged from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within credit timeframe.

The following was the aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**1,022**	1,022
31 to 60 days	**107**	51
61 to 90 days	**—**	54
Over 90 days	**1,609**	1,609
	2,738	2,736

21. TRADE AND OTHER PAYABLES (Continued)

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 HK$'000	2018 HK$'000
US$	**1,037**	670
JPY	**153**	153
RMB	**—**	95

22. 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 each reporting period.

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

— Interest risk — A decrease in the bond interest rate will increase the plan 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 as at 31 March 2018 and 2019 by Asset Appraisal Limited, an independent qualified valuer. The present value of the defined benefit obligation, and the related service cost, were measured using the projected unit credit method.

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

	2019 HK$'000	2018 HK$'000
At 1 April	**91**	—
Charged to profit or loss	**37**	166
Actuarial losses recognised in other comprehensive expense	**75**	87
Paid during the year	**(203)**	(162)
At 31 March	**—**	91

22. LONG SERVICE PAYMENT OBLIGATIONS *(Continued)*

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

	2019 HK$'000	2018 HK$'000
At 1 April	**91**	—
Current service cost	**37**	166
Remeasurement losses:		
Actuarial losses recognised in other comprehensive expense	**75**	87
Benefit paid during the year	**(203)**	(162)
At 31 March	**—**	91

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	**37**	166
Components of defined benefit costs recognised in profit or loss (included in staff costs)	**37**	166

Remeasurement on the net defined benefit liability

	2019 HK$'000	2018 HK$'000
Actuarial losses arising from changes in financial assumptions	**75**	87
Components of defined benefit costs recognised in other comprehensive expense	**75**	87

22. LONG SERVICE PAYMENT OBLIGATIONS *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
Cumulative amount of actuarial gains at the beginning of the year	**(245)**	(332)
Net actuarial losses during the year	**75**	87
Cumulative amount of actuarial gains at the end of the year	**(170)**	(245)

At 31 March 2019 and 2018, the amount is calculated based on the principal assumptions stated as below:

	2019	2018
Annual salary increment	**4.13%**	4.69%
Annual turnover rate	**16.06% to 54.71%**	18.51% to 53.55%
MPF return rate	**3.20%**	4.80%
Discount rate	**1.35% to 1.44%**	1.2% to 2.0%

The principal assumptions used for the determination of the long service payment obligations are MPF return rate and annual salary increment.

In the opinions of the directors of the Company, the expected change in the principal assumptions will not have significant impact on the long service payment obligations for the years ended 31 March 2019 and 2018. Hence, no sensitivity analysis is presented.

23. DEFERRED TAX ASSET

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

	Accelerated accounting depreciation
	HK$'000
At 1 April 2017	765
Credited to profit or loss *(Note 12)*	44
At 31 March 2018 and 1 April 2018	809
Credited to profit or loss *(Note 12)*	(223)
At 31 March 2019	586

24. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2017	128,002,000	12,800
Issue of shares upon exercise of share options *(Note a)*	200,000	20
At 31 March 2018 and 1 April 2018	128,202,000	12,820
Issue of shares upon exercise of share options *(Note b)*	140,000	14
At 31 March 2019	128,342,000	12,834

Notes:

(a) On 18 July 2017, 18 August 2017 and 16 March 2018, 120,000, 60,000 and 20,000 ordinary shares respectively of HK$0.1 each were issued at a price of HK$1.78 per share upon the exercise of share options granted on 6 July 2017. The total consideration was approximately HK$356,000 and resulted in the net increase in share capital and share premium of approximately HK$20,000 and HK$344,000 respectively. The share options reserve has been decreased by approximately HK$8,000 and was transferred to share premium account.

(b) On 15 June 2018, 18 July 2018, 26 September 2018, 16 November 2018 and 18 March 2019, 20,000, 20,000, 40,000, 40,000 and 20,000 ordinary shares respectively of HK$0.1 each were issued at a price of HK$1.78 per share upon the exercise of share options granted on 6 July 2017. The total consideration was approximately HK$249,000 and resulted in the net increase in share capital and share premium of approximately HK$14,000 and HK$241,000 respectively. The share options reserve has been decreased by approximately HK$6,000 and was transferred to share premium account.

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

25. OPERATING LEASES COMMITMENT

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	**328**	1,800

The Group leases certain of its office premises and service outlets under operating lease arrangements. Leases are negotiated for a term of one (2018: one to two) year with fixed rentals as at the end of each reporting period.

26. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

Hong Kong

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 mandatory contributions from each of the employer and employees are subject to a cap of HK$1,500 per month.

During the year ended 31 March 2019, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK$1,230,000 (2018: HK$1,568,000) .

PRC

As stipulated by the rules and regulations in the PRC, the Group maintains defined contribution retirement plans for its employees of the subsidiary in the PRC. The Group contributes to a state-managed retirement plan at a range from 14.9% to 16.2% (2019: nil) of the basic salary of its employees, and has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions as at 31 March 2018. The state-managed retirement plan is responsible for the entire pension obligations payable to retired employees.

During the year ended 31 March 2018, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK$21,000 (2019: nil).

Macau

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.

During the year ended 31 March 2019, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK$2,000 (2018: HK$4,000).

27. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of the Company passed on 2 May 2013 for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses, providing additional incentives to the qualifying grantees, and promoting the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, consultants, business partners or other eligible person as stated in the Share Option Scheme, to subscribe for shares in the Company.

27. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company *(Continued)*

The total number of shares in respect of which options may be granted under the Share Option 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 during any 12-month period, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by 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 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.

On 6 July 2017, the Company offered an aggregate of 2,560,000 share options to the employees of the Company, to subscribe, in aggregate, for up to 2,560,000 ordinary shares of HK$0.1 each of the share capital of the Company under the Share Option Scheme.

As at 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 780,000 (2018: 2,120,000), representing approximately 0.61% (2018: 1.65%) of the ordinary shares in issue at that date.

The following table discloses movements of the Company's share options held by employees during the year:

		Number of share options						
Category of participant	Date of grant	Outstanding at 1 April 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2019	Exercisable period	Exercise price per option
Employees	7 July 2015	740,000	—	(740,000)	—	—	7 July 2015 to 6 July 2018	HK$2.59
Employees	6 July 2017	1,380,000	—	(460,000)	(140,000)	780,000	6 July 2017 to 5 July 2019	HK$1.78
Total		2,120,000	—	(1,200,000)	(140,000)	780,000		
Exercisable at the end of the year						780,000		
Weighted average exercise price (HK$)		2.06	—	2.28	1.78	1.78		

27. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company *(Continued)*

The following table discloses movements of the Company's share options held by employees in prior year:

		Number of share options						
Category of participant	Date of grant	Outstanding at 1 April 2017	Granted during the year *(Note)*	Lapsed during the year	Exercise during the year	Outstanding at 31 March 2018	Exercisable period	Exercise price per option
Employees	7 July 2015	800,000	—	(60,000)	—	740,000	7 July 2015 to 6 July 2018	HK$2.59
Employees	6 July 2017	—	1,640,000	(60,000)	(200,000)	1,380,000	6 July 2017 to 5 July 2019	HK$1.78
Total		800,000	1,640,000	(120,000)	(200,000)	2,120,000		
Exercisable at the end of the year						2,120,000		
Weighted average exercise price (HK$)		2.59	1.78	2.19	1.78	2.06		

Note: The number of share options granted during the year ended 31 March 2018 excluded 920,000 share options that were not accepted by the employees at the date of grant.

In respect of the share option exercised during the year ended 31 March 2019, the weighted average share price at the date of exercise is HK$2.95 (2018: HK$2.26).

Share-based payment expenses of approximately HK$69,000 (2019: nil) were recognised by the Group for the year ended 31 March 2018 in relation to share options granted by the Company.

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

	Options granted on 6 July 2017
Share price at date of grant on 6 July 2017	HK$1.75
Exercise price	HK$1.78
Expected volatility	48.24%
Expected life	2 years
Risk-free rate	0.91%
Expected dividend yield	6.01%
Exit rate	22.81%
Estimated fair value per option	HK$0.042

Expected volatility was determined by using the historical volatility of the share price of certain companies in the similar industry over the previous years.

28. RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Group had the following material transactions and balances with related parties during the years:

Name of company	Nature of transactions	*Notes*	**2019 HK$'000**	2018 HK$'000
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	*(i) & (iii)*	**738**	676
Oceanic Rich Limited	Rental expenses paid thereto	*(ii) & (iii)*	**3,611**	3,315
Glossy Enterprises Limited	Rental expenses paid thereto	*(ii) & (iii)*	**619**	525
Glossy Investment Limited	Rental expenses paid thereto	*(ii) & (iii)*	**2,083**	2,660
H.K. Magnetronic Company Limited	Rental expenses paid thereto	*(ii) & (iii)*	**92**	165
Marina Trading Inc.	Rental expenses paid thereto	*(ii) & (iii)*	**—**	39
Telecom Digital Services Limited ("TDS")	Rental expenses paid thereto	*(ii) & (iii)*	**—**	502
	Consignment fee paid thereto	*(i) & (iii)*	**565**	734
Radiotex International Limited	Purchase return of goods thereto	*(i) & (iii)*	**—**	1,588
Telecom Digital Data Limited ("TDD")	Received repairing service income therefrom	*(i) & (iii)*	**3,910**	3,561
Distribution One Limited	Purchases of goods thereto	*(i) & (iii)*	**—**	57
Telecom (Macau) Limited ("TML")	Received repairing service income therefrom	*(i) & (iii)*	**8**	15

28. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) *(Continued)*

Details of amounts due from related companies are as follows:

	Notes	2019 HK$'000	2018 HK$'000	Maximum amount outstanding during the year ended 31 March 2019 HK$'000	Maximum amount outstanding during the year ended 31 March 2018 HK$'000
Related companies					
TDD	*(iii) & (iv)*	**396**	217	**888**	2,387
TDS	*(iii) & (iv)*	**32**	78	**524**	473
TML	*(iii) & (iv)*	**—**	1	**6**	3
		428	296		

Notes:

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

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

(iii) Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen, Bobby and Mr. Cheung King Fung, Sunny, the directors of the Company have beneficial interests in the companies.

(iv) The amounts were arisen from normal sales and purchase transactions. The amounts are unsecured, interest-free and expected to be settled according to their respective credit terms which are similar to those with third parties.

(b) The amounts due to related companies were arisen from normal sales and purchase transactions. The amounts were unsecured, interest-free and repayable on demand. The directors of the Company have beneficial interests in these related companies.

(c) Banking facilities

During the year ended 31 March 2019, the Company has provided guarantee to the banks in respect of the banking facilities of HK$200,000 (2018: HK$9,349,000) granted to its subsidiary.

As at 31 March 2019, the unutilised banking facilities guaranteed by the Company were HK$200,000 (2018: HK$9,349,000).

(d) Operating leases commitment

At the end of the reporting period as disclosed in note 25, the Group had commitment for future minimum lease payments to certain related parties of approximately HK$328,000 (2018: HK$730,000) under non-cancellable operating leases which fall due within one year.

28. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(e) Compensation of key management personnel

The remuneration of key management during the year was as follow:

	2019 HK$'000	2018 HK$'000
Short-term benefits	**3,952**	3,624
Post-employment benefits	**105**	105
Share-based payment expenses	**—**	5
	4,057	3,734

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

29. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's consolidated statement of financial position.

As at 31 March 2019 and 2018, the Group has a currently legally enforceable right to set off the trade receivables from its customers and the trade payables to the same counterparties that are due to be settled on the same date and the Group intended to settle these balances on a net basis.

	Gross amounts of recognised financial assets HK$'000	**Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position** HK$'000	**Net amounts of financial assets presented in the consolidated statement of financial position** HK$'000	**Amounts without offset arrangement presented at gross in the consolidated statement of financial position** HK$'000	**Net amount** HK$'000
As at 31 March 2019					
Trade and other receivables	**13,409**	**(488)**	**12,921**	**(12,545)**	**376**
As at 31 March 2018					
Trade and other receivables	19,957	(1,005)	18,952	(17,353)	1,599

29. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING *(Continued)*

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Amounts without offset arrangement presented at gross in the consolidated statement of financial position HK$'000	Net amount HK$'000
As at 31 March 2019					
Trade and other payables	**(5,765)**	**488**	**(5,277)**	**5,277**	**—**
As at 31 March 2018					
Trade and other payables	(8,470)	1,005	(7,465)	7,465	—

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. 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 2017 HK$'000	Financing cash flows HK$'000	31 March 2018 HK$'000
Bank borrowings	240	(240)	—

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current asset			
Investment in a subsidiary	*(a)*	**17,338**	17,338
Current assets			
Other receivables and prepayments		**116**	82
Amount due from a subsidiary	*(b)*	**103,952**	92,410
Tax recoverable		**510**	—
Bank balances and cash		**73,894**	67,184
		178,472	159,676
Current liabilities			
Other payables		**395**	2,237
Amount due to a subsidiary	*(b)*	**123,057**	104,937
		123,452	107,174
Net current assets		**55,020**	52,502
Net assets		**72,358**	69,840
Capital and reserves			
Share capital		**12,834**	12,820
Reserves	*(c)*	**59,524**	57,020
Total equity		**72,358**	69,840

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) As at 31 March 2019, the carrying amount of investment in a subsidiary was approximately HK$17,338,000 (2018: HK$17,338,000), net of accumulated impairment loss of approximately HK$4,879,000 (2018: HK$4,879,000).

(b) The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

(c) **Reserves**

	Share premium	**Other reserve**	**Share options reserve**	**Retained Profits/ (Accumulated losses)**	**Total**
	HK$'000	HK$'000 *(Note i)*	HK$'000	HK$'000	HK$'000
At 1 April 2017	36,315	21,533	456	(4,618)	53,686
Profit for the year and total comprehensive income for the year	—	—	—	9,338	9,338
Recognition of equity-settled share based payments *(Note 27)*	—	—	69	—	69
Payment of dividends *(Note 15)*	—	—	—	(6,409)	(6,409)
Lapse of share options *(Note 27)*	—	—	(37)	37	—
Issue of shares upon exercise of share options *(Note 24)*	344	—	(8)	—	336
At 31 March 2018 and 1 April 2018	36,659	21,533	480	(1,652)	57,020
Profit for the year and total comprehensive income for the year	—	—	—	13,811	13,811
Payment of dividends *(Note 15)*	—	—	—	(11,542)	(11,542)
Lapse of share options *(Note 27)*	—	—	(441)	441	—
Issue of shares upon exercise of share options *(Note 24)*	241	—	(6)	—	235
At 31 March 2019	36,900	21,533	33	1,058	59,524

Note:

(i) Other reserve represents the difference between the nominal value of the shares issued for the acquisition of TSO BVI and the consolidated net asset values of TSO BVI and its subsidiaries at the date of acquisition.

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/registered capital	Percentage of equity interest attributable to the Company and proportion of voting power held by the Company				Principal activities
			2019		2018		
			Direct	Indirect	Direct	Indirect	
TSO BVI	BVI	US$1,000 (2018: US$1,000)	100%	—	100%	—	Investment holding
Telecom Service One Limited	Hong Kong	HK$1,000 (2018: HK$1,000)	—	100%	—	100%	Provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories
深圳市電訊首科電子維修有限公司	PRC	HK$3,000,000 (2018: HK$3,000,000)	—	100%	—	100%	Provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories
Telecom Service One (Macau) Limited	Macau	MOP100,000 (2018: MOP100,000)	—	100%	—	100%	Provision of mobile phone repair services

None of the subsidiaries had issued any debt securities during both years or the end of both years.

Five Years Financial Summary

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**65,992**	99,295	105,445	122,494	126,415
Cost of sales	**(36,318)**	(49,007)	(54,826)	(68,102)	(67,265)
Gross profit	**29,674**	50,288	50,619	54,392	59,150
Other income	**3,870**	5,110	2,101	2,747	2,308
Other operating expenses, net	**(8,418)**	(9,968)	(10,316)	(14,655)	(15,250)
Administrative expenses	**(14,023)**	(15,906)	(14,871)	(15,281)	(16,315)
Finance costs	**—**	(1)	(140)	(285)	(170)
Profit before tax	**11,103**	29,523	27,393	26,918	29,723
Income tax expense	**(1,701)**	(4,253)	(4,743)	(4,537)	(5,243)
Profit for the year	**9,402**	25,270	22,650	22,381	24,480
Other comprehensive income (expense)					
Items that will not be reclassified to profit or loss:					
Remeasurement of long service payment obligations	**(75)**	(87)	44	32	28
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	**(10)**	3	(63)	(40)	—
Other comprehensive (expense) income for the year	**(85)**	(84)	(19)	(8)	28
Total comprehensive income for the year	**9,317**	25,186	22,631	22,373	24,508
Earnings per share (HK$)					
Basic	**0.0733**	0.1972	0.186	0.186	0.204
Diluted	**0.0731**	0.1970	0.182	0.183	0.203
ASSETS AND LIABILITIES					
Total assets	**106,467**	110,671	92,218	81,151	82,974
Total liabilities	**(5,381)**	(7,609)	(8,358)	(27,024)	(27,834)
	101,086	103,062	83,860	54,127	55,140
Equity attributable to owners of the Company	**101,086**	103,062	83,860	54,127	55,140