Telecom Service One Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3997

Annual Report

2020/21

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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

Second Floor, Century Yard,
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2, 2/F,
Shun Fat Industrial Building,
No.17 Wang Hoi Road,
Kowloon Bay, Kowloon,
Hong Kong

PRINCIPAL BANKERS

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard,
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103,
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 annual results of Telecom Service One Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2021.

RESULTS

In the past year, the Group's business performance has remained stable when compared with the preceding financial year, as reflected by revenue of approximately HK$38,350,000 (2020: HK$44,324,000), gross profit of approximately HK$15,325,000 (2020: HK$16,721,000) and net profit of approximately HK$9,573,000 (2020: HK$2,507,000). The increase in net profit was mainly attributed to the support from the Hong Kong Government by way of COVID-19 related subsidy.

BUSINESS REVIEW

During the review year, the Company engaged in the repair and refurbishment of consumer electronic devices — its principal business activity, for corporate customers, telecommunications services providers and global services companies, all of which constitute its customer base.

Both the global economy and business environment have continued to be weighed down by the COVID-19 pandemic, which has transformed the lives and habits of people around the world. With the rise of work-from-home and study-from-home practices, the use of electronic and mobile devices has increased significantly, which in turn has led to greater demand for repair and refurbishment services. We have strived to cater for this demand by enhancing service quality and by providing more value added services. A reflection of such efforts include the launch of a screen protection programme that covers the monitors of mobile devices. The programme has been well received by customer, thus encouraging us to examine the feasibility of expanding coverage of the programme to other components.

OUTLOOK

In the upcoming financial year, we will continue to diversify the Group's operations, which will include examining various business avenues and investment opportunities. Already, we have acquired equity linked fixed coupon notes (the "FCNs") as a means of earning additional income. While the Group is in a healthy liquidity position, we nevertheless believe that the FCNs have an attractive coupon rate which can facilitate the Group to earn extra income. It is worth noting as well that the Group will acquire properties in Kowloon with a view to further enhance income and cash flow. Located in Ginza Plaza, a gross floor area of approximately 4,357 sq. ft. will be acquired at a consideration of HK$54,400,000. We have in fact been operating a repair centre at the properties since 2007, hence we believe that the acquisition will be beneficial in terms of reducing rental expenses; bolstering our presence at a prime location, and thus also instil confidence among the Group's corporate customers; and enhancing the Group's income stream through tenancy at certain part of the properties.

Going forward, we will also continue to raise our service quality and operational efficiency by bringing together external and internal resources, the synergies from which will also boost our core competitiveness.

APPRECIATION

At this time, I would like to extend my gratitude to my fellow directors, management team and all our staff for their diligence and contributions to the Group over the past year. I wish to also thank our customers, business partners, suppliers and shareholders for their unwavering support of Telecom Service One.

Cheung King Shek
Chairman and Non-Executive Director
Hong Kong, 24 June 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

OPERATION OVERVIEW

In 2020, the Group witnessed the disruptive impacts of COVID-19 that swept across the globe. Hong Kong endured waves of the viral attack and the business environment had never been more challenging. Pandemic-related travel restrictions and social distancing measures continued to seriously affect our business, making the operating environment more difficult and challenging for the Group.

However, the pandemic also brought opportunities. It has sped up digital transformation and consumers have become more willing to adopt new technologies. Remote working and stay home measures have pushed up usage of mobile phones and other electronic devices, and correspondingly drive repair and refurbishment services demand.

The Group also took the opportunity to launch initiatives to reduce cost and improve productivity aiming to attain and heighten operational excellence and efficiency. To further reduce operating expenses and enhance efficiency, it tightened cost control measures involving all staff members as well as across the entire workflow. These included streamlining the organisation to enhance productivity, identifying inefficiencies and tightening work processes and procedures to improve operational excellence. These initiatives bore fruit during the year and, with them in place, the Group expects to see recurring savings in the future. The Group will have room to better allocate and redeploy resources to buttress its core business edges conducive to it maintaining industry leadership.

FUTURE PROSPECTS

Looking forward, the Group will continue to enhance service quality by providing training to its professional team and explore opportunities to offer different kinds of value-added services that can better address customer needs. We will also continue to diversify business and explore other business or investment opportunities, including low-risk financial products that promise stable returns, thereby expand the Group's income sources and bring greater and sustainable returns to shareholders.

APPRECIATION

As the Chief Executive Officer of the Group, I would like to take this opportunity express my appreciation to the management team and all members of the Telecom Service One team for their commitment and contribution to the Group in the past year. My gratitude also goes to our customers, business partners, suppliers and shareholders for their continuous support, which is crucial to the Group's long term development.

Cheung King Fung Sunny
Chief Executive Officer and Executive Director
Hong Kong, 24 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Smartphone shipments returned to positive growth in the fourth quarter of 2020 amid the COVID-19 pandemic and, according to IDC forecast, smartphone shipments will see a 5.5% growth in 2021, a healthy jump from 5.9% decline in last year. Pent-up demand, continued supply push on 5G, aggressive promotions and the popularity of low-to mid-priced phones were factors contributing to the shipment rebound. Alongside increasing smartphone shipment, the consumer electronic device market has also enlarged, a phenomenon favourable to the repairing industry.

However, the market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is intensely competitive. For the Group, backed by a professional technical team and boasting close relationships with customers, it believes through continuously enhancing operational efficiency and service quality, as well as providing value-added service, it will be able to maintain its market share and leadership.

BUSINESS REVIEW

The Group has been providing repair and refurbishment services for mobile phones and consumer electronic devices in Hong Kong in the past decade, serving including corporate customers, telecommunication services providers and global services companies. With the effective cost saving strategies and the Government subsidy to enterprises to cope with the challenging pandemic-stricken operating environment, the Group's net profit for the year ended 31 March 2021 increased by approximately 281.9% to approximately HK$9.57 million.

Apart from maintaining the good health of its core business, the Group also strived to provide value-added services to attract more customers and expand market share. The newly launched mobile phone screen protection programme has been well-received by customers because of the heavy usage and rising retail prices of mobile phones.

FINANCIAL REVIEW

Revenue

The Group's revenue comprises repairing service income and income from sales of accessories and provision of supportive services. Repairing service income for the year ended 31 March 2021 was approximately HK$34,105,000 (2020: HK$42,299,000), representing a decrease of approximately 19.4% over the previous year. The decrease in repairing service income was mainly due to a decrease in repair jobs. Revenue from sales of accessories and provision of supportive services for the year ended 31 March 2021 increased approximately 109.6% to approximately HK$4,245,000 as compared with approximately HK$2,025,000 in the previous year. The increase was mainly due to the net revenue generated from the mobile phone screen protection programme.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year ended 31 March 2021, cost of sales decreased by approximately 16.6% to approximately HK$23,025,000 from approximately HK$27,603,000. 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$7,240,000 (2020: HK$11,322,000), representing a decrease of approximately 36.1% from that of the previous year. The decrease was in line with the decrease in repair jobs.

Direct labour cost for the year ended 31 March 2021 was approximately HK$15,785,000 (2020: HK$16,281,000), representing a decrease of approximately 3.0%. The decrease was mainly due to streamline manpower resources.

Other Income

Other income for the year was approximately HK$9,341,000 (2020: HK$2,591,000). Other income mainly comprised of management fee income, consignment goods handling income, storage income, exchange gain and bank interest income. The increase was mainly due to an exchange gain on an approximately RMB28 million fixed deposit and government grants from the COVID-19 relief measures.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2021 were approximately HK$6,155,000 (2020: HK$4,388,000), representing an increase of approximately 40.3% over the previous year. The increase was mainly caused by the increase in direct cost incurred for mobile phone screen protection programme.

Administrative expenses for the year ended 31 March 2021 was approximately HK$8,661,000 (2020: HK$12,126,000), representing a decrease of approximately 28.6%. The decrease was mainly due to decrease in rental and related expenses for relocation of office.

Income Tax Expense

Income tax for the year ended 31 March 2021 was approximately HK$229,000 (2020: HK$286,000), representing a decrease of approximately 19.9%.

Profit for the Year

Profit for the year ended 31 March 2021 was approximately HK$9,573,000 (2020: HK$2,507,000), representing an increase of approximately 281.9% as compared to the previous year. The increase was primarily due to effective cost saving, exchange gain on RMB fixed deposit and the receipt of government grants in respect of COVID-19 related subsidies.

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 2021.

Liquidity and Financial Resources

As at 31 March 2021, the Group had current assets of approximately HK$98,043,000 (2020: HK$100,064,000) and current liabilities of approximately HK$3,735,000 (2020: HK$5,433,000).

As at 31 March 2021, the Group has no borrowings (2020: HK$40,000). The Group has a current ratio of approximately 26.2 as at 31 March 2021 comparing to that of approximately 18.4 as at 31 March 2020.

At present, the Group generally finances its operations with internally generated cash flows. Net cash generated from operating activities for the year was approximately HK$6,004,000. Net cash from investing activities was approximately HK$754,000.

The Group maintained a healthy liquidity position as at 31 March 2021. The Group had cash and cash equivalents of approximately HK$89,728,000 as at 31 March 2021 (2020: HK$90,037,000). 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 2021, the Group had no bank borrowings and unutilised banking facilities of approximately HK$201,000 available for further drawdown should it have any further capital needs.

Contingent Liabilities

As at 31 March 2021, the Group has no material contingent liabilities (2020: nil).

Foreign Currency Risk

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.

Event After Reporting Period

On 25 May 2021, the Group entered into a provisional sale and purchase agreement with a company, which is indirectly wholly-owned by the Cheung Family Trust (the "Vendor") and the Group conditionally agreed to purchase and the Vendor conditionally agreed to sell the properties at the consideration of HK$54,400,000.

On 28 April 2021, 29 April 2021, 4 May 2021 and 11 May 2021, the Group acquired five equity linked fixed coupon notes ("FCNs") for a total principal amount of HK$29,000,000. The FCNs are non-guaranteed products, and their returns are linked to (i) a single underlying share or (ii) a basket of underlying shares. The FCNs carry coupon rates at 12% p.a.

Capital Commitments

As at 31 March 2021, the Group did not have any significant capital commitments (2020: nil).

Dividend

	Year ended 31 March			
	2021		2020	
	HK$ per share	**HK$'000 (audited)**	HK$ per share	HK$'000 (audited)
Dividends recognised as distribution during the year:				
2018/19 fourth interim dividend	—	—	0.03	3.850
2019/20 first interim dividend	—	—	0.01	1.283
2019/20 second interim dividend	—	—	0.01	1.283
2019/20 third interim dividend	—	—	0.01	1.284
2019/20 fourth interim dividend	**0.02**	**2,567**	—	—
2020/21 first interim dividend	**0.02**	**2,567**	—	—
2020/21 second interim dividend	**0.03**	**3,850**	—	—
2020/21 third interim dividend	**0.01**	**1,283**	—	—
		10,267		7,700

At a meeting held on 24 June 2021, the Board declared the fourth interim dividend of HK$0.02 per share for the year ended 31 March 2021 (2020: HK$0.02 per share).

Capital Structure

There was no change in the capital structure during the year ended 31 March 2021.

The capital structure of the Group consists of bank balances and cash and equity attributable to owners of the Company, 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 2021, 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 2021, the Group employed 59 (2020: 68) 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

Looking ahead, the Group will continue to improve service quality and, by integrating external and internal resources, enhance operational efficiency and fortify its core competitiveness. Apart from growing its core business, the Group will also continue to explore other business or investment opportunities, aiming to diversify business. In a healthy liquidity position, the Group recently acquired equity linked fixed coupon notes so as to earn extra income. The fixed coupon notes, it believes, have an attractive coupon rate and the available funds can be used to maximise possible returns for the Company.

To strengthen its income and cash flow, in May 2021, the Group entered into a provisional sale and purchase agreement to purchase properties in Ginza Plaza (the "Properties") of total gross floor area about 4,357 square feet at a consideration of HK$54,400,000. Since the Group has had its repair centres at most of the Properties since 2007, acquiring them will help reducing rental expenses of the Group in the long run, saving also time and cost for it to find and renovate new premises, and also secure presence at prime locations. At the same time, with the units of the Properties not used by the Group to be leased out, the Group will earn rental income. The Group will continue to review and explore various investment opportunities so as to bring maximum and sustainable returns to shareholders in the future.

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 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. Upon completion of the acquisition of the Properties, the net proceeds will be fully utilised.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Cheung King Shek, aged 69, 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 of Hong Kong Limited (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 40 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 62, 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 62, 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, human resources and special and ad hoc projects. 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 PRC projects. Mr. Cheung King Chuen Bobby obtained a bachelor degree in art in urban planning studies and a postgraduate diploma in urban planning implementation from the University of Westminster in London in 1983 and 1984 respectively. He is a standing committee member of Chinese People's Political 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 53, 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 and appointed as its chief executive officer on 8 September 2015. He joined TDHL group in 1990 and is primarily responsible for overseeing the financial management, sales and marketing and special ad hoc projects, and played a major role in the growth of the sales volume and customer base of TDHL group. Mr. Cheung King Fung Sunny graduated from the University of Western Ontario in Canada with a bachelor's degree in administrative and commercial studies in October 1990. 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 71, 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 33 years of experience in garment and fashion industries. Mr. Fong is appointed as a member of the standing committee on Young Offenders, a sub-committee of the Fight Crime Committee on 1 August 2020. He is also a member of Appeal Board established under the Betting Duty Ordinance since 1 April 2020. 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 66, 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 32 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 57, 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 was a director of Mandarin Kopitiam Management Limited, a company focuses on the franchise business of a Singaporean famous kopitiam brand "Killiney" in Hong Kong for the period from August 2016 to December 2021.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 47, 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 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 REPORT

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders (the "Shareholders"), customers and employees of the Company. The 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 2021, 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 2021, 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 11 to 13 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 2021, 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 2021, 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 2021, 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 2021:

(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 2021:

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

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

(c) considered the distribution of discretionary bonus to certain Directors; and

(d) 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 48 to 50 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 2021:

(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;

(d) reviewed the board diversity policy of the Company; and

(e) reviewed and discussed the nomination 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 2021 are as follows:

		Board Committees			2020 Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
No. of meetings held during the year	4	4	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	1/1
Independent Non-executive Directors					
Mr. Fong Ping	4/4	4/4	2/2	1/1	0/1
Ms. Kwok Yuen Man Marisa	4/4	4/4	2/2	1/1	1/1
Mr. Tso Ka Yi	4/4	4/4	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 2021, 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 2021, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited and its affiliated firms, in respect of their audit and non-audit services was as follows:

	HK$'000
Audit service	650
Non-audit services*	240
Total	890

* Included in non-audit services were approximately HK$120,000 in relation to services performed by SHINEWING (HK) CPA Limited's affiliated firms.

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 2021. Based on the result of the review in respect of the year ended 31 March 2021, 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 2021 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 Unit 2, 2/F, Shun Fat Industrial Building, No.17 Wang Hoi Road, Kowloon Bay, Kowloon, 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 Unit 2, 2/F, Shun Fat Industrial Building, No.17 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

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

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

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

In order to promote effective communication, the Company also maintains a website (www.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 Chartered Governance Institute in the United Kingdom.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 March 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

The Group is pleased to publish the Environmental, Social and Governance ("ESG") Report for the reporting period from 1 April 2020 to 31 March 2021. The ESG Report elaborates on the various works of the Group in fulfilling the principle of sustainable development and its performance in corporate 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 ESG Report

The Group is principally engaged in the provision of repair and refurbishment services for mobile phones and other personal electronic products, and the sales 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 all the entities of the Group in Hong Kong, including the Group's head office, repair centres and warehouse.

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 Reporting Principles

The content of the ESG Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting and reviewing the management and stakeholders' opinions, assessing the relevance and materiality of the issues and preparing and validating the information reported. Please refer to the section "Materiality Assessment" for details. The ESG Report has covered all key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Group's ESG performance. Information of the standards, methodologies, references and source of key emission of these KPIs are stated wherever appropriate. To enhance the comparability of the ESG Report between years, the Group adopts consistent reporting format and methodologies for calculating KPIs as far as practicable. In case of any changes, explanation will be provided in the ESG Report to facilitate information interpretation.

1.4 Information and Feedback

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

2. BOARD STATEMENT

The Group believes that good ESG governance strategies and practices are the key to enhancing its investment value and bringing long-term returns to its stakeholders. In order to better monitor and manage the Group's policies, measures and work regarding ESG, the Board is responsible for the oversight of the Group's ESG-related issues, including setting up, assessing and reviewing ESG-related goals and strategies, monitoring ESG performance and reviewing the processes of stakeholder engagement. To ensure the operations and practices meets the Board's requirements and the Group's strategies, the Board delegates authority to supervisors and colleagues to help monitor the cooperation between different departments. Furthermore, trainings related to ESG, customer services and products handling are provided every month to employees so as to enhance the quality of ESG-related matters.

The Board understands the importance of prioritising ESG issues of the Group. Therefore, it has assigned an independent consulting firm in the year to conduct materiality assessment on ESG issues. Internal stakeholder surveys have been carried out and industry-specific issues were considered by using materiality maps together with professional advice. Senior management has also participated in the engagement exercise and provided constructive opinions in determining the material ESG issues. The Board is well informed about the results and will keep reviewing the engagement channels of stakeholders to ensure effective communication between the Group and its stakeholders.

In order to further motivate the Group in pursuing higher ESG-related standards, the Board will continue to keep track of the latest development of the ESG reporting requirements in Hong Kong and set various goals and targets on ESG performance with reference to the Group's most material issues to its business and stakeholders whenever necessary. The Group also shares its progress in ESG with different stakeholders, most notably through the Group's annual ESG Report.

3. MATERIALITY ASSESSMENT

The preparation of the ESG Report was supported by the employees across various departments, enabling us to have a thorough understanding of our current environmental and social development. The information that the Group gathered is a summary of the environmental and social initiatives carried out by the Group during the year and acts as 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	• Compliance with national policies, laws and regulations • Support for local economic growth • Contribution to local employment • Tax payment in full and on time • Product safety	• Regular information reporting • Regular meetings with regulators
Shareholders	• Returns • Compliant operation • Raise in company value • Transparency and effective communication	• General meetings • Announcements • Email, telephone communication and company website • Dedicated reports • Site visits
Business partners	• Operation with integrity • Equal rivalry • Performance of contracts • Mutual benefits and win-win situations	• Business communication • Discussion and exchange of opinions • Engagement and cooperation
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operational integrity	• Customer service centre and hotline • Customer satisfaction survey • Social media platforms • Calling for feedback
Environment	• Energy saving and emission reduction	• Reporting

Stakeholders	Expectations and Requirements	Means of Communication and Response
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development • Humanity cares	• Meetings with employees • Employee mailbox • Training and workshop • Employee activities
Community and the public	• Participation in charity	• Company website

In view of the relevance and validity of the ESG Report with the Group's environmental and social performance, the Group has conducted a materiality assessment to identify ESG issues that are material to the business of the Group and its stakeholders. The assessment is based on internal stakeholder surveys, the materiality maps provided by well-known external institutions[1], as well as the professional opinions from the independent consulting firm. During the year, the Group has identify 8 material ESG-related issues, which are disclosed in details in the ESG Report.

Material Issues	Corresponding Sections
Environmental Compliance	• Environmental Protection
Waste Management	• Emission
Use of Raw Materials and Packaging Materials	• Green Operation
Labour Management	• Employment Guidelines
Diversity and Equal Opportunity	• Employment Guidelines
Remuneration and Benefits	• Salary and Benefits
Data Security	• Privacy Protection
Business Ethics	• Anti-corruption

[1] The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by MSCI and the Sustainability Accounting Standards Board (SASB).

4. ENVIRONMENTAL PROTECTION

The Group spares no effort in improving its environmental performance and reducing its environmental impact. The Group does not engage in business activities that would cause notable impact to the environmental and natural resources. Nevertheless, the Group attaches great importance to implementing different policy on emissions and resources management in the business operation.

4.1 Emission

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 emission control, including but not limited to the Water Pollution Control Ordinance and Waste Disposal Ordinance. As a service-based enterprise, the Group is not involved in any manufacturing process and does not own any vehicles. Therefore, the Group does not generate industrial wastewater or exhaust emissions that raise significant environmental issues. Moreover, due to no vehicles being used by the Group, no vehicular exhaust emission is generated.

The major type 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 and further minimise the domestic sewage discharged, such as putting water saving reminder labels in the toilet. Since the Group's repair centres and warehouse are rented properties and the water charges are included in the management fee, the water consumption record is not available for disclosure. Only the water consumption records at the Group's head office[2] can be obtained, and its water consumption and water consumption intensity during the year are 133 m^3 (2019/20: 117 m^3) and 2.18 m^3 per employee (2019/20: 2.72 m^3 per employee) respectively.

The non-hazardous waste of the Group mainly includes waste paper and general waste. The Group places three kinds of recycling bins in the head office, repair centres and warehouse to collect waste paper, aluminium cans and plastic bottles, which are subsequently transferred to qualified companies for recycling. In order to reduce waste generation, the Group encourages suppliers to avoid using one-off packaging materials for shipping and suggests employees to reuse packaging materials, such as plastic bags and antistatic materials. In addition, the Group collects unwanted or wasted portable chargers from employees, which will be transferred to qualified companies for handling, to alleviate the negative impacts of the disposal of chargers to the environment. Other general waste is collected and processed by the property management office.

The hazardous waste produced by the Group includes battery and electronic waste such as malfunctioned mobile phones, parts, electronic products and related accessories. The hazardous waste is collected and transferred to the corresponding suppliers for proper handling to avoid polluting the environment. When handling malfunctioned computers, the IT department will attempt to repair the units and those computers will only be disposed of by qualified companies when they are beyond repair.

[2] The tenancy agreement of the office at Riley House was ended on 29 February 2020, the Group has relocated its head office to another location in the same month.

4.2 Energy Conservation

The Group employs multiple energy saving initiatives to improve the working efficiency of equipment or devices and reduce energy consumption. Internal policy on energy conservation has been established. For the lighting system, the Group has installed energy-efficient lighting and required all employees to switch off the lights of their departments after office hours. Also, employees are reminded to switch off the lights in the reception rooms, meeting rooms and warehouses when they are not in use. In order to reduce the use of air-conditioners, employees are required to switch off the air-conditioners after office 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.

4.3 Green Operation

The Group places emphasis on employees' support and participation in 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 energy, water and other resources, such as disposable wiping towels and paper, while there is no issue in sourcing water that is fit for purpose.

The Group also seeks out various ways to reduce paper consumption in the office, such as using recyclable paper, printing documents on both sides, recycling red envelopes, setting printing quota, using a smaller font size and adjusting line spacing for documents, reusing promotional brochures and packaging materials and disseminating information via electronic means. Apart from employees' participation, the Group conserves resources by promote the importance of waste reduction to its customers. For example, the Group actively suggests its customers to reduce the need for packaging materials. The Group also encourages customers to use its online platform for making reservations to reduce the demand for printing. The reduction in printing helps minimise greenhouse gas emissions due to paper waste disposal at landfills and avoid generating the hazardous waste caused by the use of ink.

4.4 Responding to Climate Change

Climate change has become one of the major global issues and the Group recognises its responsibility to mitigate the effects it brought. The extreme weather events caused by climate change have become more severe, which have negatively affected the economic activities. Therefore, the Group is highly concerned about climate change and its related events, and is committed to reducing greenhouse gas emissions.

As a response to the increasing occurrence of extreme weather events, the Group considers the safety of its employees as first priority and has established an internal guideline on the working arrangement under typhoon signals, rainstorm warning signals and extreme conditions after super typhoons hit. When the weather warning is in force, the Group has contingency in place to protect the employees and its assets.

5. EMPLOYMENT AND LABOUR PRACTICES

The Group believes that its competitive strengths are attributed to its experience and capabilities of employees. The Group attaches great importance to the rights and interests of employees and complies with laws and regulations on employment and labour standard. The Group invests in employees and provides them with career opportunities to strengthen its business.

5.1 Employment Guidelines

The Group complies with the relevant labour laws and regulations, including but not limited to the Employment Ordinance, Employees' Compensation Ordinance and Mandatory Provident Fund Schemes Ordinance, regarding compensation, benefits, dismissal, working hours and rest periods. The Group respects every employee and treats them equally with a zero tolerance approach towards 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 resource-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 is 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. Once such labour incidents are discovered, the Group would investigate the cases thoroughly and dismiss related employees immediately. Details of employment such as job duties, working hours and monthly salary are clearly stated in the employment agreement to prevent 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 for quitting. The Group determined constantly on improving the quality of the management through the analysis of exit survey results.

5.2 Salary and Benefits

A comprehensive performance appraisal system has been developed to regularly assess employees' performance based on employees' working abilities and performance, abilities of organisation and management, team spirit, creativity and problem solving skills, interpersonal skills, as well as presentation and communication skills, etc. For senior management, leadership and management skills are also taken into consideration. The results of the performance appraisal would act as the reference for salary adjustment and promotion.

Overtime working is not encouraged by the Group but on a voluntary basis as approved by employee's supervisor. The overtime work is 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. 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.

Furthermore, the Group endeavours to promote work-life balance culture and a healthy lifestyle among employees. Therefore, we usually organise various events to enhance employees' sense of belonging to the Group. However, due to the coronavirus COVID-19 outbreak, the Group avoided organising employee activities during the year in order to reduce gatherings. The Group will strive to enhance employees' sense of belonging through other means.

5.3 Health and Safety

The Group upholds 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 has prohibited smoking at workplace, organised regular office cleaning and established emergency procedures as a reference for employees if accidents occurred. Staff shall wear uniform when they enter the working area while all visitors shall wear protective clothing such as cover clothes and shoe cover. The Group has also posted 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. The Group has specifically posted leaflets relating to correct work postures, the safe use of fork-lift trucks in the warehouse and flu prevention measures to reduce the risk of injury and remind employees to maintain good personal hygiene.

In the past three years, no work-related fatalities were reported to the Group, and there were no lost days due to work injury during the year.

Response to COVID-19 Outbreak

The COVID-19 pandemic was a major health issue during the year. To protect our employees from infection, the Group has implemented a series of control and preventive measures. Such as, we have commissioned a qualified company to carry out sanitisation and cleaning throughout the office. Before entering the work premises or service centre, employees and customers were required to wear face masks and take body temperature measurement, while visitors and customers have to register. In addition, we required all employees to make health declaration. Employees who have had close contact with people diagnosed with COVID-19 shall adopt home office practice or have a 14-day self-quarantine. Moreover, we have prepared adequate pandemic prevention supplies for employees, such as surgical masks, hand sanitiser, gloves and googles.

To raise employees' awareness, the leaflets for the guideline for the prevention of COVID-19 published by the Centre for Health Protection was circulated among employees. Besides, the Group has strived its best to cooperate and support the local government's pandemic prevention and control work. We actively responded to the Universal Community Testing Programme by allowing employees to take the test during office hours.

5.4 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 duties and to enhance working efficiency.

New employees are required to attend orientation and skills training. The skills training includes brand-oriented trainings ranging from devices repair to software skills for back-end staff to increase professional skills, and trainings on services scope and customer service skills training for front-end staff to increase service quality. While existing managers and staff in designated posts are provided with professional training programmes, covering topics such as administration and inspection skills.

6. OPERATING PRACTICES

As the Group is principally engaged in the provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories, its success highly depends on service quality and customers' satisfaction. We aim to provide our customers with quality services through proper operating practices.

6.1 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 has implemented a supplier approval procedure to manage all suppliers, and has developed new supplier assessment procedures. To fulfill the environmental and social responsibility, we always take environmental and social risks into account. When selecting new suppliers, the Group evaluates their performance in environmental protection, employees' management and social governance. The approved new supplier would be included in the approved supplier list. For existing suppliers, the Group conducts performance review annually, only suppliers with satisfactory quality of the products or services will be accepted and recorded as approved suppliers. Prior to procurement, the Group will select a supplier from the list of approved suppliers. The Group will consider removing the supplier from approved supplier list if any non-conformity of products from a supplier is found. 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.

Furthermore, we select environmental friendly products and services during procurement as far as possible. For example, we prefer eco-friendly products which are energy-efficient or made of recyclable materials. We also tend to select local suppliers or suppliers geographically closer to us to reduce carbon footprint.

6.2 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 an incoming inspection requirement, which stipulates all consumables to be inspected and recorded. For non-conforming products, the Group would isolate the product to prevent any misuse. The Group will then notify the respective suppliers and return the non-conforming products for their follow-up actions. Upon completion of the repair work, the quality of products will be examined by at least two employees. The Group has obtained the ISO9001:2015 Quality Management System certification as recognition of its outstanding performance in quality control. During the year, there was no product recall for safety and health reasons of the Group.

The Group values effective communication with customers. Through customer service hotlines, the Group would collect comments and feedback from customers. In order to enhance customer satisfaction, customers' complaints are all transferred to suppliers for handling in a prompt and efficient manner. During the year, the Group did not receive any complaints related to our products and service quality.

The advertising and promotional activities carried out by the Group are fully governed by relevant laws and regulations, including but not limited to the Trade Descriptions Ordinance. The Group monitors the advertising content to ensure that all advertising contents are clear, true and free from any false and misleading product descriptions.

6.3 Privacy Protection

The Group attaches great importance to privacy protection and strictly complies with relevant laws and regulations, including but not limited to the Personal Data (Privacy) Ordinance. Employees are required to keep customer information in strict confidence, sign a non-disclosure agreement upon employment and wipe any personal data on the phone in the 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. To protect customers' privacy, the Group has implemented a security plan in the warehouse, such as maintaining a 24-hour monitoring CCTV system, alarm system and door access control. Also, the managers are responsible for assigning access rights and monitoring the activities in the warehouse to maintain data security.

Apart from protecting customers' privacy, employees are also not allowed to disclose any information about the employment terms, product specifications, business strategies of the Group, or any of its dealings, transactions or affairs, or any other confidential information to any individual, firm or third party 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.

6.4 Protecting Intellectual Property

The Group respects intellectual property and strictly complies with relevant laws and regulations, including but not limited to the Copyright Ordinance. The Group would only install authorised software, and employees are required to seek permission from the Group before installing any software.

6.5 Anti-corruption

The Group is determined to maintain a fair and competitive market and promote sustainable development of the industry. The Group strictly abides by laws and regulation on anti-corruption, including but not limited to the Prevention of Bribery Ordinance, and has also established internal guidelines on anti-bribery and declaration of interests. Employees are forbidden from receiving any benefits from suppliers, customers and the parties related to the Group. Gifts or cash with value over HKD500 is required to be declared. 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. Any employees in breach of the codes will be subjected to disciplinary actions, such as dismissal.

During the year, the Group was not aware of any legal action against the Group and its employees regarding corruption. Anti-corruption training will be provided to employees whenever necessary.

7. COMMUNITY INVESTMENT

The Group hopes to serve the community and bring positive impacts to society. Over the years, the Group has been promoting social well-being through its keen participation in charitable activities, and actively encouraging 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.

8. 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	2020/21	2019/20
Greenhouse Gases ("GHG") *(Note 1)*		
Total GHG emissions (tonnes CO_2e)	**56**	155
Scope 1 — direct emissions (tonnes CO_2e)	**0**	0
Scope 2 — energy indirect emissions *(Note 2)* (tonnes CO_2e)	**51**	148
Scope 3 — other indirect emissions *(Note 3)* (tonnes CO_2e)	**5**	7
GHG emissions per employee (tonnes CO_2e/employee)	**0.68**	1.94
Waste		
Total hazardous waste produced *(Note 4)* (tonnes)	**1**	1
Hazardous waste produced per working day per centre (kg/working day/centre)	**2.14**	0.47
Total non-hazardous waste produced *(Note 5)* (tonnes)	**8**	9
Non-hazardous waste produced per employee (tonnes/employee)	**0.10**	0.11
Use of Resources		
Total energy consumption *(Note 6)* (MWh)	**139**	289
Energy consumption per employee (MWh/employee)	**1.67**	3.61
Use of Packaging Materials		
Total plastics used *(Note 7)* (kg)	**1,355**	1,693
Plastics used per product (kg/piece)	**0.42**	0.44

Notes:

1. The Group's GHG inventory includes carbon dioxide and methane. For the ease of reading and understanding, the GHG emissions data is presented in carbon dioxide equivalent (CO_2e).The calculation of GHG emissions is based on the reporting requirements of the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong Limited ("HKEX").

2. The emission factors used for calculating the GHG emissions of purchased electricity for 2019/20 and 2020/21 are based on the "2019 Sustainability Report" and "2020 Sustainability Report" respectively published by the CLP Power Hong Kong Limited.

3. The emission factors used for calculating GHG emissions of paper waste are sourced from the "Reporting Guidance on Environmental KPIs" issued by HKEX, while that for water consumption is provided by the Hong Kong Water Suppliers and Drainage Services Departments.

4. Based on the actual hazardous waste record of the Group.

5. The non-hazardous waste generated by the Group, which included only general office garbage, was estimated based on its the daily operation situation.

6. Calculated based on the actual energy consumption record of the Group.

7. Calculated based on the actual packaging materials record of the Group.

Social Indicators	2020/21	2019/20
Number of Employees		
By gender		
Male	51	48
Female	32	32
By age group		
Below age 30	14	12
Age 30 to 50	51	50
Above age 50	18	18
By geographic region (Note 1)		
Hong Kong	83	NA
Others	0	
By employment type (Note 1)		
Full-time	55	NA
Part-time	28	
Turnover Rate (Note 2)		
By gender		
Male	31%	NA
Female	25%	
By age group		
Below age 30	50%	NA
Age 30 to 50	31%	
Above age 50	6%	
By geographic region		
Hong Kong	29%	NA
Others	0%	
Average Hours of Training per Employee and Percentage of Employees who Received Training		
By gender		
Male	5 (71%)	12 (92%)
Female	2 (31%)	8 (81%)
By employee category		
Junior	3 (22%)	13 (86%)
Middle	7 (78%)	11 (100%)
Senior	5 (62%)	12 (60%)
Part-time	1 (50%)	5 (100%)
Number of suppliers (Note 3)		
By geographic region		
Mainland China	4	3
Hong Kong	50	70
Overseas	3	3

Notes:

1. The Group starts to disclose the number of employees by geographical region and by employment type during the year.
2. The Group starts to disclose the turnover rate during the year.
3. The Group starts to disclose the number of suppliers during the year.

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

ESG Indicators	Summary	Sections	Page
Environment			
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 Emission Green Operation	29–30 29 30
KPI A1.1	The types of emissions and respective emissions data.	ENVIRONMENTAL PROTECTION Emission	29–30 29
KPI A1.2	Direct and energy indirect greenhouse gas emissions and, where appropriate, intensity.	KEY PERFORMANCE INDICATORS	36–37
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	KEY PERFORMANCE INDICATORS	36–37
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	KEY PERFORMANCE INDICATORS	36–37
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION Emission	29–30 29
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION Emission	29–30 29
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	ENVIRONMENTAL PROTECTION Energy Conservation Green Operation	29–30 30 30

ESG Indicators	Summary	Sections	Page
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	KEY PERFORMANCE INDICATORS	36–37
KPI A2.2	Water consumption in total and intensity.	KEY PERFORMANCE INDICATORS	36–37
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION Energy Conservation	29–30 30
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION Green Operation	29–30 30
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	KEY PERFORMANCE INDICATORS	36–37
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	ENVIRONMENTAL PROTECTION Green Operation Responding to Climate Change	29–30 30 30
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENTAL PROTECTION Green Operation Responding to Climate Change	29–30 30 30
A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	ENVIRONMENTAL PROTECTION Responding to Climate Change	29–30 30
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	No relevant disclosure for the year.	—

ESG Indicators	Summary	Sections	Page
Social			
Employment and Labour Practices			
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	31–33 31 31–32
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	KEY PERFORMANCE INDICATORS	36–37
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	No relevant disclosure for the year.	—
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	31–33 32
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	EMPLOYMENT AND LABOUR PRACTICES Health and Safety	31–33 32
KPI B2.2	Lost days due to work injury.	EMPLOYMENT AND LABOUR PRACTICES Health and Safety	31–33 32
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	EMPLOYMENT AND LABOUR PRACTICES Health and Safety	31–33 32

ESG Indicators	Summary	Sections	Page
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	31–33 33
KPI B3.1	The percentage of employees trained by gender and employee category.	KEY PERFORMANCE INDICATORS	36–37
KPI B3.2	The average training hours completed per employee by gender and employee category.	KEY PERFORMANCE INDICATORS	36–37
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	31–33 31
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	EMPLOYMENT AND LABOUR PRACTICES Employment Guidelines	31–33 31
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No relevant disclosure for the year.	—
Operating Practices			
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	OPERATING PRACTICES Supply Chain Management	33–35 33
KPI B5.1	Number of suppliers by geographical region.	KEY PERFORMANCE INDICATORS	36–37
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	OPERATING PRACTICES Supply Chain Management	33–35 33

ESG Indicators	Summary	Sections	Page
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	OPERATING PRACTICES Supply Chain Management	33–35 33
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	OPERATING PRACTICES Supply Chain Management	33–35 33
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	33–35 34 34 34
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No relevant disclosure for the year.	—
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	No relevant disclosure for the year.	—
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	OPERATING PRACTICES Protecting Intellectual Property	33–35 34
KPI B6.4	Description of quality assurance process and recall procedures.	No relevant disclosure for the year.	—
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	OPERATING PRACTICES Privacy Protection	33–35 34

ESG Indicators	Summary	Sections	Page
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	33–35 35
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	OPERATING PRACTICES Anti-corruption	33–35 35
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	OPERATING PRACTICES Anti-corruption	33–35 35
KPI B7.3	Description of anti-corruption training provided to directors and staff.	OPERATING PRACTICES Anti-corruption	33–35 35
Community			
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	35
KPI B8.1	Focus areas of contribution.	No relevant disclosure for the year.	—
KPI B8.2	Resources contributed to the focus area.	No relevant disclosure for the year.	—

REPORT OF THE DIRECTORS

The Directors submit herewith their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2021.

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 Unit 2, 2/F, Shun Fat Industrial Building, No. 17 Wang Hoi Road, Kowloon Bay, Kowloon, 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 and provision of supportive services. 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 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 65 to 123.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The third interim dividend for the nine months ended 31 December 2020 of HK$0.01 per share was paid on Friday, 19 March 2021.

On 24 June 2021, the Board declared a fourth interim dividend of HK$0.02 per share for the year ended 31 March 2021. The fourth interim dividend will be payable in cash to the Shareholders whose names appear on the register of members of the Company on Tuesday, 14 September 2021.

For the purpose of determining Shareholders' entitlement to the fourth interim dividend, the register of members of the Company will be closed from Monday, 13 September 2021 to Tuesday, 14 September 2021 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the fourth interim dividend, all transfers of shares of the Company 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 Friday, 10 September 2021.

The fourth interim dividend is expected to be paid on or about Monday, 20 September 2021.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "AGM") is scheduled to be held on Thursday, 29 July 2021. A notice convening the AGM will be issued and despatched to the Shareholders on or around 29 June 2021.

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 Monday, 26 July 2021 to Thursday, 29 July 2021 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all transfers of shares of the Company 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 Friday, 23 July 2021.

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 Pacific 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 2021:

(i) The Controlling Shareholders have confirmed that they have complied with the undertakings for the year ended 31 March 2021.

(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 2021.

(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 2021.

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 2021.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the Group's top five customers accounted for approximately 62.7% of the revenue. The top five suppliers accounted for approximately 97.5% of the cost of inventories recognised as expenses for the year. In addition, the Group's largest customer accounted for approximately 24.1% of the revenue and the Group's largest supplier accounted for approximately 78.0% of the cost of inventories recognised as expenses for the year.

For the year ended 31 March 2021, none of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the shares of the Company 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 2021 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 2021, the Company's reserves available for distribution to Shareholders amounted to HK$65,300,000 (2020: HK$61,689,000) 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 2021 are set out in note 25 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 2021 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 Ms. Kwok Yuen Man Marisa 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 2021.

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 8,014,000 representing approximately 6.24% 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 2 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. The exercise period has been expired on 7 July 2018.

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. The exercise period has been expired on 6 July 2019.

No share option lapsed or was granted, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 March 2021 and there were no outstanding share options under the Share Option Scheme as at 31 March 2021.

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

As at 31 March 2021, 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	6,528,000	5.09%
	Beneficiary of a trust *Note B*	66,000,000	51.43%
Mr. Cheung King Shan	Beneficial owner	6,484,000	5.05%
	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	7,362,000	5.74%
	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
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%
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 2021.

Note B:

The 66,000,000 shares of the Company, representing approximately 51.43% of the shares of the Company 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 2021, 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 2021 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 2021, 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	72,484,000	56.48%
Ms. Yeung Ho Ki *Note C*	Interest of spouse	73,362,000	57.16%

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 72,484,000 shares and 73,362,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at 31 March 2021, 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 2021 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 2021.

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 2021 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 2021.

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 2021, 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 2021 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 2021 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 2021, 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 31 March 2020 and 4 December 2020. 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.

Transactions with TDHL group

On 31 March 2020, TSO entered into the separate individual service agreements for 2020/21 with certain members of TDHL group in which setting out the terms and conditions in respect of the transactions between TSO and TDHL group for a term up to 31 March 2021.

The transactions with TDHL group are expected to be continued after the expiration of the agreements. Therefore, on 1 April 2021, TSO entered into the separate individual services agreements with Telecom Digital Data Limited ("TDD"), Telecom Digital Services Limited ("TDS"), Telecom Services Network Limited ("TSN") and Distribution One Limited ("D1") (wholly-owned subsidiaries of TDHL) in respect of the (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDD; (b) consignment of accessories for mobile phones and personal electronic products of TSO by TDS; (c) provision of logistic services to TSO by TSN and (d) provision of repair and refurbishment services for a brand of mobile phones by TSO to D1 and (e) provision of grading and refurbishment services for used mobile phones by TSO to TDS respectively for a term of one year ending 31 March 2022 and fixed the annual caps for the above services with TDHL group to HK$7,000,000.

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 by TSO to TDD

TSO has been providing repair and refurbishment services for pagers to TDD since 2013. The service fees charged by TSO shall be fair and reasonable and shall be based on normal commercial terms and on an arm's length basis. The service fees are calculated on a "per device" basis and are determined by TSO and TDD on a cost plus basis. The Group estimated the cost primarily comprising (i) the labour costs and overhead costs with reference to the complexity and time of work processes required in the repair and refurbishment; (ii) the number of work orders; (iii) the number of staff required and their salaries and (iv) the rental and overhead of the requested work space in the relevant workshops and service centre. After arriving at an estimated cost, the Group added a mark-up in the range of the then prevailing mark-ups charged by TSO to independent third parties for comparable repair and refurbishment services.

The repair and refurbishment service fees for pagers paid by the TDD to TSO for the year ended 31 March 2021 was approximately HK$1,162,000.

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

TDS 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 calculated on a fixed percentage of the selling prices of the consigned goods, shall be paid by TSO to TDS for the consignment arrangement. Such consignment fee shall be determined at arm's length negotiation between TSO and TDS after taking reference to the consignment fees, which are also calculated on fixed percentages of the selling prices of the consigned goods, charged by the TDHL Group to independent third parties which sell their comparable consigned goods on the online platform of the TDHL Group; and if there are no comparable consigned goods, the gross profit margins of the sales of comparable products by the TDHL Group on its online shopping platform would be taken.

The consignment fees paid by TSO to TDS for the year ended 31 March 2021 was approximately HK$3,039,000.

(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 Group will consult with no less than two popular independent logistics services providers for quotations and market transaction prices of the same type of services.

The logistics service fees paid by TSO to TSN for the year ended 31 March 2021 was approximately HK$265,000.

(d) Provision of repair and refurbishment services for a brand of mobile phones by TSO to D1

TSO has been providing repair and refurbishment services for a brand of mobile phones to D1 since 1 April 2019. The service fees shall be determined at arm's length negotiation between the parties on a cost plus basis and are calculated on a "per mobile phone" basis. The Group estimated the cost primarily comprising (i) the labour costs and overhead costs, with reference to the complexity and time of work processes required in the repair and refurbishment; (ii) the number of work orders; (iii) the number of staff required and their salaries and (iv) the rental and overhead of the requested work space in the relevant workshops and service centre. After arriving at an estimated cost, the Group added a mark-up in the range of the then prevailing mark-ups charged by TSO to independent third parties for comparable repair and refurbishment services.

The amount of repair and refurbishment services fees for a brand of mobile phones paid by D1 to TSO for the year ended 31 March 2021 was approximately HK$289,000.

(e) Provision of grading and refurbishment services for used mobile phones by TSO to TDS

TSO has been providing grading and refurbishment services for used mobile phones trade in by TDS since 1 November 2019. The service fees shall be determined at arm's length negotiation between the parties on a cost plus basis and are calculated on a "per mobile phone" basis. The Group estimated the cost primarily comprising (i) the labour costs and overhead costs, with reference to the complexity and time of work processes required in the repair and refurbishment; (ii) the number of work orders; (iii) the number of staff required and their salaries and (iv) the rental and overhead of the requested work space in the relevant workshops and service centre. After arriving at an estimated cost, the Group added a mark-up in the range of the then prevailing mark-ups charged by TSO to independent third parties for comparable grading and refurbishment services.

The amount of grading and refurbishments services fees paid by TDS to TSO for the year ended 31 March 2021 was approximately HK$515,000.

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 2021, 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 14 to 24. 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 2021 and the material factors underlying its results and financial position can be found in the Management Discussion and Analysis on pages 7 to 10 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 2021 is set out on pages 25 to 43 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 2021, 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 2021, 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 124 of this annual report.

AUDITOR

The financial statements for the year ended 31 March 2021 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, 24 June 2021

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

TO THE 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 (hereinafter collectively referred to us the "Group") set out on pages 65 to 123, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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.

VALUATION OF TRADE RECEIVABLES

Refer to Note 20 to the consolidated financial statements and the accounting policies on pages 74 to 79.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2021, the Group has outstanding trade receivables of approximately HK$4,196,000. No expected credit loss ("ECL") was recognised as at 31 March 2021. 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, 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 affected 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 was based on a 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 THE 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
24 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	**2021 HK$'000**	2020 HK$'000
Revenue	*7*	**38,350**	44,324
Cost of sales		**(23,025)**	(27,603)
Gross profit		**15,325**	16,721
Other income	*9*	**9,341**	2,591
Other operating expenses, net	*10*	**(6,155)**	(4,388)
Administrative expenses		**(8,661)**	(12,126)
Finance costs	*11*	**(48)**	(5)
Profit before tax		**9,802**	2,793
Income tax expense	*12*	**(229)**	(286)
Profit for the year	*13*	**9,573**	2,507
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurement of long service payment obligations		**264**	174
Item that may be reclassified subsequently to profit or loss:			
Release of exchange translation reserve upon deregistration of a subsidiary		**—**	144
Other comprehensive income for the year		**264**	318
Total comprehensive income for the year		**9,837**	2,825
Earnings per share (HK$)			
Basic and diluted	*16*	**0.0746**	0.0195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Plant and equipment	*17*	**437**	441
Right-of-use assets	*18*	**1,212**	1,889
Deferred tax asset	*24*	**312**	352
Rental deposit	*20*	**118**	118
		2,079	2,800
Current assets			
Inventories	*19*	**674**	965
Trade and other receivables	*20*	**7,267**	6,868
Amounts due from related companies	*28a*	**173**	655
Tax recoverable		**—**	1,338
Pledged bank deposits	*21*	**201**	201
Bank balances and cash	*21*	**89,728**	90,037
		98,043	100,064
Current liabilities			
Trade and other payables	*22*	**2,921**	4,697
Lease liabilities	*18*	**680**	696
Tax payable		**134**	—
Amount due to a related company	*28b*	**—**	40
		3,735	5,433
Net current assets		**94,308**	94,631
Total assets less current liabilities		**96,387**	97,431
Non-current liabilities			
Lease liabilities	*18*	**552**	1,196
Long service payment obligations	*23*	**54**	24
		606	1,220
Net assets		**95,781**	96,211

	Note	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	25	**12,834**	12,834
Reserves		**82,947**	83,377
Total equity		**95,781**	96,211

The consolidated financial statements on pages 65 to 123 were approved and authorised for issue by the board of directors on 24 June 2021 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 2021

	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 2019	12,834	36,900	70	(170)	33	51,419	101,086
Profit for the year	—	—	—	—	—	2,507	2,507
Remeasurement of long service payment obligations	—	—	—	—	—	174	174
Release of exchange translation reserve upon deregistration of a subsidiary *(Note 33)*	—	—	—	144	—	—	144
Total comprehensive income for the year	—	—	—	144	—	2,681	2,825
Payment of dividends *(Note 15)*	—	—	—	—	—	(7,700)	(7,700)
Lapse of share options *(Note 27)*	—	—	—	—	(33)	33	—
At 31 March 2020 and 1 April 2020	12,834	36,900	70	(26)	—	46,433	96,211
Profit for the year	—	—	—	—	—	9,573	9,573
Remeasurement of long service payment obligations	—	—	—	—	—	264	264
Total comprehensive income for the year	—	—	—	—	—	9,837	9,837
Payment of dividends *(Note 15)*	—	—	—	—	—	(10,267)	(10,267)
At 31 March 2021	12,834	36,900	70	(26)	—	46,003	95,781

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 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit before tax	9,802	2,793
Adjustments for:		
Allowance for inventories	161	237
Bank interest income	(942)	(2,002)
Depreciation of plant and equipment	192	368
Depreciation of right-of-use assets	677	57
Finance costs	48	5
Government grants	(3,908)	—
Long service payment obligations	294	267
Loss on write-off of plant and equipment	—	61
Reversal of allowance for inventories	(5)	(16)
Written off of trade payables	(1,421)	—
Operating cash flows before movements in working capital	4,898	1,770
Decrease in inventories	135	108
(Increase) decrease in trade and other receivables	(399)	5,935
Decrease (increase) in amounts due from related companies	482	(227)
Decrease in trade and other payables	(355)	(580)
Decrease in amount due to a related company	(40)	(64)
Payments for long service payment obligations	—	(69)
Cash generated from operations	4,721	6,873
Hong Kong Profits Tax refund	1,283	2,247
NET CASH FROM OPERATING ACTIVITIES	6,004	9,120
INVESTING ACTIVITIES		
Purchase of plant and equipment	(188)	(219)
Interest received	942	2,002
NET CASH FROM INVESTING ACTIVITIES	754	1,783

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES		
Dividends paid	**(10,267)**	(7,700)
Government grants received	**3,908**	—
Repayments of lease liabilities	**(660)**	(54)
Interest paid on lease liabilities	**(48)**	(5)
NET CASH USED IN FINANCING ACTIVITIES	**(7,067)**	(7,759)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(309)**	3,144
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**90,037**	86,749
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**—**	144
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**89,728**	90,037
Analysis of components of cash and cash equivalents:		
Bank balances and cash	**89,728**	90,037

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 the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 3997). The address of the registered office of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the principal place of business of the Company is at Unit 2, 2/F, Shun Fat Industrial Building, No.17 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

The directors of the Company consider the immediate holding company is East-Asia Pacific Limited ("East-Asia"), which is incorporated in the British Virgin Islands (the "BVI") and indirectly wholly-owned by the Cheung Family Trust ultimately.

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$") while the functional currencies for certain subsidiaries are Macau Patacas ("MOP") and United States dollars ("US$"). 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 the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect 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)

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Covid-19 — Related Rent Concessions[4]
Amendments to HKFRS 16	Covid-19 — Related Rent Concessions beyond 30 June 2021[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policy[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for date to be determined.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2023.
6 Effective for annual periods beginning on or after 1 April 2021.

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

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 transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

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

Depreciation is recognised so as to allocate the cost of items of 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

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 expected credit losses ("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)

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 the 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)

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 debt instrument has not increased significantly since initial recognition if the debt 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 debt instrument 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)

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)

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 group entities 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 fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment and right-of-use 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.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

A performance obligation represents a goods or services that is distinct or a series of distinct goods or services that are substantially the same.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

The Group recognised revenue from the following major sources:

- provision of repairing service; and
- sales of accessories and provision of supportive services

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).

Provision of supportive services

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent). The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Other income

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

Leasing

Definition of a lease

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Definition of a lease (Continued)

The Group as lessee

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

Lease liabilities

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

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The Group presents lease liabilities as a separate line in the consolidated statement of financial position.

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

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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 utilised 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

On the deregistration of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

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 deferred tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 recognized in profit or loss.

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

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

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).

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 2021, the carrying amount of inventories of the Group was approximately HK$674,000 (2020: HK$965,000), net of allowance for inventories of approximately HK$657,000 (2020: HK$2,426,000).

Estimated impairment of trade receivables

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. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. 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 2021, the carrying amount of trade receivables of the Group was approximately HK$4,196,000 (2020: HK$3,583,000). No impairment loss was recognised for the year ended 31 March 2021 (2020: nil).

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 consists 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, issuance 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

	2021 **HK$'000**	2020 HK$'000
Financial assets		
At amortised cost (including bank balances and cash)	**97,365**	97,461
Financial liabilities		
At amortised cost	**2,161**	3,977

(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 amount due to a related company. 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 2021, approximately 36% (2020: 14%) of the Group's sales and approximately 83% (2020: 76%) of total net purchase are denominated in United States dollars ("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$, Renminbi ("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	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**18,494**	15,446	**451**	679
RMB	**21,735**	32,463	**—**	—
JPY	**—**	—	**—**	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 be need arisen.

Sensitivity analysis

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

No sensitivity analysis was prepared for US$ as the financial assets and liabilities denominated in US$ are mainly held by the subsidiaries with HK$ as the functional currency and HK$ is pegged to US$.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase or decrease in the functional currency of the relevant group entities, HK$, against the relevant foreign currencies. 5% (2020: 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% (2020: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where respective functional currency strengthens 5% (2020: 5%) against the relevant foreign currency. For a 5% (2020: 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	
	2021	2020
	HK$'000	HK$'000
RMB	**(907)**	(1,355)
JPY	**—**	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 2021 and 2020. 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 (2020: 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 (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2021 would increase/decrease by approximately HK$86,000 (2020: HK$27,000).

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.

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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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 exposure to credit risk (Continued)

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

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

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

	Internal credit rating	12-month or lifetime ECL	As at 31 March 2021			As at 31 March 2020		
			Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	N/A	Lifetime ECL (simplified approach)	4,196	—	4,196	3,583	—	3,583
Other receivables	Performing	12-month ECL	65	—	65	43	—	43
Deposit	Performing	12-month ECL	3,002	—	3,002	3,060	—	3,060
Amounts due from related companies	Performing	12-month ECL	173	—	173	655	—	655
Pledged bank deposits	*(Note)*	12-month ECL	201	—	201	201	—	201
Bank balances and cash	*(Note)*	12-month ECL	89,728	—	89,728	90,037	—	90,037

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's exposure to credit risk (Continued)

The Group has concentration of credit risk as 47% (2020: 3%) of the total trade receivables at 31 March 2021 was due from the Group's largest customer.

The Group has concentration of credit risk as 66% (2020: 55%) of the total trade receivables at 31 March 2021 was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 100% of the total trade receivables as at 31 March 2021 and 2020.

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 following table details the Group's contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

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

	At 31 March 2021				
	Within one year or on demand HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	2,161	—	—	2,161	2,161
Lease liabilities	708	559	—	1,267	1,232

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	At 31 March 2020				
	Within one year or on demand HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	3,937	—	—	3,937	3,937
Amounts due to a related company	40	—	—	40	40
	3,977	—	—	3,977	3,977
Lease liabilities	708	708	559	1,975	1,892

(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. An analysis of the Group's revenue for the year is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
— Repairing service income	**34,105**	42,299
— Sales of accessories and provision of supportive services	**4,245**	2,025
	38,350	44,324

7. REVENUE (Continued)

Disaggregation of revenue by geographical region

	2021 HK$'000	2020 HK$'000
Geographical region of revenue recognition		
Hong Kong	**38,350**	44,324
At a point in time	**38,350**	44,324

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 and provision of supportive services. 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 2021 and 2020, the Group's operations were located in Hong Kong.

During the year ended 31 March 2021, 100% (2020: 100%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2021, 100% (2020: 100%) 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:

	2021 HK$'000	2020 HK$'000
Customer I	**8,680**	13,901
Customer II	**9,254**	6,386
Customer III	**N/A***	4,527

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

9. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Management fee income *(Note i)*	12	20
Consignment goods handling income *(Note ii)*	226	276
Bank interest income	942	2,002
Exchange gain, net	2,537	—
Storage income *(Note iii)*	152	186
Government grants *(Note iv)*	3,908	—
Written off of trade payables *(Note v)*	1,421	—
Others	143	107
	9,341	2,591

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 for damaged mobile phones in Hong Kong.

(iv) During the year 31 March 2021, the Group recognised government grants of approximately HK$3,908,000 in respect of COVID-19 related subsidies, out of which approximately HK$3,886,000 were related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

(v) During the year ended 31 March 2021, the Group recognised written off of trade payables of approximately HK$1,421,000 which were past due over seven years.

10. OTHER OPERATING EXPENSES, NET

	2021 HK$'000	2020 HK$'000
Miscellaneous income charges	29	93
Less: Other operating expenses of service centres	(6,184)	(4,481)
Other operating expenses, net	(6,155)	(4,388)

11. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	48	5

12. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Hong Kong Profits Tax		
— current year	189	35
— Underprovision in prior years	—	17
	189	52
Deferred tax *(Note 24)*	40	234
	229	286

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.

The charge for the year to Hong Kong Profits Tax has been relieved by approximately HK$904,000 (2020: nil) as a result of tax losses brought forward from previous year.

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:

	2021 HK$'000	2020 HK$'000
Profit before tax	9,802	2,793
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	1,617	460
Tax effect of income not taxable for tax purpose	(1,222)	(330)
Tax effect of expenses not deductible for tax purpose	3	21
Tax effect of tax losses not recognised	—	138
Utilisation of tax losses previously not recognised	(149)	—
Hong Kong Profits Tax concession *(Note)*	(20)	(20)
Underprovision in prior years	—	17
	229	286

Note:

A tax concession of 100% (2020: 100%), subject to a ceiling of HK$10,000 per company, was granted to the Company and a Group's subsidiary under Hong Kong tax jurisdiction for the year ended 31 March 2021 (2020: HK$20,000).

Details of deferred taxation are set out in Note 24.

13. PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'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	**2,232**	810
— employer's contributions to retirement benefits schemes	**66**	21
	2,298	831
Other staff costs		
— salaries, allowances and other benefits	**17,882**	18,320
— employer's contributions to retirement benefits schemes	**768**	809
— long service payment obligations	**294**	267
	18,944	19,396
Total staff costs	**21,242**	20,227
Auditor's remuneration	**650**	650
Depreciation of plant and equipment	**192**	368
Depreciation of right-of-use assets	**677**	57
Exchange loss	**—**	1,984
Reversal of allowance for inventories (included in cost of sales)	**(5)**	(16)
Allowance for inventories (included in cost of sales)	**161**	237
Amount of inventories recognised as an expense	**7,240**	11,322
Loss on write-off of plant and equipment	**—**	61

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 (2020: seven) 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 bonuses HK$'000	Employer's contributions to retirement benefits schemes HK$'000	Total HK$'000
Year ended 31 March 2021					
Executive director					
Mr. Cheung King Fung Sunny	—	432	36	22	490
Non-executive directors					
Mr. Cheung King Chuen Bobby	—	432	36	22	490
Mr. Cheung King Shan	—	432	36	22	490
Mr. Cheung King Shek	—	432	36	—	468
Independent non-executive directors					
Mr. Fong Ping	120	—	—	—	120
Ms. Kwok Yuen Man Marisa	120	—	—	—	120
Mr. Tso Ka Yi	120	—	—	—	120
Total	360	1,728	144	66	2,298

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 bonuses HK$'000	Employer's contributions to retirement benefits schemes HK$'000	Total HK$'000
Year ended 31 March 2020					
Executive director					
Mr. Cheung King Fung Sunny	—	342	—	17	359
Non-executive directors					
Mr. Cheung King Chuen Bobby	—	36	—	2	38
Mr. Cheung King Shan	—	36	—	2	38
Mr. Cheung King Shek	—	36	—	—	36
Independent non-executive directors					
Mr. Fong Ping	120	—	—	—	120
Ms. Kwok Yuen Man Marisa	120	—	—	—	120
Mr. Tso Ka Yi	120	—	—	—	120
Total	360	450	—	21	831

Note:

Mr. Cheung King Fung Sunny has been appointed as the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive for the years ended 31 March 2021 and 2020.

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 2021 and 2020. 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 2021 and 2020.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two of them (2020: none) were the directors and chief executive of the Company, whose emoluments are included in the analysis presented above. The emoluments of the remaining three (2020: five) individuals were as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and other benefits	**2,337**	3,084
Employer's contributions to retirement benefits schemes	**54**	87
	2,391	3,171

Their emoluments were within the following bands:

	2021 **No. of** **employees**	2020 No. of employees
Nil to HK$1,000,000	**2**	4
HK$1,000,001–HK$1,500,000	**1**	1
	3	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 2021 and 2020.

15. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year:		
2018/19 fourth interim dividend of HK$0.03 per share	—	3,850
2019/20 first interim dividend of HK$0.01 per share	—	1,283
2019/20 second interim dividend of HK$0.01 per share	—	1,283
2019/20 third interim dividend of HK$0.01 per share	—	1,284
2019/20 fourth interim dividend of HK$0.02 per share	2,567	—
2020/21 first interim dividend of HK$0.02 per share	2,567	—
2020/21 second interim dividend of HK$0.03 per share	3,850	—
2020/21 third interim dividend of HK$0.01 per share	1,283	—
	10,267	7,700

Subsequent to the end of the reporting period, the fourth interim dividend of HK$0.02 per share in respect of the year ended 31 March 2021 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:

	2021 HK$'000	2020 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	9,573	2,507

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	128,342,000	128,342,000

For the year ended 31 March 2020, the computation of diluted earnings per share does not assume the exercise of the Company's remaining share options granted on 6 July 2017 as the exercise price of those share options was higher than the average market price for the shares before the date of lapse of share options.

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 2019	7,258	4,312	2,232	6,279	4,642	24,723
Addition	156	42	—	—	21	219
Written off	(6,018)	(3,827)	(1,456)	—	(2,598)	(13,899)
At 31 March 2020 and 1 April 2020	1,396	527	776	6,279	2,065	11,043
Addition	—	—	—	—	188	188
At 31 March 2021	**1,396**	**527**	**776**	**6,279**	**2,253**	**11,231**
ACCUMULATED DEPRECIATION						
At 1 April 2019	7,227	4,194	2,155	6,279	4,217	24,072
Charged for the year	45	68	51	—	204	368
Eliminated on written off	(6,010)	(3,786)	(1,446)	—	(2,596)	(13,838)
At 31 March 2020 and 1 April 2020	1,262	476	760	6,279	1,825	10,602
Charged for the year	52	15	11	—	114	192
At 31 March 2021	**1,314**	**491**	**771**	**6,279**	**1,939**	**10,794**
CARRYING VALUES						
At 31 March 2021	**82**	**36**	**5**	**—**	**314**	**437**
At 31 March 2020	134	51	16	—	240	441

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. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2021 HK$'000	2020 HK$'000
Buildings	1,212	1,889

The Group has lease arrangements for buildings and premises with lease term of 3 years.

There were no additions or disposals of right-of-use assets for the year ended 31 March 2021 (2020: additions of HK$1,946,000 due to new lease for buildings and premises).

(ii) Lease liabilities

	2021 HK$'000	2020 HK$'000
Non-current	552	1,196
Current	680	696
	1,232	1,892

Amounts payable under lease liabilities	2021 HK$'000	2020 HK$'000
Within one year	680	696
After one year but within two years	552	674
After two years but within five years	—	522
	1,232	1,892
Less: Amount due for settlement within 12 months (shown under current liabilities)	(680)	(696)
Amount due for settlement after 12 months	552	1,196

During the year ended 31 March 2021, no lease agreement was entered into by the Group in respect of renting properties (2020: HK$1,946,000).

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(iii) Amount recognised in profit or loss

	2021 HK$'000	2020 HK$'000
Depreciation of right-of-use assets	**677**	57
Interest expense on lease liabilities	**48**	5
Expense relating to short-term leases	**1,830**	3,189

(iv) Others

During the year ended 31 March 2021, the total cash outflow for lease amount to HK$2,538,000 (2020: HK$3,248,000).

19. INVENTORIES

	2021 HK$'000	2020 HK$'000
Merchandises	**674**	965

During the year ended 31 March 2021, an allowance for inventories of HK$161,000 (2020: HK$237,000) was made for write-down of obsolete inventories.

During the year ended 31 March 2021, certain impaired inventories were sold at a gross profit. As a result, a reversal of write-down of merchandises of approximately HK$5,000 (2020: HK$16,000) has been recognised and included in cost of sales.

20. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**4,196**	3,583
Other receivables	**65**	43
Rental and other deposits	**3,002**	3,060
Prepayments	**122**	300
	7,385	6,986
Less: Rental deposit classified as non-current assets	**(118)**	(118)
Current portion included in trade and other receivables	**7,267**	6,868

The Group does not hold any collateral over these balances.

As at 31 March 2021, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK$4,196,000 (2020: HK$3,583,000).

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

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.

	2021 HK$'000	2020 HK$'000
Within 30 days	**2,120**	1,358
31 to 60 days	**1,976**	1,250
61 to 90 days	**—**	842
91 to 120 days	**65**	133
Over 120 days	**35**	—
	4,196	3,583

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.

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.

20. TRADE AND OTHER RECEIVABLES (Continued)

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

Year ended 31 March 2021:

	Weighted average expected loss rate %	Gross carrying amount HK$'000
Within 30 days	*	**2,120**
31 to 60 days	*	**1,976**
61 to 90 days	*	**—**
91 to 120 days	*	**65**
Over 120 days	*	**35**
		4,196

Year ended 31 March 2020:

	Weighted average expected loss rate %	Gross carrying amount HK$'000
Within 30 days	*	1,358
31 to 60 days	*	1,250
61 to 90 days	*	842
91 to 120 days	*	133
		3,583

* The weighted average expected loss rate is immaterial.

The directors of the Company consider the ECL of trade receivables is insignificant, therefore no loss allowance on trade receivables was recognised as at 31 March 2021 and 2020.

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

20. TRADE AND OTHER RECEIVABLES (Continued)

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:

	2021 HK$'000	2020 HK$'000
US$	**5,464**	3,822

21. 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 (2020: HK$201,000) have been pledged to secure short-term bank overdrafts and are therefore classified as current assets.

Bank balances carried interest at market rates ranged from 0.01% to 2.2% (2020: 0.01% to 3.33%) per annum. The pledged bank deposits carried interest at fixed rates ranged from 0.01% to 0.21% (2020: 0.2% to 0.3%) 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:

	2021 HK$'000	2020 HK$'000
US$	**13,030**	11,801
RMB	**21,735**	32,463

22. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	536	2,301
Accrued expenses and other payables	2,385	2,396
Total	2,921	4,697

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:

	2021 HK$'000	2020 HK$'000
Within 30 days	377	646
31 to 60 days	2	29
61 to 90 days	—	—
Over 90 days	157	1,626
	536	2,301

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:

	2021 HK$'000	2020 HK$'000
US$	451	679
JPY	—	153

23. 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 interest rate risk, longevity risk and salary risk.

— Interest risk: A decrease in the bond interest rate will increase the plan liability.

— Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

— Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out as at 31 March 2020 and 2021 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:

	2021 **HK$'000**	2020 HK$'000
At 1 April	**24**	—
Charged to profit or loss	**294**	267
Actuarial gains recognised in other comprehensive income	**(264)**	(174)
Paid during the year	**—**	(69)
At 31 March	**54**	24

23. LONG SERVICE PAYMENT OBLIGATIONS (Continued)

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

	2021 HK$'000	2020 HK$'000
At 1 April	24	—
Current service cost	294	267
Remeasurement gains:		
Actuarial gains recognised in other comprehensive income	(264)	(174)
Benefits paid during the year	—	(69)
At 31 March	54	24

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

	2021 HK$'000	2020 HK$'000
Current service cost	294	267
Components of defined benefit costs recognised in profit or loss (included in staff costs)	294	267

Remeasurement on the net defined benefit liability

	2021 HK$'000	2020 HK$'000
Actuarial gains arising from changes in financial assumptions	(264)	(174)
Components of defined benefit costs recognised in other comprehensive income	(264)	(174)

23. LONG SERVICE PAYMENT OBLIGATIONS (Continued)

Remeasurement on the net defined benefit liability (Continued)

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

	2021 HK$'000	2020 HK$'000
Cumulative amount of actuarial gains at the beginning of the year	(344)	(170)
Net actuarial gains during the year	(264)	(174)
Cumulative amount of actuarial gains at the end of the year	(608)	(344)

At 31 March 2021 and 2020, the amounts are calculated based on the principal assumptions stated as below:

	2021	2020
Annual salary increment	2.34%	3.52%
Annual turnover rate	16.09% to 46.54%	15.53% to 39.94%
MPF return rate	4.80%	3.10%
Discount rate	0.09% to 1.33%	0.57% to 0.62%

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 2021 and 2020. Hence, no sensitivity analysis is presented.

24. 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 2019	586
Charged to profit or loss *(Note 12)*	(234)
At 31 March 2020 and 1 April 2020	352
Charged to profit or loss *(Note 12)*	(40)
At 31 March 2021	312

At 31 March 2020, the Group had unused tax losses of approximately HK$904,000 (2021: nil) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	128,342,000	12,834

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 make 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 2021, 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$834,000 (2020: HK$830,000).

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.

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.

27. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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.

During the year ended 31 March 2020, all the remaining share options have been lapsed upon the expiry of option period.

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 2019	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2020	Exercisable period	Exercise price per option
Employees	6 July 2017	780,000	—	(780,000)	—	—	6 July 2017 to 5 July 2019	HK$1.78
Exercisable at the end of the year						—		
Weighted average exercise price (HK$)		1.78	—	1.78	—	—		

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*	2021 HK$'000	2020 HK$'000
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	*(i) & (iii)*	265	781
Oceanic Rich Limited	Rental expenses paid thereto	*(ii) & (iii)*	1,830	2,788
Glossy Enterprises Limited	Rental expenses paid thereto	*(ii) & (iii)*	—	42
Glossy Investment Limited	Rental expenses paid thereto	*(ii) & (iii)*	—	359
Telecom Digital Services Limited ("TDS")	Received repairing service income therefrom	*(i) & (iii)*	515	156
	Consignment fee paid thereto	*(i) & (iii)*	3,039	1,125
Telecom Digital Data Limited ("TDD")	Received repairing service income therefrom	*(i) & (iii)*	1,162	1,511
Distribution One Limited ("D1")	Received repairing service income therefrom	*(i) & (iii)*	289	374

28. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) (Continued)

Details of amounts due from related companies are as follows:

	Notes	2021 HK$'000	2020 HK$'000	Maximum amount outstanding during the year ended 31 March 2021 HK$'000	Maximum amount outstanding during the year ended 31 March 2020 HK$'000
Related companies					
TDD	*(iii) & (iv)*	**83**	102	**191**	396
TDS	*(iii) & (iv)*	**70**	530	**1,066**	530
D1	*(iii) & (iv)*	**20**	23	**69**	159
		173	655		

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 amount due to a related company was arisen from normal sales and purchase transactions. The amount was unsecured, interest-free and repayable on demand. The directors of the Company have beneficial interests in this related company.

(c) During the year ended 31 March 2021, the Group has made lease payments of HK$1,830,000 to a related company, where the lease is accounted for as short-term leases (2020: HK$3,189,000).

(d) Banking facilities

During the year ended 31 March 2021, the Company has provided guarantee to the banks in respect of the banking facilities of HK$200,000 (2020: HK$200,000) granted to its subsidiary.

As at 31 March 2021, the unutilised banking facilities guaranteed by the Company were HK$200,000 (2020: HK$200,000).

28. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(e) Compensation of key management personnel

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

	2021 HK$'000	2020 HK$'000
Short-term benefits	**4,569**	3,894
Post-employment benefits	**120**	108
	4,689	4,002

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 2021 and 2020, 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 2021					
Trade and other receivables	**7,368**	**(101)**	**7,267**	**(6,984)**	**283**
As at 31 March 2020					
Trade and other receivables	7,016	(148)	6,868	(6,702)	166

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 2021					
Trade and other payables	**(3,022)**	**101**	**(2,921)**	**2,921**	**—**
As at 31 March 2020					
Trade and other payables	(4,845)	148	(4,697)	4,697	—

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.

			Non-cash changes		
	1/4/2020 HK$'000	**Financing cash flows HK$'000**	**New lease recognised HK$'000**	**Finance costs incurred HK$'000**	**31/3/2021 HK$'000**
Lease liabilities	**1,892**	**(708)**	**—**	**48**	**1,232**

			Non-cash changes		
	1/4/2019 HK$'000	Financing cash flows HK$'000	New lease recognised HK$'000	Finance costs incurred HK$'000	31/3/2020 HK$'000
Lease liabilities	—	(59)	1,946	5	1,892

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
Non-current asset			
Investment in a subsidiary	(a)	**17,338**	17,338
Current assets			
Other receivables and prepayments		**116**	116
Amount due from a subsidiary	(b)	**121,920**	111,653
Tax recoverable		**28**	23
Bank balances and cash		**41,191**	77,243
		163,255	189,035
Current liabilities			
Other payables		**235**	309
Amount due to a subsidiary	(b)	**102,224**	131,541
		102,459	131,850
Net current assets		**60,796**	57,185
Net assets		**78,134**	74,523
Capital and reserves			
Share capital		**12,834**	12,834
Reserves	(c)	**65,300**	61,689
Total equity		**78,134**	74,523

Notes:

(a) As at 31 March 2021, the carrying amount of investment in a subsidiary was approximately HK$17,338,000 (2020: HK$17,338,000), net of accumulated impairment loss of approximately HK$4,879,000 (2020: HK$4,879,000).

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

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

Notes: (Continued)

(c) **Reserves**

	Share premium HK$'000	Other reserve HK$'000 *(Note i)*	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2019	36,900	21,533	33	1,058	59,524
Profit for the year and total comprehensive income for the year	—	—	—	9,865	9,865
Payment of dividends *(Note 15)*	—	—	—	(7,700)	(7,700)
Lapse of share options *(Note 27)*	—	—	(33)	33	—
At 31 March 2020 and 1 April 2020	36,900	21,533	—	3,256	61,689
Profit for the year and total comprehensive income for the year	—	—	—	13,878	13,878
Payment of dividends *(Note 15)*	—	—	—	(10,267)	(10,267)
At 31 March 2021	36,900	21,533	—	6,867	65,300

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 2021 and 2020, 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
			2021		2020		
			Direct	Indirect	Direct	Indirect	
TSO BVI	BVI	US$1,000	100%	—	100%	—	Investment holding
Telecom Service One Limited	Hong Kong	HK$1,000	—	100%	—	100%	Provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the and sale of related accessories and provision of supporting services
TSO Macau	Macau	MOP100,000	—	100%	—	100%	Inactive

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

33. DEREGISTRATION OF A SUBSIDIARY

During the year ended 31 March 2020, the Group deregistered an indirect wholly-owned subsidiary, TSO Shenzhen, which is inactive with minimal assets and liabilities at the date of deregistration. Thus, no gain or loss on deregistration on a subsidiary was resulted.

The deregistered subsidiary did not have significant contribution to the Group's revenue, result and cash flows for the year.

34. EVENTS AFTER REPORTING PERIOD

(1) On 25 May 2021, the Group entered into a provisional sale and purchase agreement with a company, which is indirectly wholly-owned by the Cheung Family Trust (the "Vendor") and the Group conditionally agreed to purchase and the Vendor conditionally agreed to sell the properties at the consideration of HK$54,400,000.

(2) On 28 April 2021, 29 April 2021, 4 May 2021 and 11 May 2021, the Group acquired five equity linked fixed coupon notes ("FCNs") for a total principal amount of HK$29,000,000. The FCNs are non-guaranteed products, and their returns are linked to (i) a single underlying share or (ii) a basket of underlying shares. The FCNs carry coupon rates at 12% p.a.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**38,350**	44,324	65,992	99,295	105,445
Cost of sales	**(23,025)**	(27,603)	(36,318)	(49,007)	(54,826)
Gross profit	**15,325**	16,721	29,674	50,288	50,619
Other income	**9,341**	2,591	3,870	5,110	2,101
Other operating expenses, net	**(6,155)**	(4,388)	(8,418)	(9,968)	(10,316)
Administrative expenses	**(8,661)**	(12,126)	(14,023)	(15,906)	(14,871)
Finance costs	**(48)**	(5)	—	(1)	(140)
Profit before tax	**9,802**	2,793	11,103	29,523	27,393
Income tax expense	**(229)**	(286)	(1,701)	(4,253)	(4,743)
Profit for the year	**9,573**	2,507	9,402	25,270	22,650
Other comprehensive income (expense)					
Items that will not be reclassified to profit or loss:					
Remeasurement of long service payment obligations	**264**	174	(75)	(87)	44
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	**—**	—	(10)	3	(63)
Release of exchange translation reserve upon deregistration of a subsidiary	**—**	144	—	—	—
Other comprehensive income (expense) for the year	**264**	318	(85)	(84)	(19)
Total comprehensive income for the year	**9,837**	2,825	9,317	25,186	22,631
Earnings per share (HK$)					
Basic	**0.0746**	0.0195	0.0733	0.1972	0.186
Diluted	**0.0746**	0.0195	0.0731	0.1970	0.182
ASSETS AND LIABILITIES					
Total assets	**100,122**	102,864	106,467	110,671	92,218
Total liabilities	**(4,341)**	(6,653)	(5,381)	(7,609)	(8,358)
	95,781	96,211	101,086	103,062	83,860
Equity attributable to owners of the Company	**95,781**	96,211	101,086	103,062	83,860