



**Telecom Service One Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 3997**

ANNUAL REPORT  
**2017/18**

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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

## Compliance Officer

Cheung King Fung Sunny

## 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](http://www.tso.cc)

## Auditor

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

## Legal Adviser

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

## Registered Office

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

## Head Office and Principal Place of Business in Hong Kong

Units 1805–1807, 18/F.,  
Riley House,  
88 Lei Muk Road,  
Kwai Chung, New Territories,  
Hong Kong

## Corporate Information (Continued)

### Principal Bankers

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

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

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Principal Place of Listing

The Stock Exchange of Hong Kong Limited

### Stock Code

3997

# Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2018.

## Results

The Group's revenue for the year ended 31 March 2018 was approximately HK\$99,295,000 (2017: HK\$105,445,000), representing a decrease of approximately 5.8%. The decrease was mainly due to decrease in accessories business. The Group's gross profit for the year ended 31 March 2018 slightly decreased approximately 0.7% to approximately HK\$50,288,000 (2017: HK\$50,619,000). The earnings attributable to the owners of the Company for the year ended 31 March 2018 was approximately HK\$25,270,000 as compared with approximately HK\$22,650,000 for the year ended 31 March 2017. The increase was mainly attributable to the increase in repair income.

## Business Overview

The successful transfer of our listing from GEM to Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 March 2018, marks a remarkable milestone of the development and demonstrates that 2017 has been an extraordinary year for the Group. We believed that the listing of the shares of the Company (the "Shares") on the Main Board will be beneficial to the future growth and business development of the Group.

On 12 April 2017, Telecom Service One Limited ("TSO"), a wholly-owned subsidiary of the Company has successfully obtained ISO 9001:2015 Quality Management System certification. The qualification strengthens the relationship with our customers and reinforces the corporate governance and compliance management which facilitates our further expansion. Building on this solid foundation, the Group is continuing to expand and improve its business moving forward.

The Group has maintained its market position as one of the leading comprehensive mobile phone repair and refurbishment services providers in Hong Kong and Macau. As at 31 March 2018, the Group has been appointed to provide repair and refurbishment services by 16 corporate customers including 12 global manufacturers of mobile phones and 2 global services companies.

## Prospect

Looking ahead, the Group will continue streamlining management process, integrating external and internal resources while enhancing our business processes and management models. In addition, enhancing customer satisfaction is always important to us and therefore we will continue improving our service quality so as to forge a stable and close relationship with our customers.

Leveraging the listing of the Shares on the Main Board will benefit us by bolstering the Group's market position, helping us to capture a greater market share as well as raising brand recognition. In addition, we will continue to explore potential business opportunities to deliver greater value to our shareholders.

## Chairman's Statement (Continued)

### Appreciation

Over the year, the Group has achieved fruitful results and successfully transferred the listing of its Shares on the Main Board of the Stock Exchange, marking an important milestone in its development. All of these achievements would not have been possible without the unwavering support from our customers, business partners, suppliers and shareholders, plus the guidance of our management team as well as the dedication of our staff.

**Cheung King Shek**

*Chairman and Non-executive Director*

Hong Kong, 26 June 2018

# Management Discussion and Analysis

## Industry Review

The market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is highly fragmented and competitive. Due to keen competition amongst mobile phone manufacturers, new models of mobile phones are released to the market every three-to-six months to stimulate consumers' demand. Strong smartphone sales and the growth in smartphone usage provide ongoing opportunities for the Group. Although the market is gradually becoming more competitive, through continued improvement in its operational efficiency and service quality, the Group is confident in its ability to maintain market share.

By leveraging its professional technical team and close relationships with customers, as well as its strong experience in the provision of repair and refurbishment services for mobile phones and its commitment to providing value-added and quality services, the Group is able to deliver timely, professional and quality services to its customers, so as to excel amidst the keen competition.

## Business Review

The Group has become a well-established repair services provider in Hong Kong since its establishment in 1999. The Group mainly provides repair and refurbishment services for mobile phones and personal electronic products as well as the sale of related accessories. The Group has been appointed by corporate customers comprising manufacturers of mobile phones and personal electronic products, telecommunications services providers and global services companies as their service provider to provide repair and refurbishment services for their products and to their customers. As at 31 March 2018, the Group has been appointed by 16 corporate customers (as at 31 March 2017: 17). The Group has operated seven service centres in Hong Kong and one service centre in Macau.

During the year, TSO has successfully obtained ISO 9001:2015 Quality Management System certification. This helps to lay a solid foundation for strengthening the Group's corporate governance and compliance management as well as its service capabilities, thus supporting its further expansion.

Due to the change of operation model and requirement of a mobile phone manufacturer, the Group and the customer have mutually agreed to terminate the Shenzhen services agreement, hence the repair centre in Shenzhen has been closed on 30 June 2017. Accordingly, the Group has no more business activity in the People's Republic of China ("PRC"), and most of the revenues during the year have been generated from the provision of repair and refurbishment services in Hong Kong.

## Financial Review

### Revenue

The Group's revenue comprises repairing service income and income from sales of accessories. Repairing service income for the year ended 31 March 2018 was approximately HK\$96,852,000 (2017: HK\$92,673,000), representing an increase of approximately 4.5% over the previous year. The increase in repairing service income was mainly due to the increase in repair jobs. Revenue from sales of accessories for the year ended 31 March 2018 decreased approximately 80.9% to approximately HK\$2,443,000 as compared to approximately HK\$12,772,000 in the previous year. The decrease was mainly attributable to the decrease in sales order from a corporate customer.

# Management Discussion and Analysis (Continued)

## Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year ended 31 March 2018, cost of sales decreased by approximately 10.6% to approximately HK\$49,007,000 from approximately HK\$54,826,000. 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\$15,984,000 (2017: HK\$21,277,000), representing a decrease of approximately 24.9% from that of the previous year. The decrease was due to the Group received fewer work orders which required the Group to purchase spare parts and components and such costs were not reimbursed. In addition, cost of accessories also decreased for the down-turn of accessories business.

Direct labour cost for the year ended 31 March 2018 was approximately HK\$33,023,000 (2017: HK\$33,549,000), representing a slight decrease of approximately 1.6%. The decrease was mainly due to the reduction of manpower.

## Gross Profit and Gross Profit Margin

The Group's gross profit for the year was approximately HK\$50,288,000 (2017: HK\$50,619,000), representing a slight decrease of 0.7% over the previous year. Gross profit margin increased by approximately 2.6% to approximately 50.6% from approximately 48.0%. The increase in gross profit margin was primarily because of the increase in new work orders (for pre-loading of apps), such new work orders of pre-loading apps did not require the Group to purchase spare parts to perform such work orders.

## Other Income

Other income for the year was approximately HK\$5,110,000 (2017: HK\$2,101,000). Other income mainly contributed by management fee income, consignment goods handling income, foreign exchange difference and bank interest income. The increase was mainly due to the foreign exchange gain on the foreign currency deposit, increase in storage charge and a one-off special repair job assigned by a corporate customer.

## Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2018 were approximately HK\$9,968,000 (2017: HK\$10,316,000), representing a decrease of approximately 3.4% over the previous year. The decrease was mainly due to decrease in rental expenses for relocation of a repair centre for a corporate customer in March 2017.

Administrative expenses for the year ended 31 March 2018 was approximately HK\$15,906,000 (2017: HK\$14,871,000), representing an increase of approximately 7.0%. The increase was mainly due to the professional fee incurred for the transfer of listing from GEM to Main Board.

## Income Tax Expenses

Income tax for the year ended 31 March 2018 was approximately HK\$4,253,000 (2017: HK\$4,743,000), representing a decrease of approximately 10.3%.

## Profit for the Year

Profit for the year ended 31 March 2018 was approximately HK\$25,270,000 (2017: HK\$22,650,000), representing an increase of approximately 11.6% as compared to the previous year.

## Material Acquisitions or Disposals and Significant Investments

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the year ended 31 March 2018.

# Management Discussion and Analysis (Continued)

## Liquidity and Financial Resources

As at 31 March 2018, the Group had current assets of approximately HK\$108,063,000 (2017: HK\$88,849,000) and current liabilities of approximately HK\$7,518,000 (2017: HK\$8,358,000).

As at 31 March 2018, the Group's gearing ratio was approximately 0.1% as compared to approximately 1.7% as at 31 March 2017, which is calculated based on the Group's total borrowings of approximately HK\$53,000 (2017: HK\$1,444,000) and the Group's total equity of approximately HK\$103,062,000 (2017: HK\$83,860,000).

At present, the Group generally finances its operations with internally generated cash flows and banking facilities. Net cash generated from operating activities for the year was approximately HK\$32,590,000. Net cash from investing activities was approximately HK\$20,568,000.

The Group maintained a healthy liquidity position as at 31 March 2018. The Group had cash and cash equivalents of approximately HK\$78,170,000 as at 31 March 2018 (2017: HK\$31,291,000). 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 2018, the Group has no bank borrowings and the unutilised banking facilities of approximately HK\$9,349,000 available for further drawdown should it have any further capital needs.

## Contingent Liabilities

As at 31 March 2018, the Group had no material contingent liabilities (2017: nil).

## Foreign Currency Risk

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

## Capital Commitments

As at 31 March 2018, the Group did not have any significant capital commitments (2017: nil).

## Dividend

At a meeting held on 26 June 2018, the Board declared the fourth interim dividend of HK\$0.05 per share for the year ended 31 March 2018 (2017: nil).

## Capital Structure

Except for the issue of new shares upon the exercise of share options as disclosed in note 25 to the consolidated financial statements, there was no change in the capital structure during the year ended 31 March 2018.

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

## Management Discussion and Analysis (Continued)

### Significant Investments Held

Except for investments in subsidiaries, during the year ended 31 March 2018, 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 2018, the Group employed 142 (2017: 161) 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

Followed by the transfer of its listing from GEM to Main Board of the Stock Exchange on 27 March 2018, the Group will continue its development strategy and remain vigilant towards market risks and uncertainties. The Group will continue streamlining its management procedures, integrating external and internal resources while enhancing its business processes and management model.

Leveraging the enhanced corporate profile and recognition of the Group after the transfer of the listing, the Group will seek to further enhance its service quality and strengthen its market-leading position, so as to capture greater market share and raise its brand recognition. Apart from the above general directions, the Group will also cautiously assess any new business opportunities and evaluate them with prudent consideration, with the aim to drive continuous and sustainable business growth.

### 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, 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 HK\$1.5 million will be reserved as general working capital.

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

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

# Directors and Senior Management

## Non-Executive Directors

**Mr. Cheung King Shek**, aged 66, 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 TSO since April 1987. He was appointed as a director of Telecom Digital Holdings Limited (“TDHL”, stock code: 6033, a company listed on Main Board of the Stock Exchange) in November 2002, and was appointed as its chairman and re-designated as its executive director in March 2014. He joined TDHL group in 1981 and is responsible for the overall strategic planning and corporate policies. Mr. Cheung King Shek brings to TDHL group more than 30 years of experience in the telecommunications industry and has achieved a solid track record of achievements. Under his leadership and stewardship, TDHL group has grown to be a versatile service provider in the telecommunications industry. Mr. Cheung King Shek graduated with a bachelor’s degree in commerce from the University of New South Wales in April 1976 and a master degree in business administration from the University of Melbourne in Australia in August 1981. Mr. Cheung King Shek is the chairman of Hong Kong Radio Paging Association Limited, and an honorary citizen of Swatow City. He is the elder brother of Mr. Cheung King Shan (non-executive Director), Mr. Cheung King Chuen Bobby (non-executive Director) and Mr. Cheung King Fung Sunny (chief executive officer and executive Director).

**Mr. Cheung King Shan**, aged 59, 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 59, was appointed as a Director in August 2012 and re-designated as non-executive Director in April 2013 and is advising on administrative operation. Mr. Cheung King Chuen Bobby has been a director of TSO since April 1987. He was appointed as a director of TDHL in November 2002, re-designated as its non-executive director in March 2014 and re-designated as its executive director on 8 September 2015, and is responsible for advising on administration and human resources. He joined TDHL group in 1985 and was responsible for the formulation and implementation of its administrative policies as well as overseeing its administrative operation in human resources, legal and administration, property management and China projects. Mr. Cheung King Chuen Bobby obtained a bachelor degree in art in urban planning studies and a postgraduate diploma in urban planning implementation from the University of Westminster in London in 1983 and 1984 respectively. He is a standing committee member of Chinese People’s Political Consultative of Swatow City, an honorary citizen of Swatow City and the principal president of Hong Kong & 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).

## Directors and Senior Management (Continued)

### Executive Director

**Mr. Cheung King Fung Sunny**, aged 50, was appointed as a Director in August 2012, re-designated as executive Director in April 2013 and appointed as the chief executive officer of the Company in August 2014, and is primarily responsible for managing the Group's relationship with the customers and exploring new business opportunities for the Group. Mr. Cheung King Fung Sunny has been a director of TSO since June 1999. He was appointed as a director of TDHL in November 2002, re-designated as its executive director in March 2014, appointed as its chief executive officer on 8 September 2015, and is primarily responsible for overseeing the financial management, sales and marketing and special ad hoc projects, and played a major role in the growth of the sales volume and customer base of TDHL group. He joined TDHL group in 1990. Mr. Cheung King Fung Sunny graduated from the University of Western Ontario in Canada with a bachelor's degree in administrative and commercial studies in October 1990. Mr. Cheung King Fung Sunny is the younger brother of Mr. Cheung King Shek (chairman and non-executive Director), Mr. Cheung King Shan (non-executive Director) and Mr. Cheung King Chuen Bobby (non-executive Director).

### Independent Non-Executive Directors

**Mr. Fong Ping**, *BBS, JP*, aged 68, 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, which is engaged in trading business, and Hong Kong Isabelle Company Limited, which is engaged in shipping business. He has over 30 years of experience in garment and jewelry industries. Mr. Fong is the committee member of Hong Kong Fight Crime Committee and an observer of Independent Police Complaints Council. He completed secondary education in the People's Republic of China. He was an independent non-executive director of TC Orient Lighting Holdings Limited (stock code: 515) from 15 June 2012 to 16 October 2014, the shares of which are listed on the Main Board of the Stock Exchange.

**Ms. Kwok Yuen Man Marisa**, aged 63, was appointed as an independent non-executive Director on 30 April 2013. She is also the chairman of nomination committee and a member of the audit committee and remuneration committee of the Company. She has over 30 years of experience in holding senior managerial roles in telecommunication industry. She joined Cable & Wireless HKT Limited in April 1982 and left the company in February 2000 when she was the director of corporate market. In 2001, she joined Hong Kong CSL Limited as director, marketing and operations and left the company in June 2004. She later joined PCCW-HKT Limited as managing director, commercial group from June 2004 to February 2006. From June 2006 to March 2007, she was the managing director of Boyden China Limited, a global executive search firm. From March 2007 to March 2011, Ms. Kwok was the general manager, marketing unit Hong Kong & Macau, of Sony Ericsson Mobile Communications International AB. Currently, Ms. Kwok is a director of Rich Gain Worldwide Limited, which is principally engaged in retail of apparel, leather goods and accessories. She holds a bachelor of arts honours degree in business administration from the University of Western Ontario.

**Mr. Tso Ka Yi**, aged 54, was appointed as an independent non-executive Director on 15 January 2018. He is also the chairman of audit committee and a member of the nomination committee and remuneration committee of the Company. He is currently a director of Mandarin Kopitiam Management Limited, a company focuses on the franchise business of a Singaporean famous kopitiam brand "Killiney" in Hong Kong. From January 2011 to December 2013, he served as a chief financial officer of Mandarin International Limited, a master franchisee of "Killiney". Afterwards, he was appointed as director of Mandarin International Limited from December 2013 to September 2017. He joined Ernst & Young Tax Services Limited as junior accountant in December 1990 and left the company as a senior manager in December 1999. Mr. Tso graduated from The Chinese University of Hong Kong with a Bachelor's degree of Business Studies in 1987. In 2005, he also obtained a Master's degree of Management and a Bachelor's degree of Arts (Japan Studies) from Massey University in New Zealand. Mr. Tso is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

## Directors and Senior Management (Continued)

### Senior Management

**Ms. Fong Kit Sze**, aged 44, has been the general manager of TSO since October 2008 and is primarily responsible for client management and supervision of the daily operation of TSO. She joined TSO in May 2004 as business development manager. Ms. Fong was the business development manager of Telecom Digital Services Limited (“TDS”) from October 2003 to April 2004 and was primarily responsible for the development of IDD business. Since May 2004, Ms. Fong has been under the Group’s employment but not the other businesses of the controlling shareholders of the Company. Ms. Fong also worked for Wharf T&T Limited and New World Telephone Limited as account manager from June 2003 to September 2003 and from February 2002 to June 2003 respectively. Ms. Fong received her bachelor’s degree in social science in East Asian studies from the City University of Hong Kong in November 1998.

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

# Corporate Governance 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 of 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 2018, 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 2018, 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. Chu Kin Wang Peleus <sup>1</sup>

Mr. Tso Ka Yi <sup>2</sup>

<sup>1</sup> resigned as Independent Non-executive Director with effect from 27 December 2017.

<sup>2</sup> appointed as Independent Non-executive Director with effect from 15 January 2018.

## Corporate Governance Report (Continued)

The biographical details of all Directors and senior management of the Company are set out in the section headed “Directors and Senior Management” on pages 10 to 12 of this annual report. To the best knowledge of the Company, save as disclosed in the said section, there is no financial, business, family or other material or relevant relationships among members of the Board.

### Functions of the Board

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

According to the Code Provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 March 2018, 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 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.

## Corporate Governance Report (Continued)

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 2018, 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.

# Corporate Governance Report (Continued)

## 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 2018, all the Directors have participated in continuous professional development and the relevant details are set out below:

Directors	Reading materials
<b>Non-executive Directors</b>	
Mr. Cheung King Shek ( <i>chairman</i> )	✓
Mr. Cheung King Shan	✓
Mr. Cheung King Chuen Bobby	✓
<b>Executive Director</b>	
Mr. Cheung King Fung Sunny ( <i>chief executive officer</i> )	✓
<b>Independent Non-executive Directors</b>	
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.

## Corporate Governance Report (Continued)

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 2018:

- (a) reviewed the quarterly, 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 quarterly, 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 2018:

- (a) reviewed the remuneration packages and assessed the performance of the Directors;
- (b) considered the increase of remuneration packages of certain Directors;
- (c) reviewed the remuneration policy of the Group; and
- (d) considered the grant of share options to employees of the Group.

# Corporate Governance Report (Continued)

## 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 those 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 33 to 36 of this annual report.

## Nomination Committee

The Board is empowered under the Articles of Association to appoint any person as a Director either to fill a casual vacancy on or, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

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 2018:

- (a) reviewed and assessed the independence of all independent non-executive Directors;
- (b) recommended the list of retiring Directors for re-election at the annual general meeting;
- (c) reviewed the structure, size and composition of the Board; and
- (d) reviewed the board diversity policy of the Company.

## Corporate Governance Report (Continued)

### Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board since 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 2018 are as follows:

	Board Committees				2017 Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
<b>No. of meetings held during the year</b>	4	4	1	1	1
	Meetings Attended/Eligible to Attend				
<b>Non-executive Directors</b>					
Mr. Cheung King Shek ( <i>chairman</i> )	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
<b>Executive Director</b>					
Mr. Cheung King Fung Sunny ( <i>chief executive officer</i> )	3/4	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Mr. Fong Ping	4/4	4/4	1/1	1/1	1/1
Ms. Kwok Yuen Man Marisa	4/4	4/4	1/1	1/1	1/1
Mr. Chu Kin Wang Peleus	3/4	3/4	1/1	1/1	0/1
Mr. Tso Ka Yi	1/4	1/4	N/A	N/A	N/A

# Corporate Governance Report (Continued)

## Accountability and Audit

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

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2018, 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 2018, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, in respect of their audit and non-audit services was as follows:

	HK\$'000
Audit service	710
Non-audit services	455
Total	1,165

## 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.

# Corporate Governance Report (Continued)

## 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 2018. Based on the result of the review in respect of the year ended 31 March 2018, 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 2018 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 Units 1805–1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong; or
- (b) by email at enquiry@tso.cc.

The Company uses a number of formal communication channels to account to its Shareholders and investors for the performance of the Company. These include (i) the publication of quarterly, 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.

## Corporate Governance Report (Continued)

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 Units 1805–1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

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

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

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

In order to promote effective communication, the Company also maintains a website ([www.tso.cc](http://www.tso.cc)) which includes the latest information relating to the Group and its businesses.

### Company Secretary

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

### Amendments to Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 March 2018.

# Environmental, Social and Governance Report

## 1. About ESG Report

The Group is pleased to publish the Environmental, Social and Governance Report (the “ESG Report”) for the reporting period from 1 April 2017 to 31 March 2018. The ESG Report elaborates on the various works of the Group in fulfilling the principle of sustainable development and its performance in social responsibilities during the year. The Group will continue to strengthen its efforts in information collection in order to enhance the performance on environmental and social aspects and to disclose related information in the future.

### 1.1 Scope of the Report

The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products, as well as sale of related accessories. The ESG Report focused on the environmental and social performance of the core business of the Group in Hong Kong during the year. The disclosure of the key performance indicators (“KPIs”) in the year covers the Group’s head office, repair centres and warehouse located in Hong Kong. For detailed information of corporate governance of the Company, please refer to the “Corporate Governance Report” on pages 13 to 22 of this annual report.

### 1.2 Reporting Framework

The ESG Report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Listing Rules.

### 1.3 Stakeholder Engagement

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

### 1.4 Information and Feedbacks

Your opinions and feedbacks on our environmental, social and governance performance will be highly valued by the Group. If you have any advices or suggestions, please share with us via email at [ESG\\_enquiry@tso.cc](mailto:ESG_enquiry@tso.cc).

# Environmental, Social and Governance Report (Continued)

## 2. Environmental Protection

### 2.1 Emissions

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

The major kind of wastewater generated by the Group is domestic sewage, which is directly discharged to municipal drainage system. Meanwhile, the Group has put effort to reduce the water consumption, such as setting the lowest practical level of water pressure. During the year, as our head office, repair centres and warehouse in Hong Kong are rented properties, only the water consumptions at Riley House can be obtained, while the water bills of other units rented are included in the management fee. Thus, total water consumption and water consumption intensity of Riley House were 91 m<sup>3</sup> and 1.98 m<sup>3</sup>/employee.

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

### 2.2 Energy Conservation

The Group applies multiple energy saving initiatives to improve the working efficiency of equipment or devices and reduce energy consumption. For the lighting system, the Group has installed energy-efficient lighting and encourages employees to switch off lights when they are not in use. In order to reduce the use of air conditioners, the Group has applied anti-ultraviolet films on windows to reduce heat gain and requires employees to switch off the air-conditioners during non-working hours. The Group also encourages employees to set the computers to automatic standby or sleep mode and turn off unused electrical devices or lights before leaving office.

### 2.3 Green Operation

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

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

# Environmental, Social and Governance Report (Continued)

## 3. Employment and Labor Practices

### 3.1 Employment Guidelines

The Group complies with the relevant labour laws and regulations, such as the Employment Ordinance and Employees' Compensation Ordinance, regarding compensation, benefits, dismissal, working hours and rest period. The Group respects every employee and treats them equally with no tolerance for any form of discrimination on the grounds of gender, race, region or lawfully protected characteristics. This applies to all employment activities and human resources-related matters including recruitment, promotion, transfer, reward provisions and training. If any unfair treatment happened to the employees, the employees should report the incident to their supervisors. Much effort is also given by the Group to safeguarding the legitimate rights and interests of employees, and catering for the development needs of employees.

Before any employment being offered to applicant, Human Resources Department will verify his or her age by checking the identification documents to prevent employing child labour. If an employee resigns or is dismissed from the Group, Human Resources Department will arrange an exit interview for the employee to better understand the reason of quitting. The Group is ambitious in constantly improving the quality of the management through analysing exit survey results.

The working hours are stated in employment agreement clearly, while employees are not forced to work overtime or restricted to get off work on time, in order to avoid forced labour. Overtime working will be compensated by holidays or additional payment. Apart from public holidays, all employees are entitled to sick leave, annual leave, marriage leave, compassionate leave and maternity leave. The Group has developed a comprehensive performance appraisal system to assess employees' performance on a regular basis in terms of employees' working performance, abilities of organisation and management, interpersonal skills, presentation of employees and so on. Employees with outstanding performance in the appraisal may be offered the opportunities of promotion. Annual review on salary is also conducted with reference to employees' performance.

In compliance with the provisions under the Mandatory Provident Fund Schemes Ordinance, the Group makes Mandatory Provident Fund ("MPF") contribution for full-time employees. Employees also entitled to discretionary bonus, medical insurance and labour insurance offered by the Group.

### 3.2 Health and Safety

The Group maintains occupational health and safety in strict compliance with the relevant laws and regulations, such as the Occupational Safety and Health Ordinance. In order to create a safe and healthy workplace for employees, the Group provided the arrangement when typhoons or rainstorms signal is hoisted and established the Emergency Procedures as a reference for employees if accident occurred. The Group also posted a few safety leaflets published by the Occupational Safety and Health Council in the workplace, such as the Safe Manual Handling, Electrical Safety, Fire Prevention and Emergency Response Plan. In addition, the Group prohibits smoking at workplace, arranges health examination, and organises regular office cleaning.

The Group has also organised various activities to help maintain work-life balance for the employees. During the year, the Group has organised events, such as New Year Party, Chinese New Year dinner and listing celebration dinner.

### 3.3 Development and Training

It is our strong belief that human resource 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 their duties and improve their working efficiency. New employees are offered induction training, operation and technical training courses while managers and staff in designated posts are offered professional training programs such as administration and inspection skills. Additional trainings are arranged with reference to the needs of departments, for example, brand oriented trainings ranging from repair to software skills are offered to corresponding teams.

# Environmental, Social and Governance Report (Continued)

## 4. Operating Practices

### 4.1 Supply Chain Management

Procurement decisions are made based on inventory levels and movement, expected sales, lead time of the products and other factors. The Group also pays attention to the suppliers' performance in environmental protection, employees' management and social governance. When making procurement, the Group will select the supplier from a list of approved suppliers underwent an approval procedure. Departments can place order to the suppliers based on their needs. All procurement orders must receive the approval of the General Manager.

### 4.2 Product and Service Quality

It is the Group's commitment to providing customers with reliable services and products. The Group has obtained the ISO 9001:2015 Quality Management System Certification. For assurance of product quality, the Group has developed a comprehensive quality management system that requires employees to carry out a quality and safety check for each product and fill out the quality check form after receiving products. If product defect is discovered, the Group will notify the suppliers and return the products. After repairing, at least two employees will examine the quality of products.

The Group has also taken steps to upgrade the security of the warehouse so as to safeguard the customers' properties, such as installation of 24-hour monitoring CCTV system, alarm system control and door access control.

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

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

### 4.3 Privacy Protection

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

Apart from protecting customers' privacy, employees are not allowed to disclose to any individual, firm or third party about the employment terms, product specifications, business strategies of the Group, or any of its dealings, transactions or affairs, or any other information which was classified as confidential information by the Group. Without obtaining consent from the Group, downloading or making copies of the confidential information in our computers are prohibited.

### 4.4 Intellectual Property

The Group respects intellectual property and is in strict compliance to the relevant laws and regulations, such as Copyright Ordinance. Unauthorised software are not recommended by the Group and employees should seek permission from the Group if the software is determined to be crucial.

# Environmental, Social and Governance Report (Continued)

## 4.5 Anti-Corruption

The Group is determined to maintain a fair and competitive market and promote the sustainable development of the industry. In line with the Prevention of Bribery Ordinance and other relevant laws and regulations, employees are forbidden to receive any benefits from suppliers, customers and the parties related to the Group. During the year, the Group has invited the representative of Independent Commission Against Corruption (“ICAC”) to give seminars to its employees on business ethics and integrity to further enhance their concept and knowledge on anti-corruption.

## 5. Community Investment

Over the years, the Group has been promoting social well-being through its keen participation in charitable activities. The Group also strongly encourages its employees to participate in various volunteer works. During the year, the Group has made a donation of five hundred thousand Hong Kong dollars to The Community Chest of Hong Kong through the Balloting Scheme of the Stock Exchange.

## 6. Key Performance Indicators

During the year, the data of KPIs for the Group’s head office, repair centres and warehouse in Hong Kong is as follows:

<b>Environmental Indicators</b>	<b>2018</b>
<b>Greenhouse Gases</b>	
Total greenhouse gas emissions (tonnes CO <sub>2</sub> e)	240
Total greenhouse gas emissions per employee (tonnes CO <sub>2</sub> e/employee)	1.35
<b>Wastes</b>	
Total hazardous waste produced (tonnes)	24
Total hazardous waste produced per working day per centre (tonnes/working day/centre)	11.45
Total non-hazardous waste produced (kg)	182
Total non-hazardous waste produced per employee (kg/employee)	1.02
<b>Use of Resources</b>	
Total energy consumption (MWh)	391
Total energy consumption per employee (MWh/employee)	2.19
<b>Use of Packaging Material</b>	
Total paper used (kg)	20
Total paper used per product (kg/product)	0.01
Total plastics used (kg)	504
Total plastics used per product (kg/product)	0.03

## Environmental, Social and Governance Report (Continued)

Social Indicators	2018
<b>Number of Employees</b>	
By gender	
Male	101
Female	77
By age group	
Below age 30	64
Age 30 to 50	90
Above age 50	24
<b>Average Hours of Training per Employee and Percentage of Employees who Received Training</b>	
By gender	
Male	9 (100%)
Female	7 (94%)
By employee category	
Junior	10 (98%)
Middle	9 (100%)
Senior	5 (86%)
Part-time	5 (98%)

# 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 2018.

## 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 Units 1805–1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

## Principal Activities

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are repair and refurbishment services for mobile phones and personal electronic products as well as sale of related accessories therefor. Details of the principal activities of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

## Transfer of Listing from GEM to Main Board of the Stock Exchange

On 17 August 2017, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to Main Board pursuant to Chapter 9A of the Listing Rules (“Transfer of Listing”). The Company applied for the listing of and permission to deal in (i) 128,182,000 Shares in issue, and (ii) the 2,160,000 Shares which may be issued upon the exercise of the outstanding options which were granted under the Share Option Scheme, on the Main Board by way of transfer of the listing from GEM to the Main Board.

The approval-in-principle granted by the Stock Exchange on 16 March 2018 for the Shares listed on Main Board and delisted from GEM. The last day of dealings in the Shares on GEM (stock code: 8145) was 26 March 2018. Dealings in the Shares on Main Board (stock code: 3997) commenced at 9:00 a.m. on 27 March 2018.

The Group is one of the leading mobile phones repair service providers in Hong Kong, with an operating history since 1999. The Board believes that the Transfer of Listing will enhance the profile of the Group, strengthen its recognition among public investors and improve the trading liquidity of the Shares. The Board also considers that the listing of the Shares on Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

## Results

The financial performance of the Group for the year ended 31 March 2018 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 55 to 111.

## Report of the Directors (Continued)

### Dividends and Closure of Register of Members

The third interim dividend for the nine months ended 31 December 2017 of HK\$0.02 per Share was paid on Friday, 2 March 2018.

On 26 June 2018, the Board declared a fourth interim dividend of HK\$0.05 per Share for the year ended 31 March 2018. The fourth interim dividend will be payable in cash to the Shareholders whose names appear on the register of members on Friday, 13 July 2018.

For the purpose of determining Shareholders' entitlement to the fourth interim dividend, the register of members of the Company will be closed from Thursday, 12 July 2018 to Friday, 13 July 2018 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the fourth interim dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 11 July 2018.

The fourth interim dividend is expected to be paid on or about Friday, 20 July 2018.

### AGM and Closure of Register of Members

The forthcoming annual general meeting (the "AGM") is scheduled to be held on Tuesday, 28 August 2018. A notice convening the AGM will be issued and despatched to the Shareholders on or around 26 July 2018.

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 Wednesday, 22 August 2018 to Tuesday, 28 August 2018 (both days inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 21 August 2018.

### Deed of Non-Competition

In accordance with the non-competition undertakings set out in the deed of non-competition dated 10 May 2013 ("Deed of Non-competition") entered into by East-Asia Limited ("East-Asia"), Amazing Gain Limited ("Amazing Gain"), the Cheung Brothers and J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust) (collectively, the "Controlling Shareholders") regarding certain non-competition undertakings given by the Controlling Shareholders in favour of the Company (for itself and for the benefit of each of the members of the Group) that, save and except the exceptional circumstances, the Controlling Shareholders have undertaken to the Company that they shall not carry on any business which is in competition with the business of the Group, the principal terms of which are set out in the paragraph headed "Deed of Non-competition" under the section headed "Relationship with Controlling Shareholders and Telecom Digital Group" of the Prospectus.

## Report of the Directors (Continued)

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition during the year ended 31 March 2018:

- (i) The Controlling Shareholders have confirmed that they have complied with the undertakings for the year ended 31 March 2018.
- (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 2018.
- (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 2018.

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 2018.

### Major Customers and Suppliers

During the year ended 31 March 2018, the Group's top five customers accounted for approximately 66.2% of the revenue. The top five suppliers accounted for approximately 93.1% of the cost of inventories recognised as expenses for the year. In addition, the Group's largest customer accounted for approximately 23.5% of the revenue and the Group's largest supplier accounted for approximately 67.1% of the cost of inventories recognised as expenses for the year.

For the year ended 31 March 2018, none of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Shares in issue) had any interest in these major customers and suppliers.

### Reserves

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2018 are set out in the consolidated statement of changes in equity and in note 33 to the consolidated financial statements respectively.

As at 31 March 2018, the Company's reserves available for distribution to Shareholders amounted to HK\$57,020,000 (2017: HK\$53,686,000) 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.

# Report of the Directors (Continued)

## Share Capital

Details of movements in the share capital of the Company during the year ended 31 March 2018 are set out in note 25 to the consolidated financial statements.

## Subsidiary

Particulars of the Company's principal subsidiaries are set out in note 34 to the consolidated financial statements.

## Directors

The Directors who held office during the year ended 31 March 2018 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. Chu Kin Wang Peleus <sup>1</sup>  
Mr. Tso Ka Yi <sup>2</sup>

<sup>1</sup> resigned as independent Non-executive Director with effect from 27 December 2017.

<sup>2</sup> appointed as independent Non-executive Director with effect from 15 January 2018.

By virtue of Article 108(a) of the Articles of Association, Mr. Cheung King Shek, Mr. Fong Ping and Ms. Kwok Yuen Man Marisa will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

By virtue of Article 112 of the Articles of Association, Mr. Tso Ka Yi will retire and, being eligible, offer himself 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 2018.

# Report of the Directors (Continued)

## 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 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 the all 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 Transfer of Listing 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")

## Report of the Directors (Continued)

- (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 10,024,000 representing approximately 7.82% 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).

## Report of the Directors (Continued)

### (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 5 years.

## Report of the Directors (Continued)

### (II) Details of Share Options Granted

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

On 6 July 2017, share options to subscribe for a total of 2,560,000 ordinary shares of HK\$0.1 each of the Company were granted under the Share Option Scheme.

As at 31 March 2018, an aggregate of 2,120,000 Shares are issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 1.65% of the Shares in issue.

Details of the movements of the share options under the Share Option Scheme during the year ended 31 March 2018 are as follows:

Grantees	Date of grant	Exercise price	Exercise period	Balance	Changes during the year ended				Balance
				as at 1 April 2017	31 March 2018				as at 31 March 2018
					Granted	Exercised	Cancelled	Lapsed	
Eligible employees <sup>Note (i)</sup>	7 July 2015	HK\$2.59 <sup>Note (ii)</sup>	7 July 2015– 6 July 2018 <sup>Note (iii)</sup>	800,000	–	–	–	(60,000)	740,000
Eligible employees <sup>Note (i)</sup>	6 July 2017	HK\$1.78 <sup>Note (iv)</sup>	6 July 2017– 5 July 2019 <sup>Note (v)</sup>	–	2,560,000 <i>Note (vi)</i>	(200,000) <i>Note (vii)</i>	(920,000) <i>Note (viii)</i>	(60,000)	1,380,000
				800,000	2,560,000	(200,000)	(920,000)	(120,000)	2,120,000

Notes:

- (i) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (ii) The closing price of the Shares immediately before the date of grant (i.e. as of 6 July 2015) was HK\$2.22.
- (iii) All share options granted on 7 July 2015 do not have any vesting period.
- (iv) The closing price of the Shares immediately before the date of grant (i.e. as of 5 July 2017) was HK\$1.75.
- (v) All share options granted on 6 July 2017 do not have any vesting period.
- (vi) The shares which may be issued upon exercise of the share options by a grantee shall be subject to a no-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.
- (vii) The weighted average closing price of the Shares immediately before the date on which the shares options were exercised was HK\$2.29.
- (viii) The exercise price of the cancelled options was HK\$1.78.

Except as disclosed above, no share option lapsed or was granted, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 March 2018 and there were no outstanding share options under the Share Option Scheme as at 31 March 2018.

## Report of the Directors (Continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2018, 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 <i>Note A</i>
Mr. Cheung King Shek	Beneficial owner	6,314,000	4.93%
	Beneficiary of a trust <i>Note B</i>	66,000,000	51.48%
Mr. Cheung King Shan	Beneficial owner	6,244,000	4.87%
	Beneficiary of a trust <i>Note B</i>	66,000,000	51.48%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,622,000	5.17%
	Beneficiary of a trust <i>Note B</i>	66,000,000	51.48%
Mr. Cheung King Fung Sunny	Beneficial owner	6,314,000	4.93%
	Beneficiary of a trust <i>Note B</i>	66,000,000	51.48%

## Report of the Directors (Continued)

### (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 <sup>Note B</sup>	100	100%
East-Asia Pacific Limited	Beneficiary of a trust <sup>Note B</sup>	6	100%
Telecom Service Limited	Beneficiary of a trust <sup>Note B</sup>	2,000,000	100%
H.K. Magnetronic Co. Limited	Beneficiary of a trust <sup>Note B</sup>	50,000	100%
Oceanic Rich Limited	Beneficiary of a trust <sup>Note B</sup>	10,000	100%
Glossy Investment Limited	Beneficiary of a trust <sup>Note B</sup>	10,000	100%
Glossy Enterprises Limited	Beneficiary of a trust <sup>Note B</sup>	10,000	100%
Yiutai Industrial Company Limited	Beneficiary of a trust <sup>Note B</sup>	1,000	100%
Txtcom Limited	Beneficiary of a trust <sup>Note B</sup>	100	100%
Telecom Properties Investment Limited	Beneficiary of a trust <sup>Note B</sup>	24	100%
Telecom Digital Limited (incorporated in Macau)	Beneficiary of a trust <sup>Note B</sup>	MOP100,000	100%
Hellomoto Limited	Beneficiary of a trust <sup>Note B</sup>	1,000	100%
Marina Trading Inc.	Beneficiary of a trust <sup>Note B</sup>	1	100%
Telecom Digital Limited	Beneficiary of a trust <sup>Note B</sup>	2	100%
Silicon Creation Limited	Beneficiary of a trust <sup>Note B</sup>	100	100%
Kung Wing Enterprises Limited	Beneficiary of a trust <sup>Note B</sup>	1,000,000	100%
東莞恭榮房地產管理服務有限公司	Beneficiary of a trust <sup>Note B</sup>	US\$1,500,000	100%

Note A:

The calculation is based on 128,202,000 shares of the Company in issue as at 31 March 2018.

Note B:

The 66,000,000 Shares, representing approximately 51.48% of the Shares in issue, are held by East-Asia, of which the Cheung Brothers are directors. East-Asia is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares/share capital in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at 31 March 2018, 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.

# Report of the Directors (Continued)

## Change in Information of Directors

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30 September 2017 is set out below:

- Mr. Chu Kin Wang Peleus resigned as an independent non-executive director of China Huishan Dairy Holdings Company Limited (stock code: 6863, a company listed on the Main Board of the Stock Exchange) with effect from 15 December 2017.
- Mr. Chu Kin Wang Peleus resigned as an independent non-executive director, chairman of audit committee, member of each of nomination committee and remuneration committee of the Company with effect from 27 December 2017.
- Mr. Tso Ka Yi was appointed as an independent non-executive director, chairman of audit committee, member of each of nomination committee and remuneration committee of the Company with effect from 15 January 2018.

Save as disclosed above, the Company is not aware of other changes of the Directors' information which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

## Directors' Right to Acquire Shares

Save as disclosed above, at no time during the year ended 31 March 2018 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.

## Report of the Directors (Continued)

### Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2018, 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 <i>Note A</i>
East-Asia Pacific Limited <i>Note B</i>	Beneficial owner	66,000,000	51.48%
Amazing Gain Limited <i>Note B</i>	Interest in a controlled corporation	66,000,000	51.48%
J. Safra Sarasin Trust Company (Singapore) Limited <i>Note B</i>	Trustee (other than a bare trustee)	66,000,000	51.48%
Ms. Tang Fung Yin Anita <i>Note C</i>	Interest of spouse	72,244,000	56.35%
Ms. Yeung Ho Ki <i>Note C</i>	Interest of spouse	72,314,000	56.41%

*Note C:*

Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 72,244,000 Shares and 72,314,000 Shares respectively in which their respective husbands are interested.

Save as disclosed above, as at 31 March 2018, 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 2018 and up to the date of this annual report, the Company has maintained the public float required by the Listing Rules.

## Report of the Directors (Continued)

### 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 2018.

### 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 2018 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 2018.

### 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 2018, 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.

### Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 March 2018 are set out in note 22 to the consolidated financial statements.

### Retirement Benefits Plans

Particulars of retirement benefits plans of the Group as at 31 March 2018 are set out in note 28 to the consolidated financial statements.

# Report of the Directors (Continued)

## Connected Transactions

The related party transactions of the Company for the year ended 31 March 2018 are set out in note 30 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 2018, 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 2017 and 29 March 2018. The Company shall comply with the annual review and reporting requirements for all of the following non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

#### (1) Tenancy Agreements with connected persons of the Company

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

- (i) Oceanic Rich Limited\* ("ORL");
- (ii) Glossy Investment Limited\* ("GIL");
- (iii) Glossy Enterprises Limited\* ("GEL");
- (iv) H.K. Magnetronic Company Limited\* ("HKMag");
- (v) Marina Trading Inc.\* ("Marina"); and
- (vi) TDS\*\*.

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

\* As ORL, GIL, GEL, HKMag and Marina are wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of Shares in issue, they are connected persons of the Company under the Listing Rules.

\*\* As TDS is wholly-owned by TDHL which is indirectly owned by the Cheung Family Trust as to 54.50% which indirectly holds 51.48% of the Shares in issue, it is a connected person of the Company under the Listing Rules.

## Report of the Directors (Continued)

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
(i)	Unit 1807, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	ORL	31 March 2017	from 1 April 2017 to 31 March 2018	HK\$72,200	head office, repair centre and warehouse
			29 March 2018	from 1 April 2018 to 31 March 2019	HK\$79,420 (exclusive of government rates, government rent and building management fee)	saleable area: 5,511 sq. ft. (net).
(ii)	Unit 1805 & Portion B of Unit 1806, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	GIL	31 March 2017	from 1 April 2017 to 31 March 2018	HK\$109,840	head office, repair centre and warehouse
			29 March 2018	from 1 April 2018 to 31 March 2019	HK\$120,824 (exclusive of government rates, government rent and building management fee)	saleable area: 8,380 sq. ft. (net)
(iii)	Unit B, 15/F., Kyoto Plaza, No. 491-499 Lockhart Road, Causeway Bay, Hong Kong	ORL	31 March 2017	from 1 April 2017 to 31 March 2018 (tenancy terminated on 30 June 2017)	HK\$38,520 (exclusive of government rates, government rent and building management fee)	repair centre  saleable area: 1,284 sq. ft. (gross)
(iv)	Unit 1808, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	GIL	31 March 2017	from 1 April 2017 to 31 March 2018	HK\$50,760 (exclusive of government rates, government rent and building management fee)	Head office, repair centre and warehouse  saleable area: 3,875 sq. ft. (net)
(v)	Rua de Pequim, n°s 170-174, Edificio Centro Commercial Kong Fat, 16° andar portion of D1 and E1, em Macau	HKMag	31 March 2017	from 1 April 2017 to 31 March 2018	HK\$13,725	repair centre
			29 March 2018	from 1 April 2018 to 31 March 2019	HK\$15,372 (inclusive of building management fee)	saleable area: 915 sq. ft. (net)
(vi)	Unit 1005, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	GEL	31 March 2017	from 1 April 2017 to 31 March 2018	HK\$29,336	repair centre
			29 March 2018	from 1 April 2018 to 31 March 2019	HK\$32,424 (exclusive of government rates, government rent and building management fee)	saleable area: 772 sq. ft. (gross)

## Report of the Directors (Continued)

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
(vii)	Unit 1006, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	GIL	31 March 2017	from 1 April 2017 to 31 March 2018	HK\$38,798	repair centre  saleable area: 1,021 sq. ft. (gross)
			29 March 2018	from 1 April 2018 to 31 March 2019	HK\$42,882 (exclusive of government rates, government rent and building management fee)	
(viii)	12/F., Ginza Plaza, No.2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	ORL	31 March 2017	from 1 April 2017 to 31 March 2018	HK\$165,566	repair centre  saleable area: 4,357 sq. ft. (gross)
			29 March 2018	from 1 April 2018 to 31 March 2019	HK\$182,994 (exclusive of building management fee and air-conditioning charges but inclusive of government rates and government rent)	
(ix)	Unit 1802 and Portion of Unit 1803, Shen Rong Building, No. 1045 Fuqiang Road, Futian District, Shenzhen City, PRC	Marina	31 March 2017	from 1 April 2017 to 31 March 2018 (tenancy terminated on 30 June 2017)	HK\$13,152 (exclusive of building management fee)	repair centre  saleable area: 1,475 sq. ft. (net)
(xi)	Portion of shop on G/F, Dah Sing Life Building, Nos. 99-105 Des Voeux Road Central, Central, Hong Kong	TDS	31 March 2017	from 1 January 2017 to 31 March 2018	HK\$41,800 (inclusive of government rates and government fee)	repair centre  saleable area: 769 sq. ft. (gross)
(x)	Unit 703, 7/F, Ginza Plaza, No. 2 Sai Yeung Choi Street South, Kowloon, Hong Kong	GIL	31 May 2017	from 1 July 2017 to 31 March 2019 (tenancy will be terminated in advance on 31 July 2018)	HK\$29,716 (exclusive of government rates, government rent and building management fee)	repair centre  saleable area: 782 sq. ft. (gross)
(xii)	Portion of Unit A, 23/F., Kyoto Plaza, Nos. 491-499 Lockhart Road, Causeway Bay, Hong Kong	GEL	31 May 2017	from 1 July 2017 to 31 March 2019	HK\$19,200 (exclusive of government rates, government rent and building management fee)	repair centre  saleable area: 640 sq. ft. (gross)
(xiii)	Unit B, 23/F, Kyoto Plaza, No. 491-499 Lockhart Road, Hong Kong	ORL	31 May 2017	from 1 July 2017 to 31 March 2019	HK\$38,520 (exclusive of government rates, government rent and building management fee)	repair centre  saleable area: 1,284 sq. ft. (gross)

## Report of the Directors (Continued)

The rentals under the above tenancy agreements were determined with reference to the prevailing market rentals of similar properties in the nearby locations. As disclosed in the announcement of the Company dated 29 March 2018, the aggregate annual caps of the rentals payable under the above tenancy agreements for the year ending 31 March 2019 is HK\$6,737,000. The aggregate rentals paid by the Group for the year ended 31 March 2018 in respect of the above leased properties to the above connected persons were approximately HK\$7,206,000.

### (2) Purchase of parts and components from SAP (and its subsidiaries)

Since 2006, TSO has been purchasing parts and components such as parts for repairing pagers and two-way mobile data communication devices and mobile phone accessories from Sun Asia Pacific Limited ("SAP") and its subsidiaries (collectively, the "SAP Group"). On 31 March 2015, SAP and TSO have renewed into an agreement in relation to such purchase of parts and components for the period from 1 April 2015 to 31 March 2018. The price of the parts and components purchased from the SAP Group is at cost plus certain percentage of the value of the orders. The prices of the parts and components are determined by TSO and SAP with reference to the prevailing market rate of similar products.

As SAP is wholly-owned by the Cheung Brothers who are Directors and controlling shareholders of the Company, each of SAP and its subsidiaries is an associate of the Cheung Brothers and therefore is a connected person of the Company under the Listing Rules. Accordingly, the above transactions constitute continuing connected transactions for the Company.

As disclosed in the announcement of the Company dated 31 March 2015, the annual cap for the amount of parts and components to be purchased from the SAP Group by TSO for the years ended 31 March 2018 was HK\$1,500,000. No parts and components was purchased from the SAP Group by TSO for the year ended 31 March 2018.

### (3) Mobile phone accessories sale agreement with SUN Mobile

On 31 March 2015, TSO (a wholly-owned subsidiary of the Company) has renewed a sale agreement with Sun Mobile Limited ("SUN Mobile"), pursuant to which TSO has agreed to sell mobile phone accessories to SUN Mobile for the period from 1 April 2015 to 31 March 2018 at cost plus a certain percentage of markup. The price of such mobile phone accessories is determined by TSO and SUN Mobile with reference to the prevailing market rate of similar products.

SUN Mobile is indirectly owned by TDHL as to 40% which is indirectly owned by the Cheung Family Trust as to 54.50%. As the Cheung Family Trust indirectly holds 51.48% of the Shares in issue, SUN Mobile is a connected person of the Company under the Listing Rules. Accordingly, the above transactions constitute continuing connected transactions for the Company.

As disclosed in the announcement dated 31 March 2015, the annual cap of the sales income receivable from SUN Mobile by TSO for the year ended 31 March 2018 was HK\$9,500,000. No sales income was received from SUN Mobile by TSO for the year ended 31 March 2018.

## Report of the Directors (Continued)

### (4) Master Agreement with TDHL

On 31 March 2017, TSO (a wholly-owned subsidiary of the Company) entered into a renewal master agreement with TDHL (the “Renewal Master Agreement”) setting out the governing terms and conditions in relation to the following continuing connected transactions with certain members of TDHL group for a term up to 31 March 2018. TDHL is indirectly owned by the Cheung Family Trust as to 54.50% which indirectly holds 51.48% of the Shares in issue, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the below transactions constitute continuing connected transactions for the Company.

TSO expects that the transactions between TSO and TDHL group will continue after the expiration of the Renewal Master Agreement. Therefore, on 29 March 2018, TSO and TDHL entered into the 2018/19 Master Agreement (“2018/19 Master Agreement”) for a term of one year commencing from 1 April 2018 and to fix the annual caps for the year ending 31 March 2019 for services a. and b. as listed below to HK\$4,000,000 and HK\$2,000,000 respectively.

#### a. *Provision of repair and refurbishment services by TSO to TDHL group*

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

As disclosed in the announcement of the Company dated 29 March 2018, the annual cap in respect of the aggregate repair and refurbishment service fees to be paid by the TDHL group to TSO under the 2018/19 Master Agreement for the year ending 31 March 2019 is HK\$4,000,000. The repair and refurbishment service fees paid by the TDHL group to TSO under the Renewal Master Agreement for the year ended 31 March 2018 was approximately HK\$3,576,000.

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

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

As disclosed in the announcement of the Company dated 29 March 2018, the annual caps for the consignment fees to be paid by TSO to TDHL group under the 2018/19 Master Agreement for the year ending 31 March 2019 is HK\$2,000,000. The consignment fees paid by TSO to TDHL group under the Renewal Master Agreement for the year ended 31 March 2018 was approximately HK\$734,000.

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.

## Report of the Directors (Continued)

### (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 have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### (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 cap 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 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

# Report of the Directors (Continued)

## Corporate Governance

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 13 to 22. 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 2018 and the material factors underlying its results and financial position can be found in the Management Discussion and Analysis on pages 6 to 9 of this annual report. These discussions form part of this Report of the Directors.

## Environmental Policy

An Environmental, Social and Governance Report of the Company for the year ended 31 March 2018 is set out on pages 23 to 28 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 2018, 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.

## Report of the Directors (Continued)

### 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 2018, 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 112 of this annual report.

### Auditor

The financial statements for the year ended 31 March 2018 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, 26 June 2018

# Independent Auditor's Report



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

## TO THE SHAREHOLDERS OF TELECOM SERVICE ONE HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### Opinion

We have audited the consolidated financial statements of Telecom Service One Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 55 to 111, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

# Independent Auditor's Report (Continued)

## Valuation of Inventories

Refer to note 18 to the consolidated financial statements and the accounting policies on page 69.

### The key audit matter

### How the matter was addressed in our audit

The Group has inventories of approximately HK\$1,715,000 as at 31 March 2018 and allowance for inventories of approximately HK\$825,000 has been made during the year ended 31 March 2018.

Management assess the net realisable value of slow moving inventories with reference to the stock aging, the market trend, the competition in the market and the change of consumer demand.

We have identified valuation of inventories as a key audit matter because the policy for making such allowances involves significant degree of management judgement.

Our audit procedures were designed to assess the judgement and assumptions used by the management in calculating the inventory provisions.

We reviewed management's identification of slow moving and obsolete inventories, and critically assessed whether appropriate provisions had been established for slow moving and obsolete items. When considering the management's assessment, we had also taken into account the most recent prices achieved on sales across the product lines, subsequent usage of inventories as well as the adequacy of provision for inventories.

## Impairment of Trade Receivables

Refer to note 19 to the consolidated financial statements and the accounting policies on page 69 to 71.

### The key audit matter

### How the matter was addressed in our audit

As at 31 March 2018, the Group has outstanding trade receivables of approximately HK\$13,324,000, of which, approximately HK\$4,667,000 were past due with no impairment was provided.

These conclusions are dependent upon management judgement in respect of assessing the ultimate realisation of these receivables.

We have identified impairment of trade receivables as a key audit matter because the policy for making such impairment involves significant degree of management judgement and may be subject to management bias.

Our audit procedures were designed to review the management's assessment of the indicators of impairment and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts.

We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have also challenged the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end as well as the recent creditworthiness of each debtor.

# Independent Auditor's Report (Continued)

## Other Information

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

## Independent Auditor's Report (Continued)

As part of an audit in accordance with HKSA's, 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.

## Independent Auditor's Report (Continued)

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

26 June 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	7	99,295	105,445
Cost of sales		(49,007)	(54,826)
Gross profit		50,288	50,619
Other income	9	5,110	2,101
Other operating expenses, net	10	(9,968)	(10,316)
Administrative expenses		(15,906)	(14,871)
Finance costs	11	(1)	(140)
Profit before tax		29,523	27,393
Income tax expense	12	(4,253)	(4,743)
Profit for the year	13	25,270	22,650
Other comprehensive income (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of long service payment obligations		(87)	44
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		3	(63)
Other comprehensive expense for the year		(84)	(19)
Total comprehensive income for the year		25,186	22,631
Earnings per share (HK\$)	16		
Basic		0.1972	0.1863
Diluted		0.1970	0.1824

# Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Plant and equipment	17	1,799	2,604
Deferred tax asset	24	809	765
		<b>2,608</b>	3,369
<b>Current assets</b>			
Inventories	18	1,715	4,789
Trade and other receivables	19	18,952	20,545
Amounts due from related companies	30a	296	2,380
Tax recoverable		409	—
Pledged bank deposits	20	8,521	28,744
Bank balances and cash	20	78,170	32,391
		<b>108,063</b>	88,849
<b>Current liabilities</b>			
Trade and other payables	21	7,465	6,872
Amounts due to related companies	30b	53	104
Tax payables		—	42
Bank borrowings	22	—	1,340
		<b>7,518</b>	8,358
<b>Net current assets</b>		<b>100,545</b>	80,491
<b>Total assets less current liabilities</b>		<b>103,153</b>	83,860
<b>Non-current liability</b>			
Long service payment obligations	23	91	—
<b>Net assets</b>		<b>103,062</b>	83,860

## Consolidated Statement of Financial Position (Continued)

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Capital and reserves			
Share capital	25	12,820	12,800
Reserves		90,242	71,060
Total equity		103,062	83,860

The consolidated financial statements on pages 55 to 111 were approved and authorised for issue by the board of directors on 26 June 2018 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 2018

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Share options reserve HK\$'000	Statutory reserve HK\$'000 (Note b)	Warrant reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
1 April 2016	12,001	23,944	70	(100)	522	137	100	17,453	54,127
Profit for the year	—	—	—	—	—	—	—	22,650	22,650
Remeasurement of long service payment obligations	—	—	—	—	—	—	—	44	44
Exchange differences arising on translation of foreign operations	—	—	—	(63)	—	—	—	—	(63)
Total comprehensive (expense) income for the year	—	—	—	(63)	—	—	—	22,694	22,631
Deregistration of a subsidiary (Note c)	—	—	—	—	—	(137)	—	137	—
Payment of dividends (Note 15)	—	—	—	—	—	—	—	(6,001)	(6,001)
Lapse of share options (Note 29)	—	—	—	—	(66)	—	—	66	—
Issue of shares upon exercise of warrants (Note 25)	799	12,371	—	—	—	—	(67)	—	13,103
Lapse of unexercised warrants (Note 26)	—	—	—	—	—	—	(33)	33	—
At 31 March 2017 and 1 April 2017	12,800	36,315	70	(163)	456	—	—	34,382	83,860
Profit for the year	—	—	—	—	—	—	—	25,270	25,270
Remeasurement of long service payment obligations	—	—	—	—	—	—	—	(87)	(87)
Exchange differences arising on translation of foreign operations	—	—	—	3	—	—	—	—	3
Total comprehensive income for the year	—	—	—	3	—	—	—	25,183	25,186
Payment of dividends (Note 15)	—	—	—	—	—	—	—	(6,409)	(6,409)
Recognition of equity-settled share based payments (Note 29)	—	—	—	—	69	—	—	—	69
Lapse of share options (Note 29)	—	—	—	—	(37)	—	—	37	—
Issue of shares upon exercise of share options (Note 25)	20	344	—	—	(8)	—	—	—	356
At 31 March 2018	12,820	36,659	70	(160)	480	—	—	53,193	103,062

## Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 March 2018

*Notes:*

- a. 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.

- b. In accordance with the People's Republic of China (the "PRC") laws applicable to wholly-foreign owned investment enterprises, subsidiary of the Company operating in the PRC is required to set up a general reserve fund and appropriate at least 10% of respective company's annual profit after tax, as determined under the PRC accounting rules and regulations, to the general reserve fund until the balance of the reserve equals to 50% of its registered capital. This fund can be used to make good losses and to convert into paid-up capital.
- c. Telecom Service One Taiwan Limited has been deregistered on 26 December 2016.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	<b>29,523</b>	27,393
Adjustments for:		
Depreciation of plant and equipment	<b>1,347</b>	1,916
Finance costs	<b>1</b>	140
Bank interest income	<b>(997)</b>	(840)
Share-based payment expenses	<b>69</b>	—
Long service payment obligations	<b>166</b>	81
Allowance for inventories	<b>825</b>	41
Loss on write-off of plant and equipment	<b>109</b>	24
Reversal of allowance for inventories	<b>—</b>	(14)
Write-off of inventories	<b>97</b>	—
Bad debts written off	<b>303</b>	—
Operating cash flows before movements in working capital	<b>31,443</b>	28,741
Decrease in inventories	<b>2,152</b>	1,565
Decrease in trade and other receivables	<b>1,297</b>	972
Decrease (increase) in amounts due from related companies	<b>2,084</b>	(1,174)
Increase in trade and other payables	<b>575</b>	719
Decrease in amounts due to related companies	<b>(51)</b>	(2,169)
Payments for long service payment obligations	<b>(162)</b>	(37)
Cash generated from operations	<b>37,338</b>	28,617
Hong Kong Profits Tax paid	<b>(4,748)</b>	(4,148)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>32,590</b>	24,469
<b>INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	<b>(652)</b>	(718)
Placement of pledged bank deposits	<b>(2,780)</b>	(5,792)
Interest received	<b>997</b>	840
Withdrawal of pledged bank deposits	<b>23,003</b>	7,020
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>20,568</b>	1,350

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
FINANCING ACTIVITIES		
Dividends paid	<b>(6,409)</b>	(6,001)
Repayments of bank borrowings	<b>(240)</b>	(19,760)
Interest paid	<b>(1)</b>	(140)
New bank borrowings raised	—	1,400
Proceeds from issue of shares upon exercise of share options	<b>356</b>	—
Proceeds from issue of shares upon exercise of warrants	—	13,103
NET CASH USED IN FINANCING ACTIVITIES	<b>(6,294)</b>	(11,398)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>46,864</b>	14,421
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<b>31,291</b>	16,908
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>15</b>	(38)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<b>78,170</b>	31,291
Analysis of components of cash and cash equivalents:		
Bank balances and cash	<b>78,170</b>	32,391
Bank overdrafts ( <i>note 22</i> )	—	(1,100)
	<b>78,170</b>	31,291

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 1. General

Telecom Service One Holdings Limited (the “Company”) is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 August 2012 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 May 2013. On 27 March 2018, its shares have been transferred of listing from GEM to Main Board of the Stock Exchange (Stock Code: 3997). The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is at 19/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

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

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are set out in note 34.

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

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Company and its subsidiaries (the “Group”) have applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and Interpretations (“Int(s)”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12</i>
Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group’s financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in Note 32. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in Note 31, the directors of the Company considered that these amendments have had no impact on the Group’s consolidated financial statements.

### New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contract <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for Annual Periods Beginning on or After 1 January 2018.

<sup>2</sup> Effective for Annual Periods Beginning on or After 1 January 2019.

<sup>3</sup> Effective for Annual Periods Beginning on or After 1 January 2021.

<sup>4</sup> Effective date not yet been determined.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to change in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity’s expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 9 (2014) Financial Instruments (Continued)

HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company has performed a preliminary analysis of the Group’s financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group’s results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

#### (a) *Classification and measurement*

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

#### (b) *Impairment*

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables, and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue 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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods and provision of services. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 March 2018.

#### HKFRS 16 Leases

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and revised HKFRSs issued but not yet effective (Continued)

#### HKFRS 16 Leases (Continued)

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

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

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

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$1,800,000 as disclosed in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group’s result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 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 and by the Hong Kong Companies Ordinance.

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

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

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

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transaction and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statement in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group:

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 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 accumulated impairment losses, if any.

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Inventories

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

### Cash and cash equivalents

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

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

### 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 instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

##### *Loans and receivables*

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

##### *Impairment loss of financial assets*

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets (Continued)*

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

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

#### Financial liabilities and equity instruments

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

##### *Equity instruments*

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

##### *Warrants*

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrant. Where the warrants remain unexercised at the expiry date, the amount initially recognised in warrant reserve will be released to the retained profits.

##### *Financial liabilities*

Financial liabilities are classified as other financial liabilities.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### *Other financial liabilities*

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

##### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

##### **Derecognition**

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

##### **Offsetting financial instruments**

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

##### **Impairment loss on tangible assets**

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. Significant Accounting Policies (Continued)

### Impairment on tangible assets (Continued)

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Revenue recognition

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

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

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

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

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

### Leasing

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. Significant Accounting Policies (Continued)

### Leasing (Continued)

#### The Group as lessee

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

### Employee benefits

#### Retirement benefit costs

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

#### Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and 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.

### 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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. Significant Accounting Policies (Continued)

### Foreign currencies (Continued)

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

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

### Borrowing costs

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

All other borrowing costs recognised in profit or loss in the period in which they are incurred.

### 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 of items of income or expense that are taxable or deductible in other years and 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 bases 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 differences 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. Significant Accounting Policies (Continued)

### Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

### Share-based payment transactions

#### Equity-settled share-based payment transactions

##### *Share options granted to employees under share option scheme*

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

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 that are not readily apparent from other sources. 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 4. Key Sources of Estimation Uncertainty (Continued)

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.

### Income taxes

As at 31 March 2018, a deferred tax asset of approximately HK\$809,000 (2017: HK\$765,000) in relation to accelerated accounting depreciation has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK\$2,329,000 (2017: HK\$5,823,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

### 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 2018, the carrying amount of inventories of the Group was approximately HK\$1,715,000 (2017: HK\$4,789,000), net of allowance for inventories of approximately HK\$2,988,000 (2017: HK\$2,260,000).

### Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts 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 and maintains a provision for estimated credit losses based upon its historical experience. As at 31 March 2018, the carrying amounts of trade and other receivables of the Group were approximately HK\$18,952,000 (2017: HK\$20,545,000). No impairment loss was recognised during both years. There is bad debts of approximately HK\$303,000 (2017: nil) directly written off during the year.

## 5. Capital Risk Management

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

The capital structure of the Group consist of bank borrowings and bank overdrafts net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debt or the redemption of existing debt.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 6. Financial Instruments

### (a) Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash)	105,815	83,816
<b>Financial liabilities</b>		
Amortised cost	6,758	7,526

### (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, amounts due to related companies, bank overdrafts and bank borrowings. 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 2018, approximately 28% (2017: 28%) of the Group's sales and approximately 77% (2017: 68%) 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.

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

	Assets		Liabilities	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
US\$	14,874	12,062	670	1,836
RMB	32,134	28,546	95	—
JPY	—	—	153	153

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 6. Financial Instruments (Continued)

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

#### Market risk (Continued)

#### Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2017: 5%) increase or decrease in the functional currencies of the relevant group entities, HK\$, RMB and MOP, against the relevant foreign currencies. 5% (2017: 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% (2017: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A negative number below indicates a decrease in post-tax profit where respective functional currency strengthens 5% (2017: 5%) against the relevant foreign currency. For a 5% (2017: 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	
	2018 HK\$'000	2017 HK\$'000
US\$	(596)	(429)
RMB	(1,338)	(1,192)
JPY	6	6

#### 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 2018 and 2017. 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, variable-rate bank overdrafts and bank borrowings carried at prevailing market rates. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of (i) prevailing market rates arising from the Group's bank balances denominated in HK\$, US\$, RMB and MOP; and (ii) one-month Hong Kong Interbank Offered Rates or HK\$ prime rate arising from the Group's HK\$ or US\$ denominated bank borrowings and bank overdrafts respectively.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 6. Financial Instruments (Continued)

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

#### Market risk (Continued)

##### *Interest rate risk (Continued)*

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 (2017: 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 (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2018 would increase/decrease by approximately HK\$40,000 (2017: HK\$162,000).

#### 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.

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

The credit quality of the counterparties in respect of amounts due from related companies is assessed by taking into account their financial position, credit history and other factors. The directors of the Company are of the opinion that the risk of default by these counterparties is low.

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 has concentration of credit risk as 20% (2017: 30%) of the total trade receivables at 31 March 2018 was due from the Group's largest customer.

The Group has concentration of credit risk as 82% (2017: 53%) of the total trade receivables at 31 March 2018 was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 99% (2017: 99%) of the total trade receivables as at 31 March 2018.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 6. Financial Instruments (Continued)

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

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

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

	On demand or within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2018</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	6,705	6,705	6,705
Amounts due to related companies	53	53	53
	<b>6,758</b>	<b>6,758</b>	<b>6,758</b>
	On demand or within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2017</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	6,082	6,082	6,082
Amounts due to related companies	104	104	104
Bank borrowings ( <i>note</i> )	1,340	1,340	1,340
	7,526	7,526	7,526

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 6. Financial Instruments (Continued)

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

#### Liquidity risk (Continued)

*Note:* Bank borrowings with a repayment on demand clause was included in the “on demand or within 1 year” time band in the above maturity analysis. As at 31 March 2017, the aggregate undiscounted principal amount of this bank borrowings amounted to HK\$1,340,000. Taking into account the Group’s financial position, the directors of the Company did not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. The directors of the Company believed that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. As that time, the aggregate principal and interest cash outflows will amount to HK\$1,341,000.

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

### (c) Fair value

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

## 7. Revenue

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

	2018 HK\$'000	2017 HK\$'000
Repairing service income	96,852	92,673
Sales of accessories	2,443	12,772
	99,295	105,445

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 8. Segment Information

The Group is engaged in a single segment, the provision of mobile phone and consumer electronic devices repair service and the sales of consumer electronic devices related products. 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 2018 and 2017, the Group's operations were located in Hong Kong, the PRC and Macau.

During the year ended 31 March 2018, 98% (2017: 97%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2018, 96% (2017: 93%) 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:

	2018 HK\$'000	2017 HK\$'000
Customer I	23,334	23,591
Customer II	22,552	N/A*
Customer III	10,967	N/A*

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

## 9. Other Income

	2018 HK\$'000	2017 HK\$'000
Management fee income ( <i>Note i</i> )	363	523
Consignment goods handling income ( <i>Note ii</i> )	296	453
Bank interest income	997	840
Exchange gain	2,781	—
Others	673	285
	5,110	2,101

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 10. Other Operating Expenses, Net

	2018 HK\$'000	2017 HK\$'000
Reimbursement of expenses for service centres	55	352
Logistic service income	—	5
Miscellaneous income charges	256	118
	<b>311</b>	475
Less: Other operating expenses of service centres	<b>(10,279)</b>	(10,791)
Other operating expenses, net	<b>(9,968)</b>	(10,316)

### 11. Finance Costs

	2018 HK\$'000	2017 HK\$'000
Interest on bank loans and overdrafts	1	140

### 12. Income Tax Expense

	2018 HK\$'000	2017 HK\$'000
Hong Kong Profits Tax		
— current year	4,412	4,915
— (over)under-provision in prior years	(115)	79
	<b>4,297</b>	4,994
Deferred tax		
— current year (Note 24)	(44)	(251)
	<b>4,253</b>	4,743

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 12. Income Tax Expense (Continued)

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for 2017. No provision for taxation has been made for the Taiwan subsidiary for 2017 as there was no assessable profits in 2017 and the Taiwan subsidiary deregistered in December 2016.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision for taxation has been made for the PRC subsidiary as there were no assessable profits for both years.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. No provision for Macau taxation has been made for the Macau subsidiary for the year ended 31 March 2018 since the assessable profits are wholly absorbed by tax losses brought forward. No provision for Macau taxation has been made for the year ended 31 March 2017 as there were no assessable profits.

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:

	2018 HK\$'000	2017 HK\$'000
Profit before tax	29,523	27,393
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	4,868	4,495
Tax effect of income not taxable for tax purpose	(553)	(66)
Tax effect of expenses not deductible for tax purpose	232	206
Hong Kong Profits Tax concession ( <i>note</i> )	(30)	(20)
(Over)under-provision in prior years	(115)	79
Tax effect of tax loss not recognised	77	54
Utilisation of tax loss previously not recognised	(226)	(5)
	4,253	4,743

*Note:* A tax concession of 75%, subject to a ceiling of \$30,000 per company, was granted to the Group's subsidiary under Hong Kong tax jurisdiction for the year ended 31 March 2018 (2017: HK\$20,000)

Details of deferred taxation are set out in note 24.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 13. Profit for the Year

	2018 HK\$'000	2017 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments ( <i>Note 14</i> )		
– salaries, allowances and other benefits	684	684
– employer's contributions to retirement benefits schemes	16	16
	<b>700</b>	700
Other staff costs		
– salaries, allowances and other benefits	34,501	34,818
– employer's contributions to retirement benefits schemes	1,577	1,693
– share-based payment expenses	69	–
– long service payment obligations	166	81
	<b>36,313</b>	36,592
Total staff costs	<b>37,013</b>	37,292
Auditor's remuneration	710	650
Depreciation of plant and equipment	1,347	1,916
Exchange loss	–	2,060
Allowance for inventories (included in cost of sales)	825	41
Reversal of allowance for inventories (included in cost of sales)	–	(14)
Write off of inventories (included in cost of sales)	97	–
Bad debts written off (included in administrative expenses)	303	–
Amount of inventories recognised as an expense	15,984	21,277
Loss on write-off of plant and equipment	109	24
Operating leases rentals in respect of rented premises	8,273	8,737

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 14. Directors', Chief Executive's and Employees' Emoluments

### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the eight (2017: 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 bonus HK\$'000	Employer's contributions to retirement benefits schemes HK\$'000	Total HK\$'000
<b>Year ended 31 March 2018</b>					
<b>Executive director</b>					
Mr. Cheung King Fung Sunny	—	324	—	16	340
<b>Non-executive directors</b>					
Mr. Cheung King Chuen Bobby	—	—	—	—	—
Mr. Cheung King Shan	—	—	—	—	—
Mr. Cheung King Shek	—	—	—	—	—
<b>Independent non-executive directors</b>					
Mr. Chu Kin Wang Peleus (Resigned on 27 December 2017)	120	—	—	—	120
Mr. Fong Ping	120	—	—	—	120
Ms. Kwok Yuen Man Marisa	120	—	—	—	120
Mr. Tso Ka Yi (Appointed on 15 January 2018)	—	—	—	—	—
<b>Total</b>	<b>360</b>	<b>324</b>	<b>—</b>	<b>16</b>	<b>700</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 14. Directors', Chief Executive's and Employees' Emoluments (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000	Employer's contributions to retirement benefits schemes HK\$'000	Total HK\$'000
<b>Year ended 31 March 2017</b>					
<b>Executive director</b>					
Mr. Cheung King Fung Sunny	—	324	—	16	340
<b>Non-executive directors</b>					
Mr. Cheung King Chuen Bobby	—	—	—	—	—
Mr. Cheung King Shan	—	—	—	—	—
Mr. Cheung King Shek	—	—	—	—	—
<b>Independent non-executive directors</b>					
Mr. Chu Kin Wang Peleus	120	—	—	—	120
Mr. Fong Ping	120	—	—	—	120
Ms. Kwok Yuen Man Marisa	120	—	—	—	120
<b>Total</b>	<b>360</b>	<b>324</b>	<b>—</b>	<b>16</b>	<b>700</b>

*Note:* Mr. Cheung King Fung Sunny has been appointed as the chief executive of the Company on 11 August 2014 and his emoluments disclosed above include those for services rendered by him as the chief executive for the years ended 31 March 2018 and 2017.

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 2018 and 2017. 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 2018 and 2017.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 14. Directors', Chief Executive's and Employees' Emoluments (Continued)

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none of them (2017: none) were the directors and chief executive of the Company. The emoluments of the five (2017: five) individuals were as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and other benefits	2,940	2,834
Employer's contributions to retirement benefits schemes	88	90
Equity-settled share option expenses	5	—
	<b>3,033</b>	2,924

Their emoluments were within the following bands:

	2018 No. of employees	2017 No. of employees
Nil to HK\$1,000,000	4	4
HK\$1,000,001–HK\$1,500,000	1	1
	<b>5</b>	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 2018 and 2017.

## 15. Dividends

	2018 HK\$'000	2017 HK\$'000
Dividends recognised as distribution during the year: 2017 first, second and third interim — HK\$0.01, HK\$0.02 and HK\$0.02 per share respectively (2017: 2016 second interim — HK\$0.05 per share)	<b>6,409</b>	6,001

Subsequent to the end of the reporting period, the fourth interim dividend of HK\$0.05 per share has been declared by the directors of the Company in respect of the year ended 31 March 2018 (2017: nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 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:

	2018 HK\$'000	2017 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	<b>25,270</b>	22,650
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>128,121,342</b>	121,608,192
Effect of dilutive potential ordinary shares:		
Warrants	—	2,536,385
Share options	<b>167,736</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>128,289,078</b>	124,144,577

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options granted on 7 July 2015 as the exercise price of those share options was higher than the average market price for the shares for both years ended 31 March 2018 and 2017.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 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
<b>COST</b>						
At 1 April 2016	9,624	4,266	2,267	6,279	4,483	26,919
Exchange realignment	(1)	—	—	—	(3)	(4)
Additions	644	24	24	—	26	718
Written off	(62)	—	—	—	—	(62)
At 31 March 2017 and 1 April 2017	10,205	4,290	2,291	6,279	4,506	27,571
Exchange realignment	(2)	—	—	—	2	—
Additions	197	80	17	—	358	652
Written off	(928)	(4)	—	—	(53)	(985)
At 31 March 2018	<b>9,472</b>	<b>4,366</b>	<b>2,308</b>	<b>6,279</b>	<b>4,813</b>	<b>27,238</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2016	8,227	3,573	1,768	6,279	3,245	23,092
Exchange realignment	—	—	—	—	(3)	(3)
Provided for the year	747	440	248	—	481	1,916
Eliminated on written off	(38)	—	—	—	—	(38)
At 31 March 2017 and 1 April 2017	8,936	4,013	2,016	6,279	3,723	24,967
Exchange realignment	(1)	—	(1)	—	3	1
Provided for the year	709	156	123	—	359	1,347
Eliminated on written off	(822)	(4)	—	—	(50)	(876)
At 31 March 2018	<b>8,822</b>	<b>4,165</b>	<b>2,138</b>	<b>6,279</b>	<b>4,035</b>	<b>25,439</b>
<b>CARRYING VALUES</b>						
At 31 March 2018	<b>650</b>	<b>201</b>	<b>170</b>	<b>—</b>	<b>778</b>	<b>1,799</b>
At 31 March 2017	1,269	277	275	—	783	2,604

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 17. Plant and Equipment (Continued)

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

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

## 18. Inventories

	2018 HK\$'000	2017 HK\$'000
Merchandises	1,715	4,789

During the year ended 31 March 2017, certain impaired inventories were sold at a gross profit. As a result, a reversal of write-down of merchandises of approximately HK\$14,000 has been recognised and included in cost of sales.

## 19. Trade and Other Receivables

	2018 HK\$'000	2017 HK\$'000
Trade receivables	13,324	14,485
Other receivables	347	27
Deposits	5,157	5,789
Prepayments	124	244
	18,952	20,545

The Group does not hold any collateral over these balances.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 19. Trade and Other Receivables (Continued)

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

	2018 HK\$'000	2017 HK\$'000
Within 30 days	6,741	5,632
31 to 60 days	6,237	8,528
61 to 90 days	6	—
91 to 120 days	59	215
Over 120 days	281	110
	<b>13,324</b>	14,485

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

	2018 HK\$'000	2017 HK\$'000
Past due for:		
31 to 60 days	4,321	6,653
61 to 90 days	6	—
91 to 120 days	59	214
Over 120 days	281	110
	<b>4,667</b>	6,977
Neither past due nor impaired	<b>8,657</b>	7,508
Total	<b>13,324</b>	14,485

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

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

	2018 HK\$'000	2017 HK\$'000
US\$	7,231	8,509

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 20. Pledged Bank Deposits/Bank Balances and Cash

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK\$8,521,000 (2017: HK\$28,744,000) have been pledged to secure short-term bank overdrafts and letter of credit and are therefore classified as current assets.

Bank balances carried interest at market rates ranged from 0.01% to 0.35% (2017: 0.01% to 0.35%) per annum. The pledged bank deposits carried interest at fixed rates ranged from 0.02% to 3.10% (2017: 0.03% to 5.75%) 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:

	2018 HK\$'000	2017 HK\$'000
<b>Pledged bank deposits and bank balances and cash</b>		
US\$	7,643	3,553
RMB	32,134	28,546

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 21. Trade and Other Payables

	2018 HK\$'000	2017 HK\$'000
Trade payables	2,736	3,883
Accrued expenses and other payables	4,729	2,989
<b>Total</b>	<b>7,465</b>	6,872

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:

	2018 HK\$'000	2017 HK\$'000
Within 30 days	1,022	2,203
31 to 60 days	51	60
61 to 90 days	54	—
Over 90 days	1,609	1,620
	<b>2,736</b>	3,883

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:

	2018 HK\$'000	2017 HK\$'000
US\$	670	1,384
JPY	153	153
RMB	95	—

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 22. Bank Borrowings

	2018 HK\$'000	2017 HK\$'000
Bank loans*	—	240
Bank overdrafts	—	1,100
Carrying amount repayable within one year	—	1,340

As at 31 March 2017, the balances of the bank borrowings contain repayable on demand clauses and are to be repaid within one year based on scheduled repayment dates set out in the loan agreement.

Secured	—	1,100
Unsecured	—	240
	—	1,340

\* The amount due was based on scheduled repayment dates set out in the loan agreements.

Bank borrowings carried interest as at 31 March 2017 ranged from 1.62% to 2.22% plus one-month Hong Kong Interbank Offered Rates per annum.

As at 31 March 2017, bank overdrafts carried interest at HK\$ prime rate of 5% per annum.

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

	2018 HK\$'000	2017 HK\$'000
US\$	—	452

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 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 investment risk, interest rate risk, longevity risk and salary risk.

- Interest risk A decrease in the bond interest rate will increase the plan liability.
- Salary risk The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out as at 31 March 2018 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:

	2018 HK\$'000	2017 HK\$'000
At 1 April	—	—
Charged to profit or loss	166	81
Actuarial losses (gains) recognised in other comprehensive (expense) income	87	(44)
Paid during the year	(162)	(37)
At 31 March	91	—

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

	2018 HK\$'000	2017 HK\$'000
At 1 April	—	—
Current service cost	166	81
Remeasurement gains:		
Actuarial losses (gains) recognised in other comprehensive (expense) income	87	(44)
Benefit paid during the year	(162)	(37)
At 31 March	91	—

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 23. Long Service Payment Obligations (Continued)

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

	2018 HK\$'000	2017 HK\$'000
Current service cost	166	81
Components of defined benefit costs recognised in profit or loss (included in staff costs)	166	81

#### Remeasurement on the net defined benefit liability

	2018 HK\$'000	2017 HK\$'000
Actuarial losses/(gains) arising from changes in financial assumptions	87	(44)
Components of defined benefit costs recognised in other comprehensive (expense)/income	87	(44)

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

	2018 HK\$'000	2017 HK\$'000
Cumulative amount of actuarial gains at the beginning of the year	(332)	(288)
Net actuarial losses (gains) during the year	87	(44)
Cumulative amount of actuarial gains at the end of the year	(245)	(332)

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 23. Long Service Payment Obligations (Continued)

At 31 March 2018 and 2017, the amount is calculated based on the principal assumptions stated as below:

	2018	2017
Annual salary increment	4.69%	5.16%
Annual turnover rate	18.51% to 53.55%	19.10% to 64.28%
MPF return rate	4.80%	3.50%
Discount rate	1.2% to 2.0%	0.6% to 1.7%

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 2018 and 2017. 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 2016	514
Credited to profit or loss ( <i>Note 12</i> )	251
At 31 March 2017 and 1 April 2017	765
Credited to profit or loss ( <i>Note 12</i> )	44
At 31 March 2018	809

At 31 March 2018, the Group had unused tax losses of approximately HK\$2,329,000 (2017: HK\$5,823,000) available for offset against future profits. At 31 March 2018, no deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future profit streams. At 31 March 2018, tax losses of approximately nil (2017: HK\$1,103,000), nil (2017: HK\$188,000), nil (2017: HK\$655,000), nil (2017: nil) and nil (2017: HK\$177,000), may be carried forward to 2019, 2020, 2021, 2022 and 2023 respectively. The remaining tax losses of approximately HK\$2,329,000 (2017: HK\$3,700,000) may be carried forward infinitely.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 25. Share Capital

	Number of shares	Share capital HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>		
<b>Authorised:</b>		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	1,000,000,000	100,000
<b>Issued and fully paid:</b>		
At 1 April 2016	120,012,000	12,001
Issue of shares upon exercise of warrants ( <i>Note a</i> )	7,990,000	799
At 1 April 2017	128,002,000	12,800
Issue of shares upon exercise of share options ( <i>Note b</i> )	200,000	20
At 31 March 2018	128,202,000	12,820

*Notes:*

- (a) On 29 September 2016, 12 October 2016, 21 February 2017 and 24 February 2017, 1,000,000, 1,000,000, 3,990,000 and 2,000,000 ordinary shares respectively of HK\$0.1 each were issued at a price of HK\$1.64 per share upon the exercise of warrants granted on 17 February 2014. The total consideration was approximately HK\$13,103,000 and resulted in the net increase in share capital and share premium of approximately HK\$799,000 and HK\$12,371,000 respectively. The warrant reserve has been decreased by approximately HK\$67,000 and was transferred to share premium account. Details of which are set out in note 26.
- (b) On 18 July 2017, 18 August 2017 and 16 March 2018, 120,000, 60,000 and 20,000 ordinary shares respectively of HK\$0.1 each were issued at a price of HK\$1.78 per share upon the exercise of share options granted on 6 July 2017. The total consideration was approximately HK\$356,000 and resulted in the net increase in share capital and share premium of approximately HK\$20,000 and HK\$344,000 respectively. The share options reserve has been decreased by approximately HK\$8,000 and was transferred to share premium account.

All shares issued during the years ended 31 March 2018 and 2017 rank pari passu with the existing shares in all respects.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 26. Non-Listed Warrants

On 17 February 2014, the Company and the placing agent entered into a placing agreement in respect of the placement of 12,000,000 warrants of the Company to not less than six independent investors at a price of HK\$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.1 each at a subscription price of HK\$1.64, subject to adjustment upon occurrence of certain events. The placement was completed on 3 March 2014.

Details of the above are set out in the Company's announcements dated 17 February 2014 and 3 March 2014.

As at 1 April 2016, there are 12,000,000 warrants outstanding which can be exercised at any time on or before 3 March 2017. During the year ended 31 March 2017, 7,990,000 warrants were exercised and the remaining 4,010,000 unexercised warrants were expired and lapsed on 4 March 2017.

## 27. Operating Leases Commitment

### The Group as lessee

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

	2018 HK\$'000	2017 HK\$'000
Within one year	1,800	1,637
In the second to fifth year inclusive	—	1,070
	1,800	2,707

The Group leases certain of its office premises and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to two (2017: one to three) years with fixed rentals as at the end of each reporting period.

## 28. Retirement Benefits Scheme Contributions

### Hong Kong

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

During the year ended 31 March 2018, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK\$1,568,000 (2017: HK\$1,626,000).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 28. Retirement Benefits Scheme Contributions (Continued)

### PRC

As stipulated by the rules and regulations in the PRC, the Group maintains defined contribution retirement plans for its employees of the subsidiary in the PRC. The Group contributes to a state-managed retirement plan at a range from 14.9% to 16.2% (2017: 14.2% to 16.1%) of the basic salary of its employees, and has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The state-managed retirement plan is responsible for the entire pension obligations payable to retired employees.

During the year ended 31 March 2018, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK\$21,000 (2017: HK\$80,000).

### Macau

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

During the year ended 31 March 2018, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK\$4,000 (2017: HK\$3,000).

## 29. 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 29. 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.

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

At 31 March 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 2,120,000 (2017: 800,000), representing approximate 1.65% (2017: 0.62%) of the ordinary shares in issue at that date.

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 29. Share-Based Payment Transactions (Continued)

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

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

Category of participant	Date of grant	Number of Share Options				Outstanding at 31 March 2017	Exercise period	Exercise price per share
		Outstanding at 1 April 2016	Granted during the year	Lapsed during the year	Exercised during the year			
Employees	7 July 2015	916,000	—	(116,000)	—	800,000	7 July 2015 to 6 July 2018	HK\$ 2.59
Exercisable at the end of the year						800,000		
Weighted average exercise price (HK\$)		2.59	—	2.59	—	2.59		

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

In respect of the share options exercised during the year ended 31 March 2018, the weighted average Share price at the dates of exercise is HK\$2.26 (2017: nil).

Share-based payment expenses of approximately HK\$69,000 (2017: nil) were recognised by the Group for the year ended 31 March 2018 in relation to share options granted by the Company.

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 30. 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	2018 HK\$'000	2017 HK\$'000
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	676	741
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	3,315	3,315
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	525	435
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	2,660	2,393
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	165	154
Marina Trading Inc.	Rental expenses paid thereto	(ii) & (iii)	39	158
Cheung King Shek	Rental expenses paid thereto	(ii) & (iii)	—	22
Telecom Digital Services Limited	Rental expenses paid thereto	(ii) & (iii)	502	502
	Consignment fee paid thereto	(i) & (iii)	734	961
Radiotex International Limited	Purchases of goods thereto	(i) & (iii)	—	1,500
	Purchase return of goods thereto	(i) & (iii)	1,588	2,026
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	3,561	5,820
Sun Mobile Limited	Sales of goods thereto	(i) & (iii)	—	9,486
Distribution One Limited	Purchases of goods thereto	(i) & (iii)	57	30
Telecom (Macau) Limited	Received repairing service income therefrom	(i) & (iii)	15	26

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 30. Related Party Transactions and Balances (Continued)

### (a) (Continued)

Details of amounts due from related companies are as follows:

	Notes	Maximum amount outstanding during the year ended 31 March			
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Related companies</b>					
Telecom Digital Data Limited	(iii) & (iv)	217	2,378	2,387	2,378
Telecom Digital Services Limited	(iii) & (iv)	78	—	473	705
Telecom (Macau) Limited	(iii) & (iv)	1	2	3	5
Sun Mobile Limited	(iii) & (iv)	—	—	—	2,336
		<b>296</b>	2,380		

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.
  - (ii) The rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.
  - (iii) Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen, Bobby and Mr. Cheung King Fung, Sunny, the directors of the Company have beneficial interests in the companies.
  - (iv) The amounts were arisen from normal sales and purchase transactions. The amounts are unsecured, interest-free and expected to be settled according to their respective credit terms which are similar to those with third parties.
- (b) The amounts due to related companies were arisen from normal sales and purchase transactions. The amounts were unsecured, interest-free and repayable on demand. The directors of the Company have beneficial interests in these related companies.

### (c) Banking facilities

During the year ended 31 March 2018, the Company has provided guarantee to the banks in respect of the banking facilities of HK\$9,349,000 (2017: HK\$19,349,000) granted to its subsidiary.

As at 31 March 2018, the unutilised banking facilities guaranteed by the Company were HK\$9,349,000 (2017: HK\$19,349,000).

### (d) Operating leases commitment

At the end of the reporting period as disclosed in note 27, the Group had commitment for future minimum lease payments to certain related parties of approximately HK\$730,000 (2017: HK\$574,000) under non-cancellable operating leases which fall due within one year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 30. Related Party Transactions and Balances (Continued)

#### (e) Compensation of key management personnel

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

	2018 HK\$'000	2017 HK\$'000
Short-term benefits	3,624	1,738
Post-employment benefits	105	34
Share-based payment expenses	5	—
	<b>3,734</b>	1,772

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.

### 31. 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 2018 and 2017, the Group currently has a 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 liabilities set off in the consolidated statement of financial position HK\$'000	Gross amounts of recognised financial assets 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
<b>As at 31 March 2018</b>					
Trade and other receivables	19,957	(1,005)	18,952	(17,353)	1,599
<b>As at 31 March 2017</b>					
Trade and other receivables	21,411	(866)	20,545	(18,598)	1,947

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 31. Financial Assets and Financial Liabilities Subject to Offsetting (Continued)

	Gross amounts of recognised financial assets 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
<b>As at 31 March 2018</b>					
Trade and other payables	(8,470)	1,005	(7,465)	7,465	—
<b>As at 31 March 2017</b>					
Trade and other payables	(7,738)	866	(6,872)	6,872	—

### 32. 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.

	Financing cash flows		31/3/2018 HK\$'000
	1/4/2017 HK\$'000	HK\$'000	
Bank borrowings (Note 22)	240	(240)	—

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 33. Statement of Financial Position of the Company

	<i>Notes</i>	<b>2018</b> HK\$'000	2017 HK\$'000
Non-current asset			
Investment in a subsidiary	<i>(a)</i>	<b>17,338</b>	17,269
Current assets			
Other receivables and prepayments		<b>82</b>	82
Amount due from a subsidiary		<b>92,410</b>	86,001
Pledged bank deposits		<b>—</b>	18,393
Bank balances and cash		<b>67,184</b>	13,381
		<b>159,676</b>	117,857
Current liabilities			
Other payables		<b>2,237</b>	100
Amount due to a subsidiary		<b>104,937</b>	68,300
Bank borrowings		<b>—</b>	240
		<b>107,174</b>	68,640
Net current assets		<b>52,502</b>	49,217
Net assets		<b>69,840</b>	66,486
Capital and reserves			
Share capital		<b>12,820</b>	12,800
Reserves	<i>(b)</i>	<b>57,020</b>	53,686
Total equity		<b>69,840</b>	66,486

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 33. Statement of Financial Position of the Company (Continued)

Notes:

(a) As at 31 March 2018, the carrying amount of investment in a subsidiary was approximately HK\$17,338,000 (2017: HK\$17,269,000), net of accumulated impairment loss of approximately HK\$ 4,879,000 (2017: HK\$4,879,000).

(b) Reserves

	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Share options reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016	23,944	21,533	522	100	(3,917)	42,182
Profit for the year and total comprehensive income for the year	—	—	—	—	5,201	5,201
Payment of dividends (Note 15)	—	—	—	—	(6,001)	(6,001)
Lapse of share options (Note 29)	—	—	(66)	—	66	—
Issue of shares upon exercise of warrants (Note 25)	12,371	—	—	(67)	—	12,304
Lapse of unexercised warrants (Note 26)	—	—	—	(33)	33	—
At 31 March 2017 and 1 April 2017	36,315	21,533	456	—	(4,618)	53,686
Profit for the year and total comprehensive income for the year	—	—	—	—	9,338	9,338
Recognition of equity-settled share based payments (Notes 29)	—	—	69	—	—	69
Payment of dividends (Note 15)	—	—	—	—	(6,409)	(6,409)
Lapse of share options (Note 29)	—	—	(37)	—	37	—
Issue of shares upon exercise of share options (Note 25)	344	—	(8)	—	—	336
At 31 March 2018	36,659	21,533	480	—	(1,652)	57,020

Note: 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.

Certain comparative figures have been re-presented to confirm with changes in presentation in the current year.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 34. Particulars of Subsidiaries of the Company

As at 31 March 2018 and 2017, 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
			2018		2017		
			Direct	Indirect	Direct	Indirect	
TSO BVI	BVI	US\$1,000 (2017: US\$1,000)	100%	—	100%	—	Investment holding
Telecom Service One Limited	Hong Kong	HK\$1,000 (2017: HK\$1,000)	—	100%	—	100%	Provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories
深圳市電訊首科電子維修有限公司	PRC	HK\$3,000,000 (2017: HK\$3,000,000)	—	100%	—	100%	Provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories
Telecom Service One (Macau) Limited	Macau	MOP100,000 (2017: MOP100,000)	—	100%	—	100%	Provision of mobile phone repair services

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

# Five Years Financial Summary

	2018 HK\$'000	Year ended 31 March			
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Revenue	<b>99,295</b>	105,445	122,494	126,415	94,292
Cost of sales	<b>(49,007)</b>	(54,826)	(68,102)	(67,265)	(52,180)
Gross profit	<b>50,288</b>	50,619	54,392	59,150	42,112
Other income	<b>5,110</b>	2,101	2,747	2,308	3,580
Other operating expenses, net	<b>(9,968)</b>	(10,316)	(14,655)	(15,250)	(14,257)
Administrative expenses	<b>(15,906)</b>	(14,871)	(15,281)	(16,315)	(13,214)
Finance costs	<b>(1)</b>	(140)	(285)	(170)	(84)
Profit before tax	<b>29,523</b>	27,393	26,918	29,723	18,137
Income tax expense	<b>(4,253)</b>	(4,743)	(4,537)	(5,243)	(3,791)
Profit for the year	<b>25,270</b>	22,650	22,381	24,480	14,346
Other comprehensive income (expense)					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurement of long service payment obligations	<b>(87)</b>	44	32	28	228
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations	<b>3</b>	(63)	(40)	—	(163)
Other comprehensive (expense) income for the year	<b>(84)</b>	(19)	(8)	28	65
Total comprehensive income for the year	<b>25,186</b>	22,631	22,373	24,508	14,411
Earnings per share (HK\$)					
Basic	<b>0.1972</b>	0.186	0.186	0.204	0.133
Diluted	<b>0.1970</b>	0.182	0.183	0.203	0.133
ASSETS AND LIABILITIES					
Total assets	<b>110,671</b>	92,218	81,151	82,974	81,858
Total liabilities	<b>(7,609)</b>	(8,358)	(27,024)	(27,834)	(9,226)
	<b>103,062</b>	83,860	54,127	55,140	72,632
Equity attributable to owners of the Company	<b>103,062</b>	83,860	54,127	55,140	72,632