Telecom Service One Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8145

Annual Report 2015/16

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This annual report, for which the directors (the "Directors") of Telecom Service One Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

CONTENTS

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
Kwok Yuen Man Marisa
Chu Kin Wang Peleus

COMPANY SECRETARY

Tsang Kit Man

COMPLIANCE OFFICER

Cheung King Fung Sunny

BOARD COMMITTEES

Audit Committee

Chu Kin Wang Peleus *(chairman)*
Fong Ping
Kwok Yuen Man Marisa

Remuneration Committee

Fong Ping *(chairman)*
Kwok Yuen Man Marisa
Chu Kin Wang Peleus

Nomination Committee

Kwok Yuen Man Marisa *(chairman)*
Fong Ping
Chu Kin Wang Peleus

AUTHORISED REPRESENTATIVES UNDER GEM LISTING RULES

Cheung King Fung Sunny
Tsang Kit Man

COMPANY'S WEBSITE

www.tso.cc

AUDITOR

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

LEGAL ADVISER

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

COMPLIANCE ADVISER

China Everbright Capital Limited
24/F., Lee Garden One,
33 Hysan Avenue,
Causeway Bay, 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

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

8145

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016.

The Group's revenue for the year ended 31 March 2016 was approximately HK$122,494,000 (2015: HK$126,415,000), representing a slight decrease of 3.1%. Gross profit was approximately HK$54,392,000 (2015: HK$59,150,000). The decrease was mainly due to decrease in repair jobs and partly off-set by the increase in revenue generated from accessories business. The earnings attributable to the owners of the Company for the year ended 31 March 2016 was approximately HK$22,381,000 as compared to approximately HK$24,480,000 for the year ended 31 March 2015. The decrease was mainly attributable to the decrease in revenue.

BUSINESS OVERVIEW

After an exceptionally strong 2014, we faced several challenges for the sector in 2015. The Hong Kong economy remains slack during the two years 2015 and 2016, while the market of various industries was volatile. Although the macroeconomic environment is filled with uncertainties, our Group maintained stable development in the year.

The Group maintained its market position as one of the leading comprehensive mobile phones repair and refurbishment services providers in Hong Kong and Macau. Apart from repair service, the Group has continued to expand the scale of accessories business by introducing more types of accessories and selling at more points of sale. The revenue from accessories business increased by 47.9% to approximately HK$16,472,000 for the year ended 31 March 2016 (2015: HK$11,134,000).

PROSPECT AND APPRECIATION

Given the uncertainties and challenges of the Hong Kong economy, the Group will continue to prudently manage its business, implementing stricter financial control, streamlining structure and expenditure austerity. Moving forward, we will stay focused on continuing to provide excellent services to our customers and prudently growing our business. The Group will cautiously assess any business opportunities to ensure a bright future for our shareholders.

On behalf of the Board, I would like to express sincere thanks to our customers, business partners, suppliers and shareholders for their persistent support to the Group, and our appreciation for the efforts and endeavors made by our management and staffs during the past year to achieve remarkable results for the Group.

Cheung King Shek
Chairman and Non-executive Director
Hong Kong, 22 June 2016

CHIEF EXECUTIVE OFFICER'S STATEMENT

OPERATION OVERVIEW

Despite all the uncertainties and challenges faced by global economy and the weakening of Hong Kong economy in many retail sectors, the Group is still maintaining a strong position in its principal business in the provision of repair and refurbishment services covering mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles. Earlier this year, a new customer service centre in Central started to operate. In Macau, upon setting up service centre to serve a major corporate customer last year, the Group successfully expanded its service to serving a total of three corporate customers in Macau now. With the continuing support from our corporate customers comprising leading manufacturers of mobile phones and personal electronic products and global services companies, we believe additional values are brought to our customers in the form of new service experiences.

FUTURE PROSPECT

Subject to the downside risks and challenges to Hong Kong economy, the Group stays positive towards maintaining the leading position in the industry. The Group will continue to foster its core competence in terms of service quality and technical capability while better strategies shall be formulated in streamlining the operation and optimizing company resources in order to tackle with the changing market needs. Alongside, the Group shall continue to explore new opportunities in and outside Hong Kong and to partner with more leading international brands.

Once again, as the Chief Executive Officer of the Group, I would like to express my sincere appreciation to the Board, business partners, customers and shareholders for their persistent support to the Group. Under the guidance of the Board, I shall work collaboratively with the whole team to excel in our performance and continue to strengthen the leading position in the market.

Cheung King Fung Sunny
CEO and Executive Director
Hong Kong, 22 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Nowadays, customers are not only looking for quality products but also quality services. Customer satisfaction drives successful businesses. High-performing businesses have developed principles and strategies for achieving customer satisfaction. Service providers are required to continually monitor and examine the experiences, opinions, and suggestions of their customers. Improving service quality to meet customers' standards is an ongoing part of doing business.

The Group aims to provide timely, professional and quality services to its customers and is committed to continuous improvement. We work co-operatively with our corporate customers to ensure effective quality services.

BUSINESS REVIEW

The Group is one of the leading mobile phones repair service providers in Hong Kong, with an operating history since 1999. 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 Group has been appointed by corporate customers comprising manufacturers of mobile phones and personal electronic products and global services companies as their service provider to provide repair and refurbishment services for their products and to their customers.

Apart from the revenue from retail sales and distribution business, revenue from sales of accessories also contributed a considerable result to the Group. Revenue from sales of accessories increased by approximately 47.9% as compared to the year ended 31 March 2015.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2016 was approximately HK$122,494,000 (2015: HK$126,415,000), representing a decrease of 3.1% over the previous year. The decrease in the Group's revenue was mainly due to the decrease in repair jobs.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and inventories cost. During the year ended 31 March 2016, cost of sales slight increased by 1.2% to approximately HK$68,102,000 from approximately HK$67,265,000. The Group's cost of inventories sold was approximately HK$27,260,000 (2015: HK$25,547,000), representing an increase of 6.7% from that of the previous year. Direct labour cost for the year ended 31 March 2016 was approximately HK$40,836,000 (2015: HK$41,704,000).

Gross Profit and Gross Profit Margin

The Group's gross profit for the year was approximately HK$54,392,000 (2015: HK$59,150,000), representing a decrease of 8.0% over the previous year. Gross profit margin slightly decreased by 2.4% to 44.4% from 46.8%.

Other Income

Other income for the year was approximately HK$2,747,000 (2015: HK$2,308,000). Other income mainly contributed by management fee income, consignment goods handling income and bank interest income. Both the bank interest income and management fee income had recorded an increase during the year.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2016 were approximately HK$14,655,000 (2015: HK$15,250,000), representing a decrease of 3.9% over the previous year. The decrease was mainly due to the following:

(i) Decrease in service centres management fee income and an one-off rental compensation from a corporate customer for the closure of a service centre in 2014/15;

(ii) An one-off performance bonus paid by a corporate customer in 2014/15;

(iii) Decrease in normal operating expenses due to the closure of the service centre in Hong Kong for that corporate customer; and

(iv) Decrease in rental expenses due to relocation of the service centre in Shenzhen.

Administrative expenses for the year ended 31 March 2016 was approximately HK$15,281,000 (2015: HK$16,315,000). The decrease was mainly due to the decrease in remuneration of employees.

Profit for the year

Profit for the year ended 31 March 2016 was approximately HK$22,381,000 (2015: HK$24,480,000), representing a decrease of 8.6% from 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 2016.

Liquidity and Financial Resources

As at 31 March 2016, the Group had current assets of approximately HK$76,810,000 (2015: HK$78,113,000) and current liabilities of approximately HK$27,024,000 (2015: HK$27,834,000).

As at 31 March 2016, the Group's gearing ratio was 38.6% as compared to 29.3% as at 31 March 2015, which is calculated based on the Group's total borrowings of approximately HK$20,873,000 (2015: HK$16,164,000) and the Group's total equity of approximately HK$54,127,000 (2015: HK$55,140,000).

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$25,436,000. Net cash used in investing activities was approximately HK$1,039,000.

The Group maintained a healthy liquidity position as at 31 March 2016. The Group had cash and cash equivalents of approximately HK$16,908,000 as at 31 March 2016 (2015: HK$13,916,000). 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 (the "Share(s)") on GEM on 30 May 2013 (the "Listing Date") to meet potential needs for business expansion and development. As at 31 March 2016, the Group has bank borrowings of approximately HK$18,600,000 and the unutilised banking facilities of HK$19,100,000 available for further drawdown should it have any further capital needs.

Contingent Liabilities

As at 31 March 2016, the Group had no material contingent liabilities (2015: 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 2016, the Group did not have any significant capital commitments (2015: Nil).

Dividends

The first interim dividend of HK$0.05 per share was paid on 30 November 2015. At a meeting held on 22 June 2016, the Board declared a second interim dividend of HK$0.05 per share for the year ended 31 March 2016. The second interim dividend will be paid to Shareholders on record as at 12 July 2016. It is expected that the second interim dividend will be paid on or about 18 July 2016.

Capital Structure

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 29 to the consolidated financial statements, there was no change in the capital structure during the year ended 31 March 2016.

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

Significant Investments Held

Except for investments in subsidiaries, during the year ended 31 March 2016, 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 2016, the Group employed 210 (2015: 245) 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

As the Group has already laid a very solid foundation in terms of its operation, it will continue to work more on controlling cost and expenses. Moving forward, the Group will continue to strengthen its service quality through staff training, especially on products and customer services skill, enhancing the overall workflow and optimizing the backend support. Apart from continuing focus on its core business in repair and refurbishment services, the Group will cautiously assess any new business opportunities.

Use of Proceeds

The net proceeds from the Listing were approximately HK$14.9 million, which was based on the final placing price of HK$1.00 per Share and the actual expenses on the Listing. As disclosed in the prospectus of the Company dated 23 May 2013 (the "Prospectus"), 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 64, was appointed as a Director in August 2012, appointed as chairman of the Company and re-designated as non-executive Director in April 2013, and is responsible for advising on overall strategic planning and management of the Group. Mr. Cheung King Shek has been a director of Telecom Service One Limited ("TSO", a wholly-owned subsidiary of the Company) since April 1987. He was appointed as a director of Telecom Digital Holdings Limited ("TDHL", stock code: 8336, a company listed on GEM) 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 57, 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, and played a major role in the growth of the sales volume and customer base. Mr. Cheung King Shan graduated from the Carleton University in Ottawa, Canada with a bachelor's degree in art in November 1983. He is a committee member of Chinese People's Political Consultative Conference of Dongguan City. Mr. Cheung King Shan 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 57, was appointed as a Director in August 2012 and re-designated as non-executive Director in April 2013 and is advising on administrative operation. Mr. Cheung King Chuen Bobby has been a director of TSO since April 1987. He was appointed as a director of TDHL in November 2002, re-designated as its non-executive director in March 2014 and re-designated as its executive director on 8 September 2015, and is responsible for advising on administration, human resources and special ad hoc projects. He joined TDHL group in 1985 and was responsible for the formulation and implementation of its administrative policies as well as overseeing its administrative operation in human resources, legal and administration, property management and 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. Mr. Cheung King Chuen Bobby is a committee member of Chinese People's Political Consultative Conference of Swatow City, and an honorary citizen of Swatow City. Mr. Cheung King Chuen Bobby is the younger brother of Mr. Cheung King Shek (chairman and non-executive Director) and Mr. Cheung King Shan (non-executive Director), and the elder brother of Mr. Cheung King Fung Sunny (chief executive officer and executive Director).

EXECUTIVE DIRECTOR

Mr. Cheung King Fung Sunny, aged 48, 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 of TDHL group. Mr. Cheung King Fung Sunny 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. He is a committee member of Chinese People's Political Consultative Conference of Guangzhou City. 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, aged 66, 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 has over 26 years of experience in garment and jewelry industries. Mr. Fong is the chairman of Kwai Tsing District Council and a committee member of Hong Kong Fight Crime Committee. Mr. Fong is also a committee member of Chinese People's Political Consultative Conference of Guangdong Province and a standing committee member of Chinese People's Political Consultative Conference of Swatow City. 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 61, 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. Chu Kin Wang Peleus, aged 51, was appointed as an independent non-executive Director on 30 April 2013. He is also the chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company. Mr. Chu has over 20 years of experience in corporate finance, auditing, accounting and taxation. He has been the executive director of Chinese People Holdings Company Limited (stock code: 681), a company listed on the Main Board of the Stock Exchange, since 1 December 2008 and was appointed as its deputy chairman on 23 March 2015. On 19 August 2015, he was appointed as a non-executive director of Perfect Group International Holdings Limited (stock code: 3326), a company listed on the Main Board of the Stock Exchange on 4 January 2016. During the period from September 2005 to March 2007, Mr. Chu was an executive director of Mastermind Capital Limited (stock code: 905), a company listed on the Main Board of the Stock Exchange and known as Haywood Investments Limited during the relevant period. He was the company secretary of Hong Long Holdings Limited (name changed to Sun Century Group Limited on 1 February 2012) (stock code: 1383), a company listed on the Main Board of the Stock Exchange, responsible for corporate finance, financial reporting and compliance and company secretarial matters from 2007 to 2010. Mr. Chu has been/was an independent non-executive director of the following companies listed on the Main Board or GEM of the Stock Exchange:

- China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (stock code: 1269) since 19 October 2011
- SkyNet Group Limited (formerly known as EDS Wellness Holdings Limited) (stock code: 8176) since 5 March 2012
- EYANG Holdings (Group) Co., Limited (to be renamed as Tianli Holdings Group Limited) (stock code: 117) since 16 April 2007
- Flyke International Holdings Limited (stock code: 1998) since 24 February 2010
- HUAYU Expressway Group Limited (stock code: 1823) since 21 May 2009
- Madison Wine Holdings Limited (stock code: 8057) since 21 September 2015
- National Agricultural Holdings Limited (stock code: 1236) from 25 June 2015 to 11 September 2015

Mr. Chu graduated from The University of Hong Kong with a master's degree in business administration. Mr. Chu is a fellow practicing member of Hong Kong Institute of Certified Public Accountants, fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

SENIOR MANAGEMENT

Ms. Fong Kit Sze, aged 42, 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.

Notes:

(I) East-Asia Pacific Limited ("East-Asia", of which Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the "Cheung Brothers") are directors) has disclosure interests in the Company under the provisions of the Securities and Futures Ordinance ("SFO").

(II) Each of 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", formerly contained in Appendix 15 of the GEM Listing Rules until 31 December 2015) to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the GEM 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 2016, 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 required standard of dealings set out in Rules 5.48 to 5.67 of the GEM 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 2016, all of them have confirmed that they have complied with the required standard 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
Ms. Kwok Yuen Man Marisa
Mr. Chu Kin Wang Peleus

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 2016, 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.

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

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

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

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

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

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

Independent Non-executive Directors

The Company has three independent non-executive Directors to comply with Rule 5.05(1) of the GEM Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Chu Kin Wang Peleus has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules. In accordance to Rule 5.09 of the GEM 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. Chu Kin Wang Peleus 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 2016, the role of the chairman of the Company is performed by Mr. Cheung King Shek and the executive functions of a chief executive are discharged by Mr. Cheung King Fung Sunny as the chief executive officer of the Company.

Delegation of Powers

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

Continuing Professional Development

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

The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 March 2016, all the Directors have participated in continuous professional development and the relevant details are set out below:

Directors	Reading materials
Non-executive Directors	
Mr. Cheung King Shek *(chairman)*	✓
Mr. Cheung King Shan	✓
Mr. Cheung King Chuen Bobby	✓
Executive Director	
Mr. Cheung King Fung Sunny *(chief executive officer)*	✓
Independent Non-executive Directors	
Mr. Fong Ping	✓
Ms. Kwok Yuen Man Marisa	✓
Mr. Chu Kin Wang Peleus	✓

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 and 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. Chu Kin Wang Peleus. Mr. Chu Kin Wang Peleus is the chairman of the Audit Committee.

The following is a summary of works performed by the Audit Committee, which have been reported to the Board, during the year ended 31 March 2016:

(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 and recommended to the Board the amendments to 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 and 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. Chu Kin Wang Peleus. 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 2016:

(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 Directors and employees of the Group.

Remuneration Policy for Directors and Senior Management

The executive Director, the independent non-executive Directors and senior management of the Company receive compensation in the form of director's fees, salaries, benefits in kind and/or discretionary bonuses with reference to 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 27 to 30 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 and 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. Chu Kin Wang Peleus. 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 2016:

(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.

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 2016 are as follows:

		Board Committees			2015 Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
No. of meetings held during the year	4	5	1	1	1
			Meetings Attended/Eligible to Attend		
Non-executive Directors					
Mr. Cheung King Shek *(chairman)*	4/4	N/A	N/A	N/A	1/1
Mr. Cheung King Shan	4/4	N/A	N/A	N/A	1/1
Mr. Cheung King Chuen Bobby	4/4	N/A	N/A	N/A	1/1
Executive Director					
Mr. Cheung King Fung Sunny *(chief executive officer)*	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Fong Ping	4/4	5/5	1/1	1/1	1/1
Ms. Kwok Yuen Man Marisa	4/4	5/5	1/1	1/1	1/1
Mr. Chu Kin Wang Peleus	4/4	5/5	1/1	1/1	1/1

ACCOUNTABILITY AND AUDIT

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

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2016, 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 2016, 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	600
Non-audit services	115
Total	715

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.

During the year ended 31 March 2016, the Board held one meeting regarding the corporate governance functions of the Company.

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Company has reviewed the effectiveness of the systems of internal control of the Group, covering all material controls, including financial and operation for the year ended 31 March 2016. Based on the result of the review in respect of the year ended 31 March 2016, the Directors considered that the internal control systems are effective and adequate.

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 quarterly, interim and annual reports and/or despatching circulars, notices and announcements.

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

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to Article 64 of the Articles of Association, one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company, have the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Written Notice") to the Company's principal place of business in Hong Kong at 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 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of the publication of his/her personal information.

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

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

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

COMPANY SECRETARY

Ms. Tsang Kit Man has been the company secretary of the Company since 11 February 2014. 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 2016.

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 2016.

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 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 consumer electronic devices as well as sale of related accessories and products therefor. Details of the principal activities of the subsidiaries of the Company are set out in note 33 to the consolidated financial statements.

RESULTS

The financial performance of the Group for the year ended 31 March 2016 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 44 to 107.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The first interim dividend for the year ended 31 March 2016 of HK$0.05 per Share was paid on 30 November 2015.

On 22 June 2016, the Board declared a second interim dividend of HK$0.05 per Share for the year ended 31 March 2016. The second interim dividend will be payable in cash to the Shareholders on the register of members as at 12 July 2016.

For the purpose of determining Shareholders' entitlement to the second interim dividend, the register of members of the Company will be closed from 11 to 12 July 2016 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for the second 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 8 July 2016.

The payment date of the second interim dividend is expected to be on about 18 July 2016.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "AGM") is scheduled to be held on 29 July 2016. A notice convening the AGM will be issued and despatched to the Shareholders on or around 28 June 2016.

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 28 to 29 July 2016 (both dates 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 27 July 2016.

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

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition during the year ended 31 March 2016:

(i) The Controlling Shareholders have confirmed that they have complied with the undertakings for the year ended 31 March 2016.

(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 2016.

(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 2016.

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 2016.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2016, the Group's top five customers accounted for approximately 46.4% of the revenue. The top five suppliers accounted for approximately 96.0% of the cost of inventories recognised as expenses for the year. In addition, the Group's largest customer accounted for approximately 16.8% of the revenue and the Group's largest supplier accounted for approximately 69.3% of the cost of inventories recognised as expenses for the year.

For the year ended 31 March 2016, 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 2016 are set out in the consolidated statement of changes in equity and in note 32 to the consolidated financial statements respectively.

As at 31 March 2016, the Company's reserves available for distribution to Shareholders amounted to HK$19,971,000 (2015: HK$10,750,000) as calculated in accordance with the Companies Law of the Cayman Islands.

PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2016 are set out in note 25 to the consolidated financial statements.

NON-LISTED WARRANTS

On 17 February 2014, the Company and the placing agent entered into a placing agreement in respect of the placing of 12,000,000 warrants of the Company to not less than six independent placees at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one Share of HK$0.1 each at a subscription price of HK$1.64 in a three-year period commencing from the date of issue of the warrants, subject to adjustment upon occurrence of certain events. The placing was completed on 3 March 2014.

As at 31 March 2016 and the date of this annual report, no warrants have been exercised by any registered warrant holders of the Company.

DIRECTORS

The Directors who held office during the year ended 31 March 2016 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
Ms. Kwok Yuen Man Marisa
Mr. Chu Kin Wang Peleus

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

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors were independent during the year ended 31 March 2016.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

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

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

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

SHARE OPTION SCHEME

(I) The following is a summary of principal terms of the Share Option Scheme adopted by the written resolutions of 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.

(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 GEM Listing Rules, the Board may offer to grant an option to any Qualifying Grantees as the Board may in its absolute discretion select. "Qualifying Grantee" means:

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

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

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

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

(collectively the "Eligible Person")

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

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

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

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

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

"subsidiary" has the meaning set out in the GEM 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 10,574,000 representing approximately 8.81% 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 GEM 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 GEM Listing Rules from time to time (which is, as at the date of this annual report, a period of 10 years from the date of the granting of the option).

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

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

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

(i) Amount payable on acceptance of the option:

HK$1

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

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

(8) Basis of determining the subscription price

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

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option;

(ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of the granting of the option; and

(iii) the nominal value of a Share.

(9) Remaining life of the Share Option Scheme

The Share Option Scheme will remain 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 7 years.

(II) Details of Share Options Granted

During the year ended 31 March 2016, 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.

As at 31 March 2016, an aggregate of 916,000 Shares are issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 0.76% of the Shares in issue.

Details of the movements of the share options under the Share Option Scheme during the year ended 31 March 2016 are as follows:

Grantees	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2015	Changes during the year ended 31 March 2016			Balance as at 31 March 2016
					Granted	Exercised	Lapsed	
Eligible employees Note (i)	7 July 2015	HK$2.59 Note (ii)	7 July 2015– 6 July 2018 Note (iii)	—	1,426,000	(12,000) Note (iv)	(498,000)	916,000

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 do not have any vesting period.

(iv) The weighted average closing price of the Shares immediately before the date on which the share options were exercised was HK$2.45.

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 2016 and there were no outstanding share options under the Share Option Scheme as at 31 March 2016.

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

As at 31 March 2016, 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 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 Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) The Company

Long Position

Name of Directors	Capacity	Number of Shares held	Approximate percentage of Shares in issue
Mr. Cheung King Shek	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *Note A*	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *Note A*	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *Note A*	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *Note A*	66,000,000	55%

(ii) Associated corporations

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

Long Position

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

Note A:

The 66,000,000 Shares, representing approximately 55% of the Shares in issue, are held by East-Asia. 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 2016, 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the year ended 31 March 2016 was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

EQUITY-LINKED AGREEMENT

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

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

As at 31 March 2016, 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 GEM Listing Rules:

Long Position

Name of substantial shareholders	Capacity/Nature of interest	Number of Shares held	Approximate percentage of Shares in issue
East-Asia Pacific Limited *Note A above*	Beneficial owner	66,000,000	55%
Amazing Gain Limited *Note A above*	Interest in a controlled corporation	66,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Limited *Note A above*	Trustee (other than a bare trustee)	66,000,000	55%
Ms. Law Lai Ying Ida *Note B*	Interest of spouse	72,000,000	60%
Ms. Tang Fung Yin Anita *Note B*	Interest of spouse	72,000,000	60%
Ms. Yeung Ho Ki *Note B*	Interest of spouse	72,000,000	60%

Note B:

Ms. Law Lai Ying Ida is the wife of Mr. Cheung King Shek. 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. Law Lai Ying Ida, Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 72,000,000 Shares which are interested by their respective husbands.

Save as disclosed above, as at 31 March 2016, 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 2016 and up to the date of this annual report, the Company has maintained the public float required by the GEM Listing Rules.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 14 to the consolidated financial statements. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2016.

DIRECTORS' INTERESTS IN 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 2016 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 2016.

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 2016, 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 2016 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 2016 are set out in note 28 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The related party transactions of the Company for the year ended 31 March 2016 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 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the GEM Listing Rules.

(A) Non-exempt Continuing Connected Transactions

During the year ended 31 March 2016, 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 20 of the GEM Listing Rules, particulars of which were previously disclosed in the announcements of the Company dated 22 May 2014, 30 June 2014, 31 July 2014, 31 March 2015, 29 May 2015, 10 July 2015, 31 December 2015 and 31 March 2016. The Company shall comply with the annual review and reporting requirements for all of the following non-exempt continuing connected transactions under Chapter 20 of the GEM 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, office premises, warehouse, repair centres, service centres and staff quarter:

(i) Oceanic Rich Limited* ("ORL"), Glossy Investment Limited* ("GIL"), Glossy Enterprises Limited* ("GEL"), H.K. Magnetronic Company Limited* ("HKMag") and Marina Trading Inc.* ("Marina");

(ii) Mr. Cheung King Shek**; and

(iii) 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 55% of Shares in issue, they are connected persons of the Company under the GEM Listing Rules.

** As Mr. Cheung King Shek is a Director and substantial shareholder of the Company, he is a connected person of the Company under the GEM Listing Rules.

*** As TDS is wholly-owned by TDHL which is indirectly 55%-owned by the Cheung Family Trust which indirectly holds 55% of the Shares in issue, it is a connected person of the Company under the GEM Listing Rules.

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
(i)	Unit 1807, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	ORL	31 March 2015	from 1 April 2015 to 31 March 2017	HK$72,200 (exclusive of government rates, government rent and building management fee)	head office, repair centre and warehouse saleable area: 5,511 sq. ft.
(ii)	Unit B, 23/F., Kyoto Plaza, Nos. 491–499 Lockhart Road, Causeway Bay, Hong Kong	ORL	30 June 2014	from 1 July 2014 to 31 March 2017 (tenancy was terminated in advance on 31 March 2016)	HK$38,520 per month (exclusive of management fee, air-conditioning charges, government rates and government rent)	repair centre saleable area: 1,284 sq. ft.
(iii)	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 2015	from 1 April 2015 to 31 March 2017	HK$109,840 (exclusive of government rates, government rent and management fee)	head office, repair centre and warehouse saleable area: 8,380 sq. ft.
(iv)	Portion of Unit A, 23/F., Kyoto Plaza, Nos. 491–499 Lockhart Road, Causeway Bay, Hong Kong	GEL	30 June 2014	from 1 July 2014 to 31 March 2017	HK$18,480 (exclusive of management fee, air-conditioning charges, government rates and government rent)	repair centre saleable area: 616 sq. ft.

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
(v)	Unit B, 15/F., Kyota Plaza, Nos. 491–499 Lockhart Road, Causeway Bay, Hong Kong	ORL	31 March 2015	from 1 August 2015 to 31 March 2017	HK$38,520 (exclusive of government rates, government rent and management fee)	repair centre saleable area: 1,284 sq. ft.
(vi)	Unit 1808, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	GIL	31 July 2014	from 1 September 2014 to 31 August 2016	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.
(vii)	Rua de Pequim, n°s 170–174, Edificio Centro Commercial Kong Fat, 16° andar portion of D1 and E1, em Macau	HKMag	31 July 2014	from 1 August 2014 to 31 July 2016	HK$12,810 (exclusive of building management fee)	repair centre saleable area: 915 sq. ft.
(viii)	Unit 1005, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	GEL	31 March 2015	from 1 April 2015 to 31 March 2017	HK$29,336 (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 772 sq. ft.
(ix)	Unit 1006, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	GIL	31 March 2015	from 1 April 2015 to 31 March 2017	HK$38,798 (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 1,021 sq. ft.
(x)	12/F., Ginza Plaza, No.2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	ORL	31 March 2015	from 1 April 2015 to 31 March 2017	HK$165,566 (exclusive of building management fee and air-conditioning charges but inclusive of government rates and government rent)	repair centre saleable area: 4,357 sq. ft.

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
(xi)	Rotunda De S. Joao Bosco, No. 63 Andar, J29 EDIF. Hoi Fu Garden, Macau	Mr. Cheung King Shek	29 May 2015	from 1 June 2015 to 31 May 2016	HK$11,000 (exclusive of building management fee but inclusive of government rent)	staff quarter saleable area: 850 sq. ft.
(xii)	Unit 1802 and Portion of Unit 1803, Shen Rong Building, No. 1045 Fuqiang Road, Futian District, Shenzhen City, PRC	Marina	10 July 2015	from 10 July 2015 to 31 March 2017	HK$13,152	repair centre saleable area: 1,475 sq. ft.
(xiii)	Portion of shop on G/F, Dah Sing Life Building, Nos. 99–105 Des Voeux Road Central, Central, Hong Kong	TDS	31 December 2015	from 1 January 2016 to 31 December 2016	HK$41,800 (inclusive of government rates and management fee)	repair centre saleable area: 769 sq. ft.

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 31 December 2015 and 31 March 2016, the aggregate annual caps of the rentals payable under the above tenancy agreements for the two years ended/ending 31 March 2016 and 2017 are HK$7,238,000 and HK$6,534,000 respectively. The aggregate rentals paid by the Group for the year ended 31 March 2016 in respect of the above leased properties to the above connected persons are approximately HK$7,238,000.

(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 GEM 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 caps for the amount of parts and components to be purchased from the SAP Group by TSO for the three years ended/ending 31 March 2016, 2017 and 2018 is HK$5,000,000, HK$2,500,000 and HK$1,500,000 respectively. The amount of parts and components purchased from the SAP Group by TSO for the year ended 31 March 2016 is approximately HK$1,995,000.

(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 40%-owned by TDHL which is indirectly 55%-owned by the Cheung Family Trust. As the Cheung Family Trust indirectly holds 55% of the Shares in issue, SUN Mobile is a connected person of the Company under the GEM Listing Rules. Accordingly, the above transactions constitute continuing connected transactions for the Company.

As disclosed in the announcement dated 31 March 2015, the annual caps of the sales income receivable from SUN Mobile by TSO for the three years ended/ending 31 March 2016, 2017 and 2018 are HK$9,500,000 respectively. The sales income received from SUN Mobile by TSO for the year ended 31 March 2016 is approximately HK$9,500,000.

(4) Master Agreement with TDHL

On 22 May 2014, TSO (a wholly-owned subsidiary of the Company) entered into a master agreement with TDHL (the "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 2017. TDHL is indirectly 55%-owned by the Cheung Family Trust which indirectly holds 55% of the Shares, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the below transactions constitute continuing connected transactions for the Company.

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 is 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.

As disclosed in the announcement of the Company dated 22 May 2014, the aggregate annual caps for the repair and refurbishment service fees receivable from the TDHL group by TSO under the Master Agreement for the two years ended/ending 31 March 2016 and 2017 are HK$10,000,000 respectively. The repair and refurbishment service fee received from the TDHL group by TSO under the Master Agreement for the year ended 31 March 2016 is approximately HK$9,139,000.

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.

As disclosed in the announcement of the Company dated 22 May 2014, the annual caps for the consignment fees payable by TSO to TDS under the Master Agreement for the two years ended/ending 31 March 2016 and 2017 are HK$4,000,000 and HK$4,200,000 respectively. The consignment fees paid by TSO to TDS under the Master Agreement for the year ended 31 March 2016 is approximately HK$2,093,000.

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

(B) Confirmation of Independent Non-executive Directors

The Audit Committee, comprising three independent non-executive Directors, has reviewed the above non-exempt continuing connected transactions and confirmed that these transactions 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 and 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 as set by the Company.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, China Everbright Capital Limited ("China Everbright"), other than disclosed below, as at 31 March 2016, neither China Everbright nor any of its directors or employees or close associates had any interest in the Shares or the shares of any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules:

(i) the compliance adviser agreement entered into between the Company and China Everbright in May 2013; and

(ii) the non-listed warrants placing agreement entered into between the Company and China Everbright Securities (HK) Limited (an associate of China Everbright) on 17 February 2014.

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 2016 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

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 2016, 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 GEM Listing Rules, the Companies Ordinance and the SFO under the laws of Hong Kong for, among other things, the disclosure of information and corporate governance, and the Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its customers and suppliers to fulfill its immediate and long-term goals. During the year ended 31 March 2016, 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 108 of this annual report.

AUDITOR

The financial statements for the year ended 31 March 2016 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, 22 June 2016

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

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

We have audited the consolidated financial statements of Telecom Service One Holdings Limited (the "Company") and its subsidiaries set out on pages 44 to 107, which comprise the consolidated statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
22 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	*7*	**122,494**	126,415
Cost of sales		**(68,102)**	(67,265)
Gross profit		**54,392**	59,150
Other income	*9*	**2,747**	2,308
Other operating expenses, net	*10*	**(14,655)**	(15,250)
Administrative expenses		**(15,281)**	(16,315)
Finance costs	*11*	**(285)**	(170)
Profit before tax		**26,918**	29,723
Income tax expense	*12*	**(4,537)**	(5,243)
Profit for the year	*13*	**22,381**	24,480
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Remeasurement of long service payment obligations		**32**	28
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(40)**	—
Other comprehensive (expense) income for the year		**(8)**	28
Total comprehensive income for the year		**22,373**	24,508
Earnings per share (HK$)	*16*		
Basic		**0.186**	0.204
Diluted		**0.183**	0.203

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Plant and equipment	*17*	**3,827**	4,424
Deferred tax asset	*24*	**514**	437
		4,341	4,861
Current assets			
Inventories	*18*	**6,381**	4,295
Trade and other receivables	*19*	**21,539**	28,179
Amounts due from related companies	*30*	**1,206**	1,154
Tax recoverable		**804**	—
Pledged bank deposits	*20*	**29,972**	30,220
Bank balances and cash	*20*	**16,908**	14,265
		76,810	78,113
Current liabilities			
Trade and other payables	*21*	**6,151**	9,967
Amounts due to related companies	*30*	**2,273**	79
Tax payables		**—**	1,703
Bank overdrafts	*20*	**—**	349
Bank borrowings	*22*	**18,600**	15,736
		27,024	27,834
Net current assets		**49,786**	50,279
Total assets less current liabilities		**54,127**	55,140
Non-current liability			
Long service payment obligations	*23*	**—**	—
Net assets		**54,127**	55,140

	Note	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	*25*	**12,001**	12,000
Reserves		**42,126**	43,140
Total equity		**54,127**	55,140

The consolidated financial statements on pages 44 to 107 were approved and authorised for issue by the board of directors on 22 June 2016 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 2016

	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
At 1 April 2014	12,000	23,907	70	(60)	—	133	100	36,482	72,632
Profit for the year	—	—	—	—	—	—	—	24,480	24,480
Remeasurement of long service payment obligations	—	—	—	—	—	—	—	28	28
Total comprehensive income for the year	—	—	—	—	—	—	—	24,508	24,508
Payment of dividends *(Note 15)*	—	—	—	—	—	—	—	(42,000)	(42,000)
Transfer to statutory reserve	—	—	—	—	—	4	—	(4)	—
At 31 March 2015 and 1 April 2015	12,000	23,907	70	(60)	—	137	100	18,986	55,140
Profit for the year	—	—	—	—	—	—	—	22,381	22,381
Remeasurement of long service payment obligations	—	—	—	—	—	—	—	32	32
Exchange differences arising on translation of foreign operations	—	—	—	(40)	—	—	—	—	(40)
Total comprehensive (expense) income for the year	—	—	—	(40)	—	—	—	22,413	22,373
Payment of dividends *(Note 15)*	—	—	—	—	—	—	—	(24,002)	(24,002)
Recognition of equity-settled share based payments *(Note 29)*	—	—	—	—	585	—	—	—	585
Lapse of share options *(Note 29)*	—	—	—	—	(56)	—	—	56	—
Issue of shares upon exercise of share options *(Note 25)*	1	37	—	—	(7)	—	—	—	31
At 31 March 2016	12,001	23,944	70	(100)	522	137	100	17,453	54,127

Notes:

a. During the year ended 31 March 2014, Telecom Service One Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") 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 subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries during the year ended 31 March 2013.

b. As stipulated by regulations in Taiwan, Telecom Service One Taiwan Limited ("TSO TW"), a subsidiary of the Company, is required to appropriate 10% of its after tax profit (after offsetting prior year losses) to statutory reserve before declaring any dividends to shareholders until the balance of the reserve reaches the respective registered capital. Subject to certain restrictions as set out in the relevant Taiwan regulations, the statutory reserve may be used to offset against accumulated losses of the respective Taiwan company. The amount of transfer is subject to the approval of the board of directors of the respective Taiwan company.

   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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**26,918**	29,723
Adjustments for:		
Depreciation of plant and equipment	**2,816**	3,822
Finance costs	**285**	170
Bank interest income	**(931)**	(776)
Share-based payment expenses	**585**	—
Long service payment obligations	**36**	28
Allowance for inventories	**273**	1,404
Reversal of allowance for inventories	**(14)**	(111)
Operating cash flows before movements in working capital	**29,968**	34,260
(Increase) decrease in inventories	**(2,345)**	1,667
Decrease in trade and other receivables	**6,608**	695
Increase in amounts due from related companies	**(52)**	(227)
(Decrease) increase in trade and other payables	**(3,812)**	2,710
Increase (decrease) in amounts due to related companies	**2,194**	(124)
Decrease in long service payment obligations	**(4)**	—
Cash generated from operations	**32,557**	38,981
Hong Kong Profits Tax paid	**(7,071)**	(5,736)
Macau Complementary Income Tax paid	**(50)**	—
NET CASH FROM OPERATING ACTIVITIES	**25,436**	33,245
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(2,218)**	(1,810)
Placement of pledged bank deposits	**(144)**	(54,478)
Interest received	**931**	776
Withdrawal of pledged bank deposits	**392**	28,750
NET CASH USED IN INVESTING ACTIVITIES	**(1,039)**	(26,762)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Dividends paid	**(24,002)**	(42,000)
Repayments of bank borrowings	**(20,736)**	(5,000)
Interest paid	**(285)**	(170)
New bank borrowings raised	**23,600**	20,736
Issue of shares upon exercise of share options	**31**	—
NET CASH USED IN FINANCING ACTIVITIES	**(21,392)**	(26,434)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,005**	(19,951)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**13,916**	33,882
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(13)**	(15)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**16,908**	13,916
ANALYSIS OF COMPONENTS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**16,908**	14,265
Bank overdrafts	**—**	(349)
	16,908	13,916

1. GENERAL

Telecom Service One Holdings Limited (the "Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 August 2012 and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 May 2013. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands and the principal place of business of the Company is Units 1805–1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The directors of the Company consider the immediate holding company is East-Asia Pacific Limited ("East-Asia"), a company incorporated in the British Virgin Islands ("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 33.

The functional currency of the Company is Hong Kong dollars ("HK$") while the functional currencies for certain subsidiaries are Renminbi ("RMB"), New Taiwan dollars ("NT$") and Macau Patacas ("MOP"). 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 Group has applied the following amendments to HKFRSs, which include HKFRSs Hong Kong Accounting Standards ("HKAS(s)") and amendments, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

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

Annual Improvements to HKFRSs 2010–2012 Cycle (Continued)

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company consider that the application of the amendments to HKFRSs 2010–2012 Cycle has had no material impact in the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011–2013 Cycle has had no material impact in the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans — Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company consider that the application of the amendments to HKAS 19 Defined Benefit Plans — Employee Contributions has had no material impact in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarification to HKFRS 15[2]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 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.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

HKFRS 9 (2014) Financial Instruments (Continued)

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

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement required 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, 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 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 attributable to a financial liability's 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 relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about any entity's risk management activities have also been introduced.

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

HKFRS 9 (2014) Financial Instruments (Continued)

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 anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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 directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

HKFRS 16 Leases

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

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

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

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

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. 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 be 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. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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

Annual Improvement to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group's consolidated financial statements.

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

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue;

(ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- 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 to affect its 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and 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 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 determined on a 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 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.

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 (see accounting policy on impairment of financial assets below).

Impairment 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 assets' original effective interest rate.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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 liabilities.

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

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

The Group derecognises financial liabilities 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 on tangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment 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, logistic service 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.

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 on the dates of the transactions. At the end of each 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.

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 period. 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.

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.

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 of the Company

Share options granted to employees under share option scheme

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to 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 earnings.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The following 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.

Depreciation of plant and equipment

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

Estimated impairment of plant and equipment

The Group reviews the carrying amounts of plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates such as future revenue and discount rates. As at 31 March 2016, the carrying values of plant and equipment of the Group were approximately HK$3,827,000 (2015: HK$4,424,000). No impairment was recognised for both years.

Income taxes

As at 31 March 2016, a deferred tax asset of approximately HK$514,000 (2015: HK$437,000) in relation to accelerated tax 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$3,173,000 (2015: HK$2,470,000) 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 2016, the carrying amounts of inventories of the Group were approximately HK$6,381,000 (2015: HK$4,295,000), net of allowance for inventories of approximately HK$2,233,000 (2015: HK$1,974,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2016, the carrying amounts of trade and other receivables of the Group were approximately HK$21,539,000 (2015: HK$28,179,000). No impairment loss was recognised during both years.

Long service payment obligations

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. An obligation is recognised in respect of the probable future long service payments expected to be made. The Group's long service payment obligations is determined with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes to these assumptions will impact the carrying amount of long service payment obligations and the results and financial position of the Group. As at 31 March 2016, the carrying amount of long service payment obligations of the Group is nil (2015: nil).

Share-based payment expenses

The fair value of share options granted to the employees determined at the date of grant is expensed immediately in full at grant date when the share options vest immediately at the date of grant, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the volatility of share price of certain companies in the similar industry and the expected life of options etc. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options. Details are set out in note 29.

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, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**69,446**	73,359
Financial liabilities		
Amortised cost	**26,247**	25,203

(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 2016, approximately 20% (2015: 29%) of the Group's sales and approximately 67% (2015: 67%) of total cost of sales are denominated in United States dollars ("US$") which is different from the functional currencies of the group entities carrying out the transactions.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk (Continued)

Also, certain trade and other receivables, bank balances and cash, trade and other payables and bank overdrafts are denominated in US$, RMB, HK$ 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	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
US$	**17,495**	16,385	**1,179**	1,910
RMB	**29,774**	29,630	**—**	—
HK$	**316**	53	**—**	—
JPY	**—**	—	**153**	153

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2015: 5%) increase or decrease in the functional currencies of the relevant group entities, HK$, RMB, NT$ and MOP, against the relevant foreign currencies. 5% (2015: 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% (2015: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where respective functional currency strengthens 5% (2015: 5%) against the relevant foreign currency. For a 5% (2015: 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis *(Continued)*

	Effect on profit or loss	
	2016	2015
	HK$'000	HK$'000
US$	**(733)**	(621)
RMB	**(1,243)**	(1,280)
HK$	**(13)**	(2)
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 2016 and 2015. 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 NT$; and (ii) one-month Hong Kong Interbank Offered Rates or HK$ prime rate arising from the Group's HK$ or US$ denominated bank borrowings and bank overdrafts respectively.

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 (2015: 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 (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2016 would decrease/increase by approximately HK$12,000 (2015: HK$8,000).

6. FINANCIAL INSTRUMENTS (Continued)

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

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 23% (2015: 25%) of the total trade receivables at 31 March 2016 was due from the Group's largest customers.

The Group has concentration of credit risk as 69% (2015: 87%) of the total trade receivables at 31 March 2016 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 98% (2015: 99%) of the total trade receivables as at 31 March 2016.

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**
At 31 March 2016			
Non-derivative financial liabilities			
Trade and other payables	**5,374**	**5,374**	**5,374**
Amounts due to related companies	**2,273**	**2,273**	**2,273**
Bank borrowings *(note)*	**18,710**	**18,710**	**18,600**
	26,357	**26,357**	**26,247**

	On demand or within 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2015			
Non-derivative financial liabilities			
Trade and other payables	9,039	9,039	9,039
Amounts due to related companies	79	79	79
Bank overdrafts	349	349	349
Bank borrowings *(note)*	15,905	15,905	15,736
	25,372	25,372	25,203

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Note: Bank borrowing 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 2016, the aggregate undiscounted principal amount of this bank borrowing amounted to nil (2015: HK$2,500,000). 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 borrowing would be repaid in accordance with the scheduled repayment dates set out in the loan agreement. As at 31 March 2016, the aggregate principal and interest cash outflows was nil (2015: HK$2,505,000).

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:

	2016 HK$'000	2015 HK$'000
Repairing service income	106,022	115,281
Sales of accessories	16,472	11,134
	122,494	126,415

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 2016 and 2015, the Group's operations were located in Hong Kong, the PRC and Macau.

During the year ended 31 March 2016, 97% (2015: 99%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2016, 92% (2015: 94%) 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 are as follows:

	2016 **HK$'000**	2015 HK$'000
Customer I	**N/A***	24,392
Customer II	**20,522**	17,264

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

9. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Management fee income *(Note i)*	**808**	470
Consignment goods handling income *(Note ii)*	**508**	545
Bank interest income	**931**	776
Others	**500**	517
	2,747	2,308

Notes:

(i) The amount represents management fee 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.

10. OTHER OPERATING EXPENSES, NET

	2016 HK$'000	2015 HK$'000
Reimbursement of expenses for service centres	**740**	716
Service centres management income	**—**	218
Logistic service income	**9**	267
Miscellaneous income charges	**173**	1,006
	922	2,207
Other operating expenses of service centres	**(15,577)**	(17,457)
Other operating expenses, net	**(14,655)**	(15,250)

11. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on:		
Bank borrowings	**285**	139
Discounted bills	**—**	31
	285	170

12. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Hong Kong Profits Tax		
— current year	**4,776**	5,686
— over-provision in prior years	**(126)**	(92)
	4,650	5,594
Macau Complementary Income Tax		
— (over) under-provision in prior years	**(36)**	86
Deferred tax		
— current year *(Note 24)*	**(77)**	(437)
Total income tax expense for the year	**4,537**	5,243

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. During the year of assessment 2015/16, Hong Kong Profit Tax concession was amounted to HK$20,000 (2014/15: HK$20,000).

12. INCOME TAX EXPENSE (Continued)

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for both years. No provision for Taiwan profits tax has been made as Telecom Service One Taiwan Limited ("TSO TW") did not have any assessable profit for both years.

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

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:

	2016 **HK$'000**	2015 HK$'000
Profit before tax	**26,918**	29,723
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**4,385**	5,034
Tax effect of income not taxable for tax purpose	**(107)**	(64)
Tax effect of expenses not deductible for tax purpose	**242**	46
Hong Kong Profits Tax concession	**(20)**	(20)
Over-provision in prior years	**(162)**	(6)
Tax effect of tax loss not recognised	**199**	253
	4,537	5,243

Details of deferred taxation are set out in note 24.

13. PROFIT FOR THE YEAR

	2016 **HK$'000**	2015 HK$'000
Profit for the year is arrived at after charging (crediting):		
Directors' and chief executive's emoluments *(Note 14)*		
— salaries, allowances and other benefits	**684**	4,624
— employer's contributions to retirement benefits scheme	**16**	22
	700	4,646
Other staff costs *(Note)*		
— salaries, allowances and other benefits	**41,701**	42,597
— employer's contributions to retirement benefits scheme	**2,040**	1,997
— share-based payment expenses	**585**	—
— long service payment obligations	**36**	28
	44,362	44,622
Total staff costs	**45,062**	49,268
Auditor's remuneration	**600**	600
Depreciation of plant and equipment	**2,816**	3,822
Exchange loss	**767**	107
Allowance for inventories (included in cost of sales)	**273**	1,404
Reversal of allowance for inventories (included in cost of sales)	**(14)**	(111)
Amount of inventories recognised as an expense	**27,260**	25,547
Operating leases rentals in respect of rented premises	**10,209**	9,169

Note: For the year ended 31 March 2016, included in other operating expenses of service centres, salaries and other allowances of nil (2015: HK$49,000) and employer's contributions to retirement benefits scheme of nil (2015: HK$1,000) were incurred for the service centres and wholly reimbursed by the customers. Such amounts were not included in other staff costs.

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

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the seven (2015: 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	Employer's contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 March 2016				
Executive director				
Mr. Cheung King Fung Sunny	—	324	16	340
Non-executive directors				
Mr. Cheung King Chuen Bobby	—	—	—	—
Mr. Cheung King Shan	—	—	—	—
Mr. Cheung King Shek	—	—	—	—
Independent non-executive directors				
Mr. Chu Kin Wang Peleus	120	—	—	120
Mr. Fong Ping	120	—	—	120
Ms. Kwok Yuen Man Marisa	120	—	—	120
Total	360	324	16	700

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

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

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Performance related incentive payments HK$'000 *(Note)*	Employer's contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 March 2015					
Executive director					
Mr. Cheung King Fung Sunny	—	824	500	16	1,340
Non-executive directors					
Mr. Cheung King Chuen Bobby	—	500	500	2	1,002
Mr. Cheung King Shan	—	500	500	2	1,002
Mr. Cheung King Shek	—	500	500	2	1,002
Independent non-executive directors					
Mr. Chu Kin Wang Peleus	100	—	—	—	100
Mr. Fong Ping	100	—	—	—	100
Ms. Kwok Yuen Man Marisa	100	—	—	—	100
Total	300	2,324	2,000	22	4,646

Note:

The performance related incentive payments was determined by reference to the attainment of predetermined level of Group's profit after tax (before deducting the performance related incentive payments) for the year ended 31 March 2015.

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 2016 and 2015.

Neither the chief executive nor any of the directors waived or agreed to waive any emolument paid by the Group during the years ended 31 March 2016 and 2015. No emoluments were paid or payable by the Group to the chief executive nor any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2016 and 2015.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, nil (2015: four) were the directors and chief executive of the Company whose emoluments are included in the disclosures presented above. The emoluments of the remaining five (2015: one) individuals were as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and other benefits	3,104	1,041
Employer's contributions to retirement benefits scheme	88	18
Share-based payment expenses	51	—
	3,243	1,059

Their emoluments were within the following bands:

	2016 No. of employees	2015 No. of employees
Nil to HK$1,000,000	4	—
HK$1,000,001–HK$1,500,000	1	1
	5	1

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 2016 and 2015.

15. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividends recognised as distribution during the year:		
2015 final and 2016 interim, paid — HK$0.15 and HK$0.05 per share respectively (2015: 2014 interim and 2015 interim, paid — HK$0.25 and HK$0.10 per share respectively)	24,002	42,000

Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 March 2016 of HK$0.05 (2015: final dividend in respect of the year ended 31 March 2015 of HK$0.15) per share has been declared by the directors of the Company.

16. EARNINGS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	22,381	24,480

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,008,492	120,000,000
Effect of dilutive potential ordinary shares:		
Warrants	2,583,732	754,286
Weighted average number of ordinary shares for the purpose of diluted earnings per share	122,592,224	120,754,286

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for the shares for the year ended 31 March 2016.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Machinery HK$'000	Computers HK$'000	Total HK$'000
COST						
At 1 April 2014	10,283	3,968	1,890	6,279	3,222	25,642
Exchange realignment	—	—	—	—	(1)	(1)
Additions	749	83	244	—	734	1,810
At 31 March 2015 and 1 April 2015	11,032	4,051	2,134	6,279	3,955	27,451
Exchange realignment	1	—	—	—	(1)	—
Additions	1,341	215	133	—	529	2,218
Written off	(2,750)	—	—	—	—	(2,750)
At 31 March 2016	**9,624**	**4,266**	**2,267**	**6,279**	**4,483**	**26,919**
ACCUMULATED DEPRECIATION						
At 1 April 2014	7,354	2,376	1,169	6,259	2,047	19,205
Provided for the year	2,327	611	300	14	570	3,822
At 31 March 2015 and 1 April 2015	9,681	2,987	1,469	6,273	2,617	23,027
Exchange realignment	—	—	—	—	(1)	(1)
Provided for the year	1,296	586	299	6	629	2,816
Eliminated on written off	(2,750)	—	—	—	—	(2,750)
At 31 March 2016	**8,227**	**3,573**	**1,768**	**6,279**	**3,245**	**23,092**
CARRYING VALUES						
At 31 March 2016	**1,397**	**693**	**499**	**—**	**1,238**	**3,827**
At 31 March 2015	1,351	1,064	665	6	1,338	4,424

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

	2016 HK$'000	2015 HK$'000
Merchandises	**6,381**	4,295

During the years ended 31 March 2016 and 2015, certain impaired inventories were sold at a gross profit. As a result, a reversal of write-down of merchandises of approximately HK$14,000 (2015: HK$111,000) has been recognised and included in cost of sales.

19. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**15,671**	20,519
Other receivables	**5,691**	7,201
Prepayments	**177**	459
	21,539	28,179

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.

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.

19. TRADE AND OTHER RECEIVABLES (Continued)

	2016 HK$'000	2015 HK$'000
Within 30 days	7,118	5,962
31 to 60 days	4,569	12,441
61 to 90 days	3,389	9
91 to 120 days	495	1,063
Over 120 days	100	1,044
	15,671	20,519

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

	2016 HK$'000	2015 HK$'000
31 to 60 days	3,983	9,541
61 to 90 days	3,389	9
91 to 120 days	495	1,063
Over 120 days	100	1,044
Total	7,967	11,657

The Group has not recognised any impairment loss 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:

	2016 HK$'000	2015 HK$'000
HK$	62	39
US$	8,397	9,778

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

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$29,972,000 (2015: HK$30,220,000) have been pledged to secure short-term bank overdrafts, short-term bank borrowings 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% (2015: 0.01% to 0.35%) per annum. The pledged bank deposits carried interest at fixed rate ranged from 0.03% to 5.75% (2015: 0.04% to 3.70%) per annum. Bank overdrafts carry interest at HK$ Prime rates of nil (2015: 2.25%) per annum for the year ended 31 March 2016.

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

	2016 **HK$'000**	2015 HK$'000
Pledged bank deposits and bank balances and cash		
HK$	**254**	14
US$	**9,098**	6,607
RMB	**29,774**	29,630

	2016 **HK$'000**	2015 HK$'000
Bank overdrafts		
US$	**—**	316

21. TRADE AND OTHER PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**3,354**	3,565
Accrued expenses and other payables	**2,797**	6,402
Total	**6,151**	9,967

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.

21. TRADE AND OTHER PAYABLES (Continued)

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

	2016 HK$'000	2015 HK$'000
Within 30 days	1,713	1,852
31 to 60 days	85	226
61 to 90 days	21	—
Over 90 days	1,535	1,487
	3,354	3,565

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:

	2016 HK$'000	2015 HK$'000
US$	1,179	1,594
JPY	153	153

22. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Carrying amount repayable*:		
Within one year	18,600	13,236
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	—	2,500
	18,600	15,736
Secured	13,000	10,000
Unsecured	5,600	5,736
	18,600	15,736

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

22. BANK BORROWINGS (Continued)

The Group's bank borrowings were all denominated in HK$.

During the year ended 31 March 2016, the Group obtained new borrowings with an aggregate amount of approximately HK$23,600,000 (2015: HK$20,736,000). The proceeds were used for general working capital and tax payment.

As at 31 March 2016, the bank borrowings carried interest ranged from 1.40% to 1.50% (2015: 1.40% to 1.85%) plus one-month Hong Kong Interbank Offered Rates per annum.

As at 31 March 2016, the Group has unutilised banking facilities of approximately HK$19,100,000 (2015: HK$33,751,000).

As at 31 March 2016, included in the bank borrowings was an amount of HK$13,000,000 (2015: HK$10,000,000) which is secured by the Group's pledged bank deposits of approximately HK$19,127,000 (2015: HK$18,961,000).

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 2016 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.

23. LONG SERVICE PAYMENT OBLIGATIONS (Continued)

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

	2016 HK$'000	2015 HK$'000
At 1 April	—	—
Charged to profit or loss	36	28
Actuarial gains recognised in other comprehensive income	(32)	(28)
Paid during the year	(4)	—
At 31 March	—	—

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

	2016 HK$'000	2015 HK$'000
At 1 April	—	—
Current service cost	36	28
Remeasurement gains:		
Actuarial gains recognised in other comprehensive income	(32)	(28)
Benefit paid during the year	(4)	—
At 31 March	—	—

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

	2016 HK$'000	2015 HK$'000
Current service cost	36	28
Components of defined benefit costs recognised in profit or loss (included in staff costs)	36	28

23. LONG SERVICE PAYMENT OBLIGATIONS (Continued)

Remeasurement on the net defined benefit liability

	2016 HK$'000	2015 HK$'000
Actuarial gains arising from changes in financial assumptions	(32)	(28)
Components of defined benefit costs recognised in other comprehensive income	(32)	(28)

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

	2016 HK$'000	2015 HK$'000
Cumulative amount of actuarial gains at the beginning of the year	(256)	(228)
Net actuarial gains during the year	(32)	(28)
Cumulative amount of actuarial gains at the end of the year	(288)	(256)

At 31 March 2016 and 2015, the amount is calculated based on the principal assumptions stated as below:

	2016	2015
Annual salary increment	5.50%	7.70%
Annual turnover rate	20.81% to 57.86%	21.60% to 52.90%
MPF return rate	3.86%	4.30%
Discount rate	0.3% to 1.5%	0.1% to 1.6%

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 2016 and 2015. Hence, no sensitivity analysis is presented.

24. DEFERRED TAX ASSET

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000
At 1 April 2014	—
Credited to profit or loss *(Note 12)*	437
At 31 March 2015 and 1 April 2015	437
Credited to profit or loss *(Note 12)*	77
At 31 March 2016	514

At 31 March 2016, the Group had unused tax losses of approximately HK$3,173,000 (2015: HK$2,470,000) available for offset against future profits. At 31 March 2016 and 2015, no deferred tax assets has been recognised in respect of such tax losses of approximately HK$3,173,000 (2015: HK$2,470,000) due to the unpredictability of future profit streams. At 31 March 2016, tax losses of approximately HK$473,000 (2015: HK$456,000), HK$1,167,000 (2015: HK$1,223,000), HK$383,000 (2015: HK$407,000), HK$693,000 (2015: nil) and HK$356,000 (2015: HK$384,000), may be carried forward to 2018, 2019, 2020, 2021 and 2023 respectively. The remaining tax losses of approximately HK$101,000 (2015: nil) may be carried forward infinitely.

At 31 March 2016, the Group had deductible temporary differences of approximately HK$3,112,000 (2015: HK$2,648,000). At 31 March 2016, deferred tax asset has been recognised in respect of such temporary differences of approximately HK$3,112,000 (2015: HK$2,648,000).

25. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2014, 31 March 2015 and 31 March 2016	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2014 and 31 March 2015	120,000,000	12,000
Issue of shares upon exercise of share options *(Note)*	12,000	1
At 31 March 2016	120,012,000	12,001

Note: On 17 July 2015, 12,000 ordinary shares of HK$0.1 each were issued at a price of HK$2.59 per share upon the exercise of share options granted on 7 July 2015.

All shares issued during the years ended 31 March 2016 and 2015 rank *pari passu* with the existing shares in all respects.

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.

At 31 March 2016, there were 12,000,000 (2015: 12,000,000) warrants outstanding which can be exercised at any time on or before 3 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:

	2016	2015
	HK$'000	HK$'000
Within one year	**2,171**	2,994
In the second to fifth year inclusive	**—**	1,532
	2,171	4,526

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 three (2015: 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$1,250 per month before 1 June 2014 and HK$1,500 per month from 1 June 2014 onwards.

During the year ended 31 March 2016, 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$1,938,000 (2015: HK$1,904,000) for the year ended 31 March 2016.

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 14.2% to 16.1% (2015: 14.9% to 22.3%) 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 2016 , 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$116,000 (2015: HK$115,000) for the year ended 31 March 2016.

28. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS (Continued)

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 2016, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK$2,000 (2015: nil) for the year ended 31 March 2016.

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.

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 7 July 2015, the Company granted an aggregate of 1,426,000 (2015: nil) share options to the employees the Company, to subscribe, in aggregate, for up to 1,426,000 ordinary shares of HK$0.1 each of the share capital of the Company under the Share Option Scheme.

At 31 March 2016, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 916,000, representing 0.76% of the ordinary shares in issue at that date.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Movements of the Company's share options held by employees during the year are:

Category of participant	Date of grant	Outstanding at 1 April 2015	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2016	Exercise period	Exercise price per share
Employees	7 July 2015	—	1,426,000	(498,000)	(12,000)	916,000	7 July 2015 to 6 July 2018	HK$2.59
Exercisable at the end of the year						916,000		
Weighted average exercise price (HK$)		—	2.59	2.59	2.59	2.59		

Note: Included in the number of share options lapsed during the year, 400,000 share options represented the non-acceptance of share options by the employees at the date of grant. The remaining 98,000 share options were lapsed upon resignation of respective employees.

In respect of the share options exercised during the year ended 31 March 2016, the weighted average share price at the date of exercise was HK$2.54 (2015: nil).

During the year ended 31 March 2016, the estimated fair value of the options granted on that date was HK$0.57 per option.

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

Share price at date of grant	HK$2.18
Exercise price	HK$2.59
Expected volatility	78.48%
Expected life	3 years
Risk-free rate	0.62%
Expected dividend yield	6.38%
Exit rate	10.00%

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

Share-based payment expenses of approximately HK$585,000 (2015: nil) were recognised by the Group for the year ended 31 March 2016 in relation to share options granted by the Company.

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*	2016 HK$'000	2015 HK$'000
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	*(i) & (iii)*	**1,246**	834
Oceanic Rich Limited	Rental expenses paid thereto	*(ii) & (iii)*	**3,767**	2,849
Glossy Enterprises Limited	Rental expenses paid thereto	*(ii) & (iii)*	**574**	166
Glossy Investment Limited	Rental expenses paid thereto	*(ii) & (iii)*	**2,393**	1,227
H.K. Magnetronic Company Limited	Rental expenses paid thereto	*(ii) & (iii)*	**154**	102
Marina Trading Inc.	Rental expenses paid thereto	*(ii) & (iii)*	**115**	—
Cheung King Shek	Rental expenses paid thereto	*(ii) & (iii)*	**110**	—
Telecom Digital Services Limited	Licensing fee paid thereto	*(i) & (iii)*	**—**	6
	Consignment fee paid thereto	*(i) & (iii)*	**2,093**	2,278
	Rental expenses paid thereto	*(ii) & (iii)*	**125**	—
Radiotex International Limited	Purchases of goods thereto	*(i) & (iii)*	**1,995**	341
Telecom Digital Data Limited	Received repairing service income therefrom	*(i) & (iii)*	**9,119**	5,322
Sun Mobile Limited	Sales of goods thereto	*(i) & (iii)*	**9,500**	2,918
Telecom (Macau) Limited	Received repairing service income therefrom	*(i) & (iv)*	**20**	28

30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) (Continued)

Details of amounts due from related companies are as follows:

				Maximum amount outstanding during the year ended 31 March	
	Notes	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Related companies					
Telecom Digital Data Limited	*(iii) & (v)*	—	254	**3,527**	1,107
Telecom Digital Services Limited	*(iii) & (v)*	**166**	362	**1,182**	978
Telecom (Macau) Limited	*(iii), (iv) & (v)*	—	2	**3,920**	5
Sun Mobile Limited	*(iii) & (v)*	**1,040**	536	**1,596**	615
		1,206	1,154		

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 company.

(iv) Prior to 12 May 2014, Mr. Cheung King Shek, Mr. Cheung King Fung, Sunny and Mr. Cheung King Chuen, Bobby, the directors of the Company, have beneficial interests in the company.

(v) 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 are unsecured, interest-free and repayable on demand. The directors of the Company have beneficial interest in these related companies.

(c) Banking facilities

During the year ended 31 March 2016, the Group's banking facilities of HK$10,000,000 (2015: HK$35,740,000) were guaranteed by the Company.

As at 31 March 2016, the unutilised banking facilities guaranteed by the Company were HK$10,000,000 (2015: HK$30,000,000).

30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Operating leases commitment

At the end of the reporting period, the Group had commitment for future minimum lease payments to certain related parties of approximately HK$690,000 (2015: HK$858,000) and nil (2015: HK$51,000) under non-cancellable operating leases which fall due within one year and in the second to fifth year inclusive respectively.

(e) Compensation of key management personnel

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

	2016 HK$'000	2015 HK$'000
Short-term benefits	2,094	5,665
Post-employment benefits	34	40
Share-based payment expenses	17	—
	2,145	5,705

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 2016 and 2015, 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.

				Related amounts not set off in the consolidated statement of financial position	
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Financial instruments	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2016					
Trade and other receivables	**25,081**	**(3,542)**	**21,539**	**(15,869)**	**5,670**
As at 31 March 2015					
Trade and other receivables	32,288	(4,109)	28,179	(22,472)	5,707

31. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING (Continued)

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	
				Financial instruments	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2016					
Trade and other payables	**(9,693)**	**3,542**	**(6,151)**	**6,147**	**(4)**
As at 31 March 2015					
Trade and other payables	(14,076)	4,109	(9,967)	9,967	—

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK$'000	2015 HK$'000
Non-current asset			
Investment in a subsidiary	(a)	17,213	21,563
Current assets			
Other receivables and prepayments		134	176
Amount due from a subsidiary		80,000	42,000
Pledged bank deposits		19,127	18,961
Bank balances and cash		168	127
		99,429	61,264
Current liabilities			
Other payables		132	100
Amount due to a subsidiary		43,783	28,344
Bank borrowings		18,600	10,000
		62,515	38,444
Net current assets		36,914	22,820
Net assets		54,127	44,383
Capital and reserves			
Share capital		12,001	12,000
Reserves	(b)	42,126	32,383
Total equity		54,127	44,383

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

Notes:

(a) As at 31 March 2016, the carrying amount of investment in a subsidiary was approximately HK$17,213,000 (2015: HK$21,563,000), net of accumulated impairment loss of approximately HK$4,879,000 (2015: nil).

(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 2014	23,907	21,533	—	100	(11,945)	33,595
Profit for the year and total comprehensive income for the year	—	—	—	—	40,788	40,788
Payment of dividends *(Note 15)*	—	—	—	—	(42,000)	(42,000)
At 31 March 2015 and 1 April 2015	23,907	21,533	—	100	(13,157)	32,383
Profit for the year and total comprehensive income for the year	—	—	—	—	33,130	33,130
Payment of dividends *(Note 15)*	—	—	—	—	(24,002)	(24,002)
Recognition of equity-settled share based payments *(Note 29)*	—	—	585	—	—	585
Lapse of share options *(Note 29)*	—	—	(56)	—	56	—
Issue of shares upon exercise of share options *(Note 25)*	37	—	(7)	—	—	30
At 31 March 2016	23,944	21,533	522	100	(3,973)	42,126

Note: Other reserve represents the difference between the nominal value of the shares issued for the acquisition of Telecom Service One Investment Limited ("TSO BVI") and the consolidated net asset values of TSO BVI and its subsidiaries at the date of acquisition.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at 31 March 2016 and 2015, 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
			2016		2015		
			Direct	Indirect	Direct	Indirect	
TSO BVI	BVI	US$1,000 (2015: US$1,000)	100%	—	100%	—	Investment holding
Telecom Service One Limited	Hong Kong	HK$1,000 (2015: HK$1,000)	—	100%	—	100%	Provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories
TSO TW	Taiwan	NT$500,000 (2015: NT$500,000)	—	100%	—	100%	Provision of mobile phone repair services
深圳市電訊首科電子維修有限公司 *(Note)*	PRC	HK$3,000,000 (2015: HK$2,000,000)	—	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 (2015: MOP100,000)	—	100%	—	100%	Provision of mobile phone repair services

Note: The company established in the PRC is a wholly foreign-owned enterprise.

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

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2016 **HK$'000**	2015 HK$'000	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000 (Restated)
Revenue	**122,494**	126,415	94,292	78,513	69,597
Cost of sales	**(68,102)**	(67,265)	(52,180)	(46,158)	(38,942)
Gross profit	**54,392**	59,150	42,112	32,355	30,655
Other income	**2,747**	2,308	3,580	2,467	936
Other operating expenses, net	**(14,655)**	(15,250)	(14,257)	(11,894)	(7,627)
Administrative expenses	**(15,281)**	(16,315)	(13,214)	(19,203)	(7,172)
Finance costs	**(285)**	(170)	(84)	(373)	(106)
Profit before tax	**26,918**	29,723	18,137	3,352	16,686
Income tax expense	**(4,537)**	(5,243)	(3,791)	(1,940)	(2,645)
Profit for the year	**22,381**	24,480	14,346	1,412	14,041
Other comprehensive (expense) income					
Items that will not be reclassified to profit or loss:					
Remeasurement of long service payment obligations	**32**	28	228	—	—
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	**(40)**	—	(163)	(52)	(65)
Other comprehensive (expense) income for the year	**(8)**	28	65	(52)	(65)
Total comprehensive income for the year	**22,373**	24,508	14,411	1,360	13,976
Earnings per share (HK$)					
Basic	**0.186**	0.204	0.133	0.024	0.31
Diluted	**0.183**	0.203	0.133	0.024	0.31
ASSETS AND LIABILITIES					
Total assets	**81,151**	82,974	81,858	52,485	40,915
Total liabilities	**(27,024)**	(27,834)	(9,226)	(19,241)	(20,031)
	54,127	55,140	72,632	33,244	20,884
Equity attributable to owners of the Company	**54,127**	55,140	72,632	33,244	20,884