



Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6033

Annual Report
2016/17

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Wong Yu On

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Cheung King Fung Sunny
Wong Yu On

COMPANY'S WEBSITE

www.TDHL.cc

AUDITOR

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

LEGAL ADVISER

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F., Grand Millennium Plaza,
181 Queen's Road Central,
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

6033

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited annual results of Telecom Digital Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017.

On 10 May 2017, the listing of the Company officially transferred from The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of the Stock Exchange, representing another significant milestone in our history. We, having been listed on GEM since 2014, believe that this move will not only further raise the profile of the Group, but also enhance recognition of our business among the general public and the investment community, as well as increase financing flexibility and pave the way for capturing opportunities that create long-term value for shareholders.



RESULTS

The profit attributable to owners of the Company amounted to approximately HK\$95,593,000 (2016: HK\$89,769,000), representing an increase by approximately 6.5% year-on-year. The favourable performance attributed primarily to an increase in revenue from the Group's retail business coupled with the provision of operation services to Sun Mobile Limited ("SUN Mobile"), an associate owned as to 40% by the Group and as to 60% by HKT Limited ("HKT").

BUSINESS OVERVIEW

Established in 1974, we have steadily grown over the years to become one of the leading providers of comprehensive telecommunication services in Hong Kong. Today, our primary focus is on the operation of telecommunications and related businesses, including the retail sales of mobile phones of various brands, distribution of mobile phones and related business, provision of paging and other telecommunications services, and provision of operation services to SUN Mobile. Consistent with our business focus, we have been actively expanding the Group's retail and operation business, with 69 shops in operation across Hong Kong as at 31 March 2017.

With an expanded presence, our retail business achieved revenue growth of approximately 8.1% over the corresponding period of last year, while revenue from the provision of operation services to SUN Mobile climbed by approximately 26.1% year-on-year, which clearly highlights the cohesive partnership that we enjoy with HKT. In view of the popularity of various channels of mobile communication, we have strategically scaled down the paging and Mobitex based services business since last year, revenue from this segment declined by approximately 16.5% as compared to previous year.

In respect of the distribution business, revenue declined by approximately 68.2% year-on-year to approximately HK\$195,882,000 owing to the change in distribution model of a mobile phone manufacturer, the associated agreement with the Group was terminated upon expiration in August 2016. While we have seized other business opportunities and have become the distributor of mobile devices for other mobile phone manufacturers during the year, it did not have any material adverse impact on the financial position and operation of the Group.

Chairman's Statement (continued)

FUTURE PROSPECTS

Going forward, leveraging our well-established retail network and experienced sales force, our focus will be to expedite development of our business to consumer ("B2C") operation so as to facilitate greater revenue generation. Towards this objective, we will ensure that our e-commerce platform is highly accessible, whether through the internet, mobile apps and multimedia terminals at our shops or other online to offline networks.

Besides, we will seek to further enhance service quality, bolster our market position, capture greater market share and raise our brand recognition, all of which are essential for ensuring the Group's continuous development.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our customers, business partners, suppliers and shareholders for their unwavering support to the Group. My heartfelt thanks also go to all the professional parties who were involved in our transfer of listing to the Main Board of the Stock Exchange. I wish to also thank the management team and staff for their dedication and hard work over the past years, as they have been pivotal to the Group's continuing success and constant growth.



Cheung King Shek

Chairman and Executive Director

Hong Kong, 26 June 2017

Chief Executive Officer's Review

OPERATION OVERVIEW

Over the past year, the business environment has been challenging due in part to the entry of new players to the market. Still, we have a successful track record of overcoming difficulties by leveraging our many competitive advantages, which include a strong shop network, professional sales team and close ties with SUN Mobile as well as renowned mobile phone manufacturers. Furthermore, through the use of our Customer Relationship Management (CRM) system and Enterprise Resource Planning (ERP) system, both introduced in the fourth quarter of the year, we are able to keep abreast of the needs of our target customers and understand their spending behaviour, which leads to improved sales. The systems also enable us to better allocate resources among departments, thus raise overall operational efficiency. Yet another benefit of the systems includes the use of collected data to diversify the Group's business and develop its e-commerce platform.



In respect of our shop network, we have 69 shops in Hong Kong as at 31 March 2017. To increase revenue and raise public awareness of our brand, we have relocated certain shops and expanded others that are located in prime locations. In addition to bolstering our physical presence, we have also strengthened our sales team, which now totals 300 front-end staff.

An important alliance that we will leverage involves SUN Mobile, a provider of quality, affordable mobile services and an associate of the Group. We keep enhancing cooperation with HKT so that SUN Mobile will be fully capable of responding to the ever changing business environment and maintaining its leading position in the market, resulting in mutual benefits.

Besides strengthening ties with our associate, we are also committed to building relations with mobile phone manufacturers, which represent the most important links of all. To do this, we utilise our CRM and ERP systems to enhance our sales performance. From such performance, we can justify their patronage, as well as instil them with confidence to provide the Group with a full array of products for sales and distribution.

Certainly a highlight of the year, and which will raise our competitiveness still further, is the transfer of our listing from the GEM to the Main Board of the Stock Exchange on 10 May 2017. We are confident that the listing of the shares of the Company ("Shares") on the Main Board will be beneficial to the future growth and business development of the Group.

FUTURE PROSPECTS

In the year ahead, we will continue to enhance our shop network, having already relocate a new shop in May 2017, we will further look to expand the size of our shops, and equally important, provide quality and tailored services for all of our customers.

Aside from enhancing our retail network and sales team, we are also committed to developing our online to offline business as well as assessing other business opportunities. By remaining open to new business possibilities and trends, we will be able to make further strides forward and achieve long-term growth.

Chief Executive Officer's Review (continued)

APPRECIATION

As the Chief Executive Officer of the Group, I would like to extend my deepest appreciation to our management team and staff for their tireless dedication during the year. I would also like to express my sincere thanks to our customers, business partners, suppliers and shareholders for their continuous support and trust to the Group, which has provided the Group with strong momentum to generate better results in the future.



Cheung King Fung Sunny

Chief Executive Officer and Executive Director

Hong Kong, 26 June 2017

Management Discussion and Analysis

INDUSTRY OVERVIEW

Over the past year, the mobile service industry has become increasingly crowded as new entrants vie for a share of the market, enticed by strong demand not only for mobile services but also the increasing application of mobile networks in Hong Kong. With more mobile virtual network operators (MVNO) entering the scene, including some with backing from major telecommunications companies, post-paid mobile voice and data services clearly represent an important growth segment. Driving such growth is an exceptionally high mobile subscription rate in Hong Kong, numbering 16.72 million in March 2016, which is among the highest penetration rates in the world — equivalent to 228.3%. And of the 16.72 million subscribers, 14.69 million were 3G/4G customers, thus going beyond basic voice service, with mobile data services being particularly popular. Such demand looks set to further grow as local mobile data usage reached 20,577 terabytes as at March 2016, which is equivalent to an average of 1,358 megabytes per 2.5G/3G/4G mobile user, and represents growth of 1.18 times over the same period in 2015, and 1.58 times over the same period in 2014.

While the competition may be growing, the Group is confident in its ability to maintain market share by leveraging its well-established shop network, professional sales team and close relations with suppliers and customers.

BUSINESS REVIEW

The Group is among the leading comprehensive telecommunications service providers in Hong Kong. It is principally involved in (i) retail sales of mobile phones and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to SUN Mobile.

As at 31 March 2017, the two primary revenue contributors to the Group continued to be retail sales of mobile phones and provision of operation services to SUN Mobile. In total, the businesses contributed revenue of approximately HK\$815,064,000 (2016: HK\$715,427,000), and accounted for approximately 74.6% of the Group's total revenue, representing a year-on-year increase of approximately 13.9%. With regard to the distribution of mobile phones and related services, the business generated revenue of approximately HK\$195,882,000 (2016: HK\$616,087,000) and accounted for approximately 17.9% of the Group's total revenue, representing a decrease of approximately 68.2% over the corresponding period of last year. As the result of diminishing subscribers and the ongoing migration of users to the internet and mobile communication devices, the provision of paging and other telecommunications services business has continued to experience revenue decline.

Over the past year, the Group acquired two properties that will be used for enhancing its retail network. One property was acquired on 7 June 2016 for HK\$38,800,000, and the transaction was completed on 7 September 2016. Another property was acquired on 14 March 2017 for HK\$25,000,000, and the transaction was completed on 9 May 2017. One of the properties has been transformed into a retail shop of the Group and the other one will be followed once the existing tenancy agreement is expired. The Board is satisfied with the location of both properties in terms of exposure to shoppers and pedestrian flow, and considers the acquisitions as ideal opportunities for securing desirable retail spaces in Hong Kong, which will enable the Group to reduce its exposure to rent fluctuations as well as further its business development. Thus far, rental expenses have remained stable, and the Group will continue to closely monitor the rental market and make additional acquisitions if necessary.

With respect to the distribution of mobile phones for a mobile phone manufacturer, the Group and the manufacturer agreed not to renew their distributor agreement due to the change of distribution model of the manufacturer. The latest term of the distributor agreement expired on 13 August 2016. The Group has nevertheless become the distributor of mobile devices for other mobile phone manufacturers in 2016. It will continue to explore new opportunities to further its distribution business.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Segment analysis:

	2016/17		2015/16	
	HK\$'000 (audited)	%	HK\$'000 (audited)	%
Retail business	524,628	48.0	485,193	34.0
Distribution business	195,882	17.9	616,087	43.1
Paging and other telecommunications services	81,317	7.5	97,400	6.8
Operation services	290,436	26.6	230,234	16.1
Total revenue	1,092,263	100.0	1,428,914	100.0

Revenue

The Group's revenue for the year ended 31 March 2017 was approximately HK\$1,092,263,000 (2016: HK\$1,428,914,000), representing a decrease of approximately 23.6% over the previous year. The decrease in the Group's revenue was mainly due to decrease in revenue generated from distribution business and partly off-set by increase in revenue generated from retail business and operation services.

Revenue from retail sales and operation services were the main source of the Group's revenue, representing approximately 74.6% of the Group's total revenue for the year ended 31 March 2017. Revenue from distribution of mobile phones for the year ended 31 March 2017 was approximately HK\$195,882,000 (2016: HK\$616,087,000), representing a decrease of approximately 68.2% as compared to the previous year. The decrease was mainly due to the change in distribution model of a mobile phone manufacturer, the associated agreement with the Group was terminated upon expiration in August 2016.

In view of the popularity of various channels of mobile communication, we have strategically scaled down the paging and Mobitex based services business since last year, revenue from this segment declined by approximately 16.5% as compared to previous year to approximately HK\$81,317,000 (2016: HK\$97,400,000).

Revenue from provision of operation services for the year ended 31 March 2017 was approximately HK\$290,436,000 (2016: HK\$230,234,000), representing an increase of approximately 26.1% as compared to previous year. As SUN Mobile keep launching different service plans to attract customers, the number of customers keep growing as well. As boosted by the increase in average revenue per user and in the light of the stable customer growth, the Group's administrative and operational work became more cost efficient and therefore it is expected that the growth in the service fee may continue.

Other Income

Other income mainly contributed by rental income and exchange difference. Other income for the year ended 31 March 2017 was approximately HK\$6,078,000 (2016: HK\$6,241,000), representing a slight decrease of approximately 2.6% as compared to previous year.

Management Discussion and Analysis (continued)

Other Operating Expenses

The Group's other operating expenses are mainly consisted of rental, building management fee, utilities and other shops running expenses, information fees in respect of horse racing, football matches and stock market, advertising and promotion expenses, operation fees for paging centre and customer service centre, repair cost for pagers and Mobitex devices, roaming charges, bank charges, legal and professional fees and other office expenses. Other operating expenses for the year ended 31 March 2017 were approximately HK\$193,775,000 (2016: HK\$190,425,000), representing a slight increase of approximately 1.8% over the previous year.

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

Share of Result of an Associate

Share of result of an associate for the year was approximately HK\$32,502,000 (2016: HK\$31,971,000), representing an increase of approximately 1.7% as compared to the previous year. The amount represents our share of net profit of SUN Mobile.

Finance Costs

There is no significant change in the Group's bank borrowings throughout year ended 31 March 2017. The finance costs for the year ended 31 March 2017 were approximately HK\$3,448,000 (2016: HK\$5,437,000). It was mainly consisted of interest expenses on interest-bearing bank borrowings for supporting the Group's daily operation and business expansion.

Income Tax Expense

Income tax for the year ended 31 March 2017 was approximately HK\$13,659,000 (2016: HK\$13,934,000), representing a slight decrease of approximately 2.0%.

Profit for the Year Attributable to Owners of the Company

Profit attributable to owners of the Company for the year ended 31 March 2017 was approximately HK\$95,593,000 (2016: HK\$89,769,000), representing an increase of approximately 6.5% as compared to the previous year.

Liquidity and Financial Resources

As at 31 March 2017, the Group had net current liabilities of approximately HK\$34,147,000 (2016: HK\$26,594,000) and had cash and cash equivalents of approximately HK\$36,706,000 (2016: HK\$11,999,000).

The Group has a current ratio of approximately 0.8 as at 31 March 2017 comparing to that of approximately 0.9 as at 31 March 2016. As at 31 March 2017, the Group's gearing ratio was approximately 60.1% as compared to approximately 91.4% as at 31 March 2016, which is calculated based on the Group's total borrowings (bank overdrafts, bank borrowings and amounts due to related companies) of approximately HK\$159,463,000 (2016: HK\$214,934,000) and the Group's total equity of approximately HK\$265,236,000 (2016: HK\$235,086,000). The Group's total cash at banks as at 31 March 2017 amounted to approximately HK\$42,907,000 (2016: HK\$15,819,000).

Management Discussion and Analysis (continued)

Apart from providing working capital to support its business development, the Group also has available banking facilities to meet potential needs for business expansion and development. As at 31 March 2017, the Group has the unutilised banking facilities of approximately HK\$382,305,000 available for further drawdown should it have any further capital needs. The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

Contingent Liabilities

As at 31 March 2017, the Group did not have material contingent liabilities (2016: 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

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

Dividends

	Year ended 31 March			
	2017		2016	
	HK\$ per share	HK\$'000 (audited)	HK\$ per share	HK\$'000 (audited)
Dividends recognised as distribution during the year:				
2014/15 final dividend	—	—	0.02	8,000
2015/16 first interim dividend	—	—	0.05	20,004
2015/16 second interim dividend	0.05	20,010	—	—
2016/17 first interim dividend	0.03	12,008	—	—
2016/17 second interim dividend	0.05	20,139	—	—
2016/17 third interim dividend	0.05	20,146	—	—
		72,303		28,004

At a meeting held on 26 June 2017, the Board declared the fourth interim dividend of HK\$0.05 per share for the year ended 31 March 2017 (2016: nil).

Management Discussion and Analysis (continued)

Capital Structure

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 28 to the consolidated financial statements, there was no change in the capital structure during the year ended 31 March 2017.

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

Material Acquisition and Disposal

Except for purchase of a real property for commercial use at a consideration of HK\$38,800,000 (2016: HK\$25,200,000), the Group did not make any material acquisition or disposal of subsidiaries or significant investments during the year ended 31 March 2017 (2016: nil).

As at 31 March 2017, the Group's properties in Hong Kong with carrying values of approximately HK\$223,168,000 (2016: HK\$187,635,000).

Employees and Remuneration Policies

As at 31 March 2017, the Group employed 557 (2016: 463) full-time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

OUTLOOK

Looking ahead, the Group will continue to bolster its retail network, and where possible, it will also relocate and expand the size of certain shops. Not only focused on the physical space, the Group is also quality focused, hence it will seek to continuously improve the knowledge and level of service of staff.

To diversify the Group's business and fully utilise its extensive retail network, experienced sales force and logistic system, the Group has actively explored business opportunities to broaden its assets and revenue base. As the Group fully recognises the importance of developing its e-commerce platform, to raise the appeal of such a platform and generate revenue from its B2C operation, the Group will enhance the platform's accessibility via the internet, mobile apps and multi-media terminals at its shops, as well as other online to offline networks.

In the face of rising competition, the management will redouble efforts on enhancing all facets of operation so as to be in a strong position for seizing greater market share and raising brand equity. It will also assess possible opportunities for driving business growth.

Management Discussion and Analysis (continued)

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 26 May 2014 (the "Prospectus") with the Group's actual business progress for the period from the 1 April 2016 to 31 March 2017 (the "Year") is set out below:

Business objectives for the Year

Actual Business Progress for the Year

Expansion of the Group's shop network and opening of flagship stores to strengthen its business of retail sales of mobile phones

- | | |
|---|--|
| <ul style="list-style-type: none"> • Identify suitable locations for new shops • Establish four new shop and one flagship store • Employ 25 new customer service staff | <ul style="list-style-type: none"> • The Group keeps searching for suitable locations for expanding its shop network. It had opened 8 new shops at Tsim Sha Tsui, Tung Chung, Yau Tong, Yuen Long, Tseung Kwan O, Tuen Man, Sheung Shui, respectively and two flagship stores in Tsing Yi and Tsuen Wan during the Year. • Average shop size has been increased together with relocating some of the retail shops to strategic locations to meet with the market demand. • The Group has employed different level of new staff. They were trained by providing on-job training on product knowledge, soft selling and customer handling skills. |
|---|--|

Expanding the Group's head office and logistics vehicle fleet to cope with its growth of business

- | | |
|---|---|
| <ul style="list-style-type: none"> • Purchase 5 new trucks | <ul style="list-style-type: none"> • In order to cope with the fast growing business, the Group had purchased 7 new motor vans and a new truck for its logistic team in during the last two years. |
|---|---|

Management Discussion and Analysis (continued)

USE OF PROCEEDS

The net proceeds from the Company's issue of 100,000,000 new Shares at the placing price of HK\$1.0 per Share at the time of the listing of the Company's shares on the GEM of the Stock Exchange (the "Listing"), after deducting related expenses, amounted to approximately HK\$77.7 million. The Group intends to apply such net proceeds as follows:

Use	Planned use of proceeds as stated in the Prospectus HK\$ million	Actual use of proceeds during the Year HK\$ million
Expansion of the Group's shop network and opening of flagship stores to strengthen its business of retail sales of mobile phones	10.0	2.2
Expansion of the Group's head office and logistics vehicle fleet to cope with its growth of business	56.0	—
Implementation of an ERP system to enhance management capacity and efficiency	5.0	—
General working capital	6.7	—
	77.7	2.2

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The proceeds were applied in accordance with the actual development of the market. As the date of this annual report, all the net proceeds from the Listing has been used.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheung King Shek, aged 65, was appointed as a Director in November 2002, appointed as the chairman of the Company and re-designated as an executive Director in March 2014. He joined the Group in 1981 and is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. Mr. Cheung King Shek brings to the Group more than 30 years of experience in the telecommunications industry and has achieved a solid track record of achievements. Under his leadership and stewardship, the Group has grown to be a versatile service provider in the telecommunications industry. Mr. Cheung King Shek graduated with a bachelor's degree in commerce from the University of New South Wales in April 1976 and a master degree in business administration from the University of Melbourne in Australia in August 1981. Mr. Cheung King Shek is the chairman of Hong Kong Radio Paging Association, and an honorary citizen of Swatow City. He is the elder brother of Mr. Cheung King Shan (executive Director), Mr. Cheung King Chuen Bobby (executive Director) and Mr. Cheung King Fung Sunny (chief executive officer and executive Director). Mr. Cheung King Shek has been the chairman and a non-executive director of Telecom Service One Holdings Limited ("TSO Holdings", stock code: 8145, a company listed on GEM) since August 2012.

Mr. Cheung King Shan, aged 58, was appointed as a Director in November 2002, re-designated as a non-executive Director in March 2014 and re-designated as an executive Director on 8 September 2015. Mr. Cheung King Shan is responsible for advising on sales and marketing and apps writing in relation to the Group's information broadcasting services. He joined the Group in 1985 and was responsible for the overall planning and formulation of the marketing and sales strategies in line with its sales and corporate targets, 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 the younger brother of Mr. Cheung King Shek (chairman and executive Director), and the elder brother of Mr. Cheung King Chuen Bobby (executive Director) and Mr. Cheung King Fung Sunny (chief executive officer and executive Director). Mr. Cheung King Shan has been a non-executive director of TSO Holdings since August 2012.

Mr. Cheung King Chuen Bobby, aged 58, was appointed as a Director in November 2002, re-designated as a non-executive Director in March 2014 and re-designated as an executive Director on 8 September 2015. Mr. Cheung King Chuen Bobby is responsible for advising on administration, human resources and special and ad hoc projects. Mr. Cheung King Chuen Bobby joined the Group in 1985 and was responsible for the formulation and implementation of its administrative policies as well as overseeing its administrative operation in human resources, legal and administration, property management and PRC projects. Mr. Cheung King Chuen Bobby obtained a bachelor degree in art in urban planning studies and a postgraduate diploma in urban planning implementation from the University of Westminster in London in 1983 and 1984 respectively. He is a committee member of the Chinese People's Political Consultative Conference of Swatow City, and an honorary citizen of Swatow City. He is also the president of Hong Kong and Kowloon Chiu Chow Public Association. Mr. Cheung King Chuen Bobby is the younger brother of Mr. Cheung King Shek (chairman and executive Director) and Mr. Cheung King Shan (executive Director), and the elder brother of Mr. Cheung King Fung Sunny (chief executive officer and executive Director). Mr. Cheung King Chuen Bobby has been a non-executive director of TSO Holdings since August 2012.

Mr. Cheung King Fung Sunny, aged 49, was appointed as a Director in November 2002, re-designated as an executive Director in March 2014 and appointed as the chief executive officer of the Company on 8 September 2015. Mr. Cheung King Fung Sunny joined the Group in 1990 and is primarily responsible for overseeing the financial management of the Group. Mr. Cheung King Fung Sunny graduated from the University of Western Ontario in Canada with a bachelor's degree in administrative and commercial studies in October 1990. He is the younger brother of Mr. Cheung King Shek (chairman and executive Director), Mr. Cheung King Shan (executive Director) and Mr. Cheung King Chuen Bobby (executive Director). Mr. Cheung King Fung Sunny has been an executive director of TSO Holdings since August 2012, and was appointed as its chief executive officer in August 2014.

Directors and Senior Management (continued)

Mr. Wong Wai Man, aged 51, was appointed as an executive Director in March 2014 and is responsible for overall control of the management information system (“MIS”) department. Mr. Wong joined the Group for 26 years since March 1991. He is currently holding the position of the senior MIS manager of the Group, before which he was a MIS manager from June 1998 to August 2001. Mr. Wong took the role as an assistant MIS manager from June 1995 to May 1998. Before being promoted to be the assistant MIS manager, Mr. Wong was a system administrator during July 1994 to May 1995. He worked for the Group as a project assistant for the period from March 1991 to July 1994. Mr. Wong was appointed as a member of the Telecommunications Regulatory Affairs Advisory Committee to represent the Radio Paging Operators as a group for a two year term starting from June 2012 to June 2014 and was a member of the Radio Spectrum Advisory Committee for the period from 2010 to 2012. Further, he was admitted as a full member of the Hong Kong Computer Society on May 2012. Mr. Wong received his bachelor’s degree of social sciences from The University of Hong Kong in December 1990 and obtained a postgraduate diploma in strategic business information technology from the NCC Education in October 2008.

Ms. Mok Ngan Chu, aged 61, was appointed as an executive Director in March 2014 and is responsible for customer services and business operation. Ms. Mok joined the Group in July 1977. For the 39 years’ service for the Group, Ms. Mok has rich experience in customer services and business operation, especially in handling the customers’ enquiries and complaints, retaining the clients, setting up workflow for the staff and daily operational policies. Ms. Mok completed her secondary education in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Ying Bun, aged 70, was appointed as an independent non-executive Director on 20 May 2014. Mr. Hui is the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee of the Company. From January 2012 to December 2013, Mr. Hui was a non-executive director of Dah Chong Hong Holdings Limited (“DCH Holdings”) (stock code: 1828), a company listed on the Main Board of the Stock Exchange. He was also the chairman of DCH Holdings from July 2007 to December 2013 and was an executive director of DCH Holdings from July 2007 to December 2011. Mr. Hui joined Dah Chong Hong, Limited in February 1966, and was the group chief executive from January 2003. Mr. Hui has more than 40 years’ experience in motor vehicle businesses and corporate management. From April 2013 to March 2014, Mr. Hui was an independent non-executive director of TSO Holdings.

Mr. Lam Yu Lung, aged 52, was appointed as an independent non-executive Director on 20 May 2014. Mr. Lam is the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Company. Mr. Lam is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Institute of Chartered Accountants in England and Wales. He has over 28 years of experience in the accountancy profession and is the sole proprietor of a certified public accountant firm. Mr. Lam received his bachelor degree in social sciences from The University of Hong Kong in November 1988. Mr. Lam has been an independent non-executive director of Arts Optical International Holdings Limited (stock code: 1120) since 30 September 2011.

Directors and Senior Management (continued)

Mr. Lau Hing Wah, *MH, JP*, aged 60, was appointed as an independent non-executive Director on 1 May 2017. Mr. Lau is the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee. Mr. Lau is currently a chairman of Asia Pacific Holdings Corp. Limited. He is also the chief executive officer of Asia Pacific Power Electric Limited (formerly known as FG Wilson (Engineering) HK Limited) and Cooltech Global Limited, both are wholly-owned subsidiaries of Asia Pacific Holdings Corp. Limited, which engaged in the business of provision of cost effective and consistent high quality electric power products for end users, engineering consultants, project contractors, facilities managers and commercial professionals. Mr. Lau has 40 years experience in electrical engineering profession. He served as a chairman of Kwai Tsing District Fight Crime Committee since 2016, a chairman of Kwai Tsing District Junior Police Call Honorary Presidents Council since 2015, an observer of Independent Police Complaints Council since 2013, a co-opted member of Kwai Tsing District Council and a manager of Hong Kong and Kowloon Chiu Chow Public Association Secondary School since 2012. He also served as a committee member of the 11th of Heilongjiang Provincial Committee of the People's Political Consultative Conference since 2013.

SENIOR MANAGEMENT

Ms. Lee Wing Tsz, aged 48, was appointed as the chief financial officer of the Group in September 2013 and is primarily responsible for the financial management of the Group. Ms. Lee worked for Telecom Digital Services Limited ("TDS") as group financial controller from September 2009 to August 2012. She was appointed as the chief financial officer of TSO Holdings from August 2012 to September 2013. Ms. Lee also worked for SHINEWING Tax and Business Advisory Limited as tax manager from May 2006 to August 2009. Ms. Lee had worked for The Law Debenture Corporation (H.K.) Limited as assistant trust manager from November 2002 to September 2005. She was a tax manager of Ernst & Young Tax Services Limited from February 1994 to November 2002. Ms. Lee received her bachelor's degree of art in accountancy from the Hong Kong Polytechnic University in November 2002.

Notes:

- (i) CKK Investment Limited ("CKK Investment", 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. Prior to 10 May 2017, the Company has adopted the principles and the code provisions of the Corporate Governance Code as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") (the "GEM CG Code") to ensure that business activities and decision making processes are regulated in a proper and prudent manner. From 10 May 2017 onwards, the Company has adopted the principles and the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") ("CG Code").

In accordance with the requirements of the Listing Rules and 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 2017, the Company has complied with the GEM CG Code, except the deviation as disclosed under the section headed "Functions of the Board" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules (Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules from 10 May 2017 onwards) as the code of conduct governing dealings by all Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the year ended 31 March 2017, they were in compliance with the required provisions set out in the Required Standard of Dealings (Model Code). All Directors declared that they have complied with the Required Standard of Dealings (Model Code) throughout the year ended 31 March 2017.

BOARD OF DIRECTORS

Composition of the Board of Directors

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

Executive Directors

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

Corporate Governance Report (continued)

Independent Non-executive Directors

Mr. Hui Ying Bun

Mr. Ho Nai Man Paul ¹

Mr. Lam Yu Lung

Mr. Lau Hing Wah ²

¹ passed away and ceased to be an independent non-executive Director on 4 March 2017

² appointed as independent non-executive Director on 1 May 2017

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 14 to 16 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 GEM CG Code (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 2017, the chief executive officer and chief financial officer of the Company have provided and will continue to provide to all members of the Board with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company’s performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision C.1.2 of the GEM CG Code (Code Provision C.1.2 of the CG Code).

Board Meetings and Board Practices

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

Directors’ Appointment, Re-election and Removal

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

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

Corporate Governance Report (continued)

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

In compliance with the Code Provision A.4.2 of the GEM CG Code (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 GEM CG Code (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 GEM CG Code (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 (Rule 3.10(1) of the Listing Rules). Furthermore, among the three independent non-executive Directors, Mr. Lam Yu Lung has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules (Rule 3.10(2) of the Listing Rules). In accordance to Rule 5.09 of the GEM Listing Rules (Rule 3.13 of the Listing Rules), the Company has received from each of its existing independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmations, considers Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah, to be independent.

Following the passing away of Mr. Ho Nai Man Paul on 4 March 2017, the Company has only two independent non-executive directors which does not meet the requirements under Rule 5.05(1) of the GEM Listing Rules (Rule 3.10(1) of the Listing Rules). On 1 May 2017, with the appointment of Mr. Lau Hing Wah, as independent non-executive Directors, the number of independent non-executive directors is three, which fulfills the requirement under Rule 5.05(1) of the GEM Listing Rules (Rule 3.10(1) of the Listing Rules).

Corporate Governance Report (continued)

Chairman and Chief Executive Officer

According to the Code Provision A.2.1 of the GEM CG Code (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 2017, 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 GEM CG Code (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 GEM CG Code (Code Provision A.6.5 of the CG Code) on the Directors' training. During the year ended 31 March 2017, all the Directors have participated in continuous professional development and the relevant details are set out below:

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

Directors' and Officers' Liabilities

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

Corporate Governance Report (continued)

BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 20 May 2014 with written terms of reference in compliance with the GEM CG Code. The terms of reference of the Audit Committee have been updated on 10 May 2017 for the purpose of 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, re-appointment and removal of external auditor; to review the financial statements and material advice in respect of financial reporting; to oversee the financial reporting system, risk management and internal control systems of the Company; and to review arrangements for employees to raise concerns about financial reporting improprieties.

Following the passing away of Mr. Ho Nai Man Paul on 4 March 2017, the Audit Committee comprised two members only and the number of Audit Committee members fell below the number as required under Rule 5.28 of the GEM Listing Rules (Rule 3.21 of the Listing Rules). On 1 May 2017, with the appointment of Mr. Lau Hing Wah, as the member of the Audit Committee, the number of members for the Audit Committee is three, which fulfills the requirement under Rule 5.28 of the GEM Listing Rules (Rule 3.21 of the Listing Rules).

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

The following is a summary of works performed by the Audit Committee, which have been reported to the Board, during the year ended 31 March 2017:

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

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 20 May 2014 with written terms of reference in compliance with the GEM CG Code. The terms of reference of the Remuneration Committee have been updated on 10 May 2017 for the purpose of 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.

Corporate Governance Report (continued)

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

The following is a summary of works performed by the Remuneration Committee, which have been reported to the Board, during the year ended 31 March 2017:

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

Remuneration Policy for Directors and Senior Management

The Directors and senior management of the Company receive compensation in the forms of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. The remuneration package of each of the Directors is detailed in note 13 to the consolidated financial statements. The Directors and senior management of the Company may also receive options to be granted under the share option scheme of the Company (the "Share Option Scheme"), details of which are set out on pages 35 to 38 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 20 May 2014 with written terms of reference in compliance with the GEM CG Code. The terms of reference of the Nomination Committee have been updated on 10 May 2017 for the purpose of 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 candidates to fill vacancies on the Board.

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

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 2017:

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

Corporate Governance Report (continued)

- (b) recommended the list of retiring Directors for re-election at the annual general meeting;
- (c) reviewed the structure, size and composition of the Board;
- (d) recommended the appointment of Mr. Lau Hing Wah, as the independent non-executive Director of the Company; and
- (e) 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 20 May 2014. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background and the presence of one female Director out of a total of nine Board members, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

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

The attendance records of each Director and each member of the three Board Committees at the relevant meetings held in the year ended 31 March 2017 are as follows:

	Board Committees				2016 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					
Executive Directors					
Mr. Cheung King Shek (<i>chairman</i>)	4/4	N/A	N/A	N/A	1/1
Mr. Cheung King Shan	4/4	N/A	N/A	N/A	1/1
Mr. Cheung King Chuen Bobby	4/4	N/A	N/A	N/A	1/1
Mr. Cheung King Fung Sunny (<i>chief executive officer</i>)	3/4	N/A	N/A	N/A	1/1
Mr. Wong Wai Man	4/4	N/A	N/A	N/A	1/1
Ms. Mok Ngan Chu	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Hui Ying Bun	4/4	5/5	1/1	1/1	1/1
Mr. Ho Nai Man Paul	4/4	3/5	1/1	1/1	1/1
Mr. Lam Yu Lung	4/4	5/5	1/1	1/1	1/1

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT

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

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2017, 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 2017, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliated firms, respect of their audit and non-audit services was as follows:

	HK\$'000
Audit service	950
Non-audit services*	788
Total	1,738

* Included in non-audit services were approximately HK\$350,000 in relation to services performed by SHINEWING (HK) CPA Limited's affiliated firms.

CORPORATE GOVERNANCE FUNCTIONS

According to Code Provision D.3 of the GEM 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 GEM CG Code and disclosure in the corporate governance report contained in the annual report of the Company.

Corporate Governance Report (continued)

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Company has reviewed the effectiveness of the systems of internal control of the Group, covering all material controls, including financial and operation for the year ended 31 March 2017. Based on the result of the review in respect of the year ended 31 March 2017, the Directors considered that the internal control systems are effective and adequate.

A meeting regarding the internal control functions and policies of the Company for the year ended 31 March 2017 has been held.

INVESTORS AND SHAREHOLDERS RELATIONS

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

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

Corporate Governance Report (continued)

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

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

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

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

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

COMPANY SECRETARY

Ms. Chan Yi Kan appointed as the company secretary of the Company in May 2014 and she resigned as the company secretary of the Company on 1 August 2016.

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

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 March 2017.

Environmental, Social and Governance Report

1. ABOUT ESG REPORT

This is the first Environmental, Social and Governance Report (the “ESG Report”) of the Group. The ESG Report elaborates on the various works of the Group in fulfilling the principle of sustainable development and its performance in social responsibilities for the Year.

1.1 Scope of ESG Report

The ESG Report focuses on the environmental and social performance of the Group’s services on retail sales and distribution of mobile phones in Hong Kong during the Year. For detailed information of the corporate governance of the Company, please refer to the “Corporate Governance Report” on pages 17 to 26 of this annual report.

1.2 Reporting Framework

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

1.3 Stakeholder Engagement

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

1.4 Information and Feedbacks

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

2. ENVIRONMENTAL PROTECTION

2.1 Emissions

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

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

Environmental, Social and Governance Report (continued)

The main source of air pollution from the Group's business operation is vehicle exhaust gas during transportation. The Group also pays considerable attention to the management of its fleet's carbon emission by providing regular maintenance for its vehicles and requiring its drivers to switch off idling engine.

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

2.2 Energy Conservation

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

2.3 Green Operation

The Group understands the importance of employees' support and participation to the environmental protection at work, thus measures are taken to raise employees' awareness of environmental protection and encourage employees' participation by distributing labels to remind employees to save energy and resources in the office.

The Group also employs multiple ways to reduce paper consumption in the office, such as reusing packaging materials, printing document on double sides, recycling paper, disseminating information via electronic means, and using smaller fonts and line spacing for documents. The Group also carries out paper volume statistics regularly to monitor paper consumption and make appropriate improvement. To promote paperless transaction, the Group introduces e-signature system in the retail stores and encourages customers to use e-Procurement and e-Payment systems to eliminate the use of paper.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1 Employment Guidelines

The Group acts in strict compliance with the relevant labour laws and regulations regarding compensation, benefits, dismissal, working hours and rest period, such as the Employment Ordinance and the Employees' Compensation Ordinance. The Group respects every employee and treats them equally. Any discrimination based on any ground such as sex, region and race is prohibited. This applies to all employment activities and human resources-related matters including recruitment, promotion, transfer, reward provisions and training. Much effort is also made to cater for the development needs of employees, and safeguard the legitimate rights and interests of employees.

Environmental, Social and Governance Report (continued)

The Group recruits new employees according to the needs of departments. All candidates are given equal opportunities and are assessed quantitatively during the recruitment process. The recruitment process also involves age verification and identification examination to avoid child labour. The Group signs the labour contract with new employees to prevent the use of forced labour. Should resignation or dismissal take place, an exit interview would be arranged to understand the reasons of leaving and to improve the Group's operation. The payment of the outstanding wages will be made in a timely manner. Employee turnover is also closely monitored to identify and manage problems concerning the management of the Group.

3.2 Caring Employees

The salary structure is reviewed regularly to ensure that the Group offers competitive remuneration package to its employees. The Group also provides Mandatory Provident Fund (the "MPF") Schemes for full-time employees. Statutory holidays are offered in accordance with the relevant regulations. Employees can enjoy different types of leave such as annual leave, sick leave, marriage leave, funeral leave and maternity leave. Employees are also accessible to discretionary bonus, medical care and insurance.

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

3.3 Development and Training

The Group believes human capital is the most important asset. In order to establish an excellent team to accommodate the rapid development of the Group, each employee's performance is regularly evaluated. The Group not only reports employees' performance and promotion prospect, but also makes recommendations on their training needs and career development in the appraisal with a view to maintaining the competitiveness of its employees.

To establish and maintain a professional team with strong technical expertise as well as essential business soft skills, we do our utmost to offer comprehensive training on all fronts, such as products training for products launch. Sales trainings are also organised to strengthen the employees' soft skills. Employees are encouraged to attend external talks and seminars to enrich their knowledge for discharge of their duties.

4. OPERATING PRACTICES

4.1 Supply Chain Management

An effective supply chain management is crucial to the stability and health of the business operation. To provide a range of quality products at a reasonable market price, the Group sources merchandise only from a pre-qualified list of suppliers who meet its quality standards to minimise the social risk caused by the supply chain. Procurement decisions are based on inventory levels and movement, expected sales and lead times of the products. To integrate the environmental vision into the procurement of office supplies, priority is given to environmentally friendly products.

Environmental, Social and Governance Report (continued)

4.2 Business Ethics

As part of the Group's commitment to providing reliable services and products, the Group acts in strict compliance with the relevant laws and regulations, such as the Personal Data (Privacy) Ordinance. The Group recognises the importance of personal data protection and believes it is the Group's responsibility to protect customers' personal information. In order to protect customer's personal information, every employee is required to enter into a confidentiality agreement which forbids him/her to disclose confidential or proprietary information outside the Group, either during or after employment, without the Group's authorisation. Anti-virus software and firewall are installed on each employee's computer, and regular checks for information technology systems are also conducted to prevent virus contamination and the leakage of customers' information.

4.3 Respect Customers

The Group's products are advertised through various ways such as newspapers and television programs. The advertising and promotional activities carried out by the Group are fully compliant with the relevant laws and regulations, such as the Telecommunication Ordinance and the Trade Descriptions Ordinance. The Group has designated employees to monitor the advertising content to ensure that all advertising contents are clear, true and authentic and free from any false and misleading product descriptions.

The Group establishes various channels to collect customers' feedback, such as customer centers and customer service hotline. To enhance customers' confidence in the Group, it strives not only to provide satisfactory services to customers, but also to promptly investigate and address the potential quality and safety issues of the products in response to the complaints from its customers.

4.4 Anti-Corruption

The Group is determined to maintain a fair and competitive market and promote the sustainable development of the industry. In strict compliance with the laws and regulations regarding bribery, extortion, fraud and money laundering, such as the Prevention of Bribery Ordinance, employees are required to avoid conflicts of interest, bribery and corruption. Employees can also report any irregularities to the designated personnel. To enhance employees' awareness of anti-money laundering, relevant trainings are provided.

5. COMMUNITY INVESTMENT

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

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 2017.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL ACTIVITIES

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

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE

On 25 August 2016, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules ("Transfer of Listing"). The Company has applied for the listing of and permission to deal in (i) 402,949,000 Shares in issue, and (ii) the 733,000 Shares which may be issued upon the exercise of the outstanding options which were granted under the Share Option Scheme, on the Main Board by way of transfer of the listing from GEM to the Main Board.

The approval-in-principle has been granted by the Stock Exchange on 28 April 2017 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares. The last day of dealings in the Shares on GEM (stock code: 8336) was 9 May 2017. Dealings in the Shares on the Main Board (stock code: 6033) have commenced at 9:00 a.m. on 10 May 2017.

The Board believes that the Transfer of Listing will enhance the profile of the Group, strengthen its recognition among public investors and improve the trading liquidity of the Shares. The Board also considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

RESULTS

The financial performance of the Group for the year ended 31 March 2017 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 57 to 127 of this annual report.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The third interim dividend for the nine months ended 31 December 2016 of HK\$0.05 per Share was paid on 1 March 2017.

On 26 June 2017, the Board declared a fourth interim dividend of HK\$0.05 per Share for the year ended 31 March 2017. The fourth interim dividend will be payable in cash to the Shareholders whose names appear on the register of members of the Company on 12 July 2017.

Report of the Directors (continued)

For the purpose of determining Shareholders' entitlement to the fourth interim dividend, the register of members of the Company will be closed from 11 to 12 July 2017 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for the fourth interim dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on 10 July 2017.

The payment date of the fourth interim dividend is expected to be on or about 19 July 2017.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "AGM") is scheduled to be held on 4 September 2017. A notice convening the AGM will be issued and despatched to the Shareholders on or around 30 June 2017.

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 29 August 2017 to 4 September 2017 (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 28 August 2017.

DEED OF NON-COMPETITION

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

The Company has received an annual declaration from each of the Controlling Shareholders confirming that they complied with the undertakings for the year ended 31 March 2017. The Controlling Shareholders also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 March 2017.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition during the year ended 31 March 2017:

- (i) The Controlling Shareholders had procured the independent non-executive Directors to review, on an annual basis, the compliance with the non-competition undertakings by the Controlling Shareholders under the Deed of Non-competition.
- (ii) The Controlling Shareholders had promptly provided all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition.

Report of the Directors (continued)

- (iii) The Controlling Shareholders had provided to the Company a written confirmation relating to the compliance of the Deed of Non-competition and declared that they had complied with the Deed of Non-competition during the year ended 31 March 2017.
- (iv) The independent non-executive Directors, having reviewed the relevant information and the written confirmation provided by the Controlling Shareholders, decided that the undertakings in respect of the Deed of Non-competition had been duly enforced and complied with by the Controlling Shareholders during the year ended 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, the Group's top five customers accounted for approximately 42.8% of the revenue. The top five suppliers accounted for approximately 76.2% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 33.3% of the revenue and the Group's largest supplier accounted for approximately 42.1% of the total purchases for the year.

For the year ended 31 March 2017, the Cheung Brothers, who are Directors and Controlling Shareholders, have an indirect interest in SUN Mobile, which was the largest customer of the Group. The revenue attributable to SUN Mobile amounted to approximately HK\$363,267,000, representing 33.3% of the Group's revenue for the year ended 31 March 2017.

Save as disclosed above, none of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the number of the Shares in issue) had any interest in these major customers and suppliers for the year ended 31 March 2017.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2017 are set out in the consolidated statement of changes in equity and in note 29 to the consolidated financial statements respectively.

As at 31 March 2017, the Company's reserves available for distribution to Shareholders amounted to approximately HK\$177,955,000 (2016: HK\$205,811,000) as calculated in accordance with the Companies Law of the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2017 are set out in note 27 to the consolidated financial statements.

Report of the Directors (continued)

SUBSIDIARY

Details of acquisition of an indirectly non-wholly owned subsidiary during the year ended 31 March 2017 are set out in note 30 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 March 2017 and up to the date of this annual report were:

Executive Directors

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

Independent Non-executive Directors

Mr. Hui Ying Bun
Mr. Ho Nai Man Paul¹
Mr. Lam Yu Lung
Mr. Lau Hing Wah²

¹ passed away and ceased to be an independent non-executive Director on 4 March 2017

² appointed as independent non-executive Director on 1 May 2017

By virtue of Article 108(a) of the Articles of Association, Mr. Cheung King Shek, Mr. Hui Ying Bun and Mr. Lam Yu Lung will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

By virtue of Article 112 of the Articles of Association, Mr. Lau Hing Wah will retire and, being eligible, offer himself for re-election at the AGM.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules (Rules 3.13 of the Listing Rules) and considers all the independent non-executive Directors were independent during the year ended 31 March 2017.

Report of the Directors (continued)

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

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

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

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

SHARE OPTION SCHEME

(I) The following is a summary of principal terms of the Share Option Scheme adopted by a resolution in writing passed by the Shareholders on 20 May 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The Share Option Scheme will remain effective following the Transfer of Listing subject to certain immaterial amendments to the Share Option Scheme and will be implemented in full compliance with the requirements of Chapter 17 of the Listing Rules.

(1) Purpose of the Share Option Scheme

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

(2) Participants of the Share Option Scheme

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

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

Report of the Directors (continued)

- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

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

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

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

The total number of Shares available for issue under the Share Option Scheme is 36,321,000 representing approximately 9.01% of the total number of Shares in issue as at the date of this annual report.

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

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

- (i) to each participant in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being; and
- (ii) a Director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the GEM Listing Rules and the Listing Rules) in any 12-month period shall not exceed 0.1% of the Shares in issue and with a value in excess of HK\$5 million.

Report of the Directors (continued)

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

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

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

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

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

(i) Amount payable on acceptance of the option:

a nominal consideration of HK\$1

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

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

(8) Basis of determining the subscription price

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

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

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

(iii) the nominal value of a Share.

(9) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 20 May 2014, i.e. the remaining life of the Share Option Scheme is approximately 7 years.

Report of the Directors (continued)

(II) Details of Share Options Granted

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

As at 31 March 2017, an aggregate of 741,000 Shares are issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 0.18% of the Shares in issue.

Details of the movements of the share options under the Share Option Scheme during the year ended 31 March 2017 are as follows:

Grantees	Date of grant	Exercise price	Exercise period	Changes during the year ended 31 March 2017				Balance as at 31 March 2017
				Balance as at 1 April 2016	Granted	Exercised	Lapsed	
Eligible employees ^{Note (i)}	7 July 2015	HK\$2.22 ^{Note (ii)}	7 July 2015– 6 July 2018 ^{Note (iii)}	3,796,000	—	(2,891,000) ^{Note (iv)}	(164,000)	741,000

Notes:

- (i) Share options were granted to certain eligible employees (two of them being present Directors of the Company), all working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance and are participants with share options not exceeding the respective individual limits. Details of the Company’s share options granted to Directors of the Company and the relevant movement(s) during the year ended 31 March 2017 are set out in the section headed “(b) Rights to acquire shares of the Company” on page 40.
- (ii) The closing price of the Shares immediately before the date of grant (i.e. as of 6 July 2015) was HK\$1.96.
- (iii) All share options granted 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\$3.56.

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 2017 and there were no outstanding share options under the Share Option Scheme as at 31 March 2017.

Report of the Directors (continued)

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

As at 31 March 2017, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 (Model Code), were as follows:

(a) Long position in the Shares

Name of Directors	Capacity	Number of Shares held	Approximate percentage of Shares in issue ^{Note A}
Mr. Cheung King Shek	Beneficial owner	20,000,000	4.96%
	Beneficiary of a trust ^{Note B}	220,000,000	54.60%
Mr. Cheung King Shan	Beneficial owner	20,500,000	5.09%
	Beneficiary of a trust ^{Note B}	220,000,000	54.60%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,000,000	4.96%
	Beneficiary of a trust ^{Note B}	220,000,000	54.60%
Mr. Cheung King Fung Sunny	Beneficial owner	20,301,000	5.04%
	Beneficiary of a trust ^{Note B}	220,000,000	54.60%
Ms. Mok Ngan Chu	Beneficial owner	30,000	0.0074%

Note A: The calculation is based on 402,941,000 Shares in issue as at 31 March 2017.

Note B: The 220,000,000 shares, representing approximately 54.60% of the Shares in issue, are held by CKK Investment. CKK Investment is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company held by the Cheung Family Trust under the SFO.

Report of the Directors (continued)

(b) Rights to acquire shares of the Company

Pursuant to the Share Option Scheme, two Directors were granted share options to subscribe for the shares of the Company, details of which (all being personal interests) as at 31 March 2017 were as follows:

Name of Directors	Date of grant	Exercise price	Exercise period	Changes during the year ended 31 March 2017			Approximate percentage of Shares in issue ^{Note A}
				Balance as at 1 April 2016	Exercised	Balance as at 31 March 2017	
Mr. Wong Wai Man	7 July 2015	HK\$2.22	7 July 2015– 6 July 2018	30,000	—	30,000	0.0074%
Ms. Mok Ngan Chu	7 July 2015	HK\$2.22	7 July 2015– 6 July 2018	30,000	(30,000) <i>Note C</i>	—	—
				60,000	(30,000)	30,000	0.0074%

Note C: The closing price of the Shares immediately before the date on which the options were exercised on 18 October 2016 was HK\$3.77.

Save as disclosed above, as at 31 March 2017, none of the Directors nor chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules (Model Code).

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the year ended 31 March 2017 was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

EQUITY-LINKED AGREEMENT

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

Report of the Directors (continued)

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

As at 31 March 2017, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the Shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules (Listing Rules):

Long Position

Name of substantial shareholders	Capacity/Nature of interest	Number of Shares held	Approximate percentage of Shares in issue ^{Note A}
CKK Investment ^{Note B}	Beneficial owner	220,000,000	54.60%
Amazing Gain ^{Note B}	Interest in a controlled corporation	220,000,000	54.60%
J. Safra Sarasin Trust Company (Singapore) Limited ^{Note B}	Trustee (other than a bare trustee)	220,000,000	54.60%
Ms. Tang Fung Yin Anita ^{Note D}	Interest of spouse	240,500,000	59.69%
Ms. Yeung Ho Ki ^{Note D}	Interest of spouse	240,301,000	59.64%

Note D: Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 240,500,000 Shares and 240,301,000 Shares respectively in which their respective husbands are interested.

Save as disclosed above, as at 31 March 2017, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2017 and up to the date of this annual report, the Company has maintained the public float required by the GEM Listing Rules and the Listing Rules.

Report of the Directors (continued)

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 13 to the consolidated financial statements. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 March 2017 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 2017.

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

Save as disclosed below, as at 31 March 2017, none of the Directors nor 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:

Name of Director	Name of Company	Nature of Interest	Competing Business
Mr. Ho Nai Man Paul ¹	Wiyu Company Limited	director and shareholder	These two companies are engaged in the business of rental of mobile data to outbound travelers from Hong Kong as well as inbound travelers to Hong Kong. Accordingly, these two companies may indirectly compete with the Group's business of sales of pre-paid SIM cards and with SUN Mobile's business of provision of roaming data services.
	Youyou Mobile Technology Limited	director and shareholder	

¹ passed away and ceased to be an independent non-executive Director on 4 March 2017

Report of the Directors (continued)

The Board is independent of the board of the above companies, the Group operates its businesses independently of, and at arm's length from, the business of the above companies.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2017 are set out in note 24 to the consolidated financial statements.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2017 are set out in note 33 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The related party transactions of the Group for the year ended 31 March 2017 are set out in note 35 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Group did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules (Chapter 14A of the Listing Rules) which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the GEM Listing Rules (Listing Rules).

Non-exempt Continuing Connected Transactions

During the year ended 31 March 2017, 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 (Chapter 14A of the Listing Rules), particulars of which were previously disclosed in the Prospectus and the announcements of the Company dated 1 September 2014, 31 March 2015 and 31 March 2017. 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 and Chapter 14A of the Listing Rules.

1. Purchase of goods by TDD from Radiotex

Telecom Digital Data Limited ("TDD", a wholly-owned subsidiary of the Company) has been purchasing from Radiotex International Limited ("Radiotex") goods including pagers, Mango Devices and related parts. On 22 May 2014, TDD and Radiotex entered into a master agreement (the "Master Agreement with Radiotex") setting out the governing terms and conditions in relation to such purchase of goods from the 30 May 2014 to 31 March 2017, pursuant to which separate agreements and/or purchase orders in terms not contrary to the Master Agreement with Radiotex would be entered into between TDD and Radiotex from time to time. The price of such goods is determined at cost plus certain percentage of the value of the orders, with reference to the prevailing market rate of similar goods.

Report of the Directors (continued)

Radiotex, which is principally engaged in the design, manufacture and selling of telecommunications products, is a wholly-owned subsidiary of Sun Asia Pacific Limited, which is ultimately owned by the Cheung Brothers (the Controlling Shareholders and Directors). Therefore, Radiotex is an associate of the Cheung Brothers and a connected person of the Company as defined under the GEM Listing Rules (Listing Rules). Accordingly, the transactions under the Master Agreement with Radiotex constitute continuing connected transactions for the Company.

As disclosed in the Prospectus and the announcement of the Company dated 31 March 2015, the annual caps for the aggregate amount of goods to be purchased from Radiotex by TDD under the Master Agreement with Radiotex for the year ended 31 March 2017 is HK\$3,000,000. There is no good purchased from Radiotex by TDD for the year ended 31 March 2017.

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

The Group has been leasing properties in Hong Kong and Macau from certain wholly-owned subsidiaries of East-Asia Pacific Limited ("East-Asia", collectively as the "East-Asia Group") for the use by the Group as shops, cell sites, office premises and car-parking spaces. On 22 May 2014, the Company and East-Asia entered into a master agreement (the "Master Agreement with East-Asia") setting out the basic terms and conditions of leasing of properties in Hong Kong and Macau from the 30 May 2014 to 31 March 2017, pursuant to which separate tenancy agreements in terms not contrary to the Master Agreement with East-Asia would be entered into between the Group and the East-Asia Group from time to time. Subsequently on 1 September 2014, the annual caps for the aggregate rents and licence fees payable by the Group to the East-Asia Group under the Master Agreement with East-Asia have been revised while all other basic terms and conditions remain unchanged.

On 31 March 2017, the Group entered into the renewal tenancy agreements (the "Renewal Tenancy Agreements") and renewal Licence agreements (the "Renewal Licence Agreements") with the East-Asia Group in relation to the renewal of tenancy of the properties and the carparking spaces for a term of one year ending 31 March 2018. The rents and licence fees paid by the Group to the East-Asia Group were determined with reference to the prevailing market rents and licence fees of similar properties in the nearby locations.

As East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds approximately 54.60% of the Shares in issue, each of the following wholly-owned subsidiaries of East-Asia, namely, (a) Glossy Enterprises Limited, (b) Glossy Investment Limited, (c) Silicon Creation Limited, (d) Telecom Properties Investment Limited, (e) Telecom Service Limited and (f) H.K. Magnetronic Company Limited, being a party to the respective existing tenancy agreements, is a connected person of the Company as defined under the GEM Listing Rules and the Listing Rules. Accordingly, the following tenancy agreements under the Master Agreement with East-Asia, the Renewal Tenancy Agreements and the Renewal Licence Agreements constitute continuing connected transactions for the Company.

	Address	Usage	Term	Monthly rent HK\$
1	Roof of 17/F., Cheron Court, Hung Hom, Kowloon	Cell site	1 April 2016–31 March 2017 1 April 2017–31 March 2018	3,493 3,900
2	Shop G5, G/F., Commercial Podium Sincere House, 83 Argyle Street, Kowloon	Shop	1 April 2014–31 March 2017 1 April 2017–31 March 2018	120,000 132,000
3	Room 1–2, 36/F., Tower 2, Metroplaza, Kwai Fong, New Territories	Office	1 April 2014–31 March 2017 1 April 2017–31 March 2018	114,000 123,700

Report of the Directors (continued)

	Address	Usage	Term	Monthly rent HK\$
4	Unit C, 10/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 April 2016–31 March 2017 1 April 2017–31 March 2018	40,274 43,372
5	Portion B of Unit 3608–3612, 36/F, Tower 2, Metroplaza, 223 Hing Fong Road, Kwai Fong, New Territories	Office	1 April 2016–31 March 2017 1 April 2017–31 March 2018	61,000 64,800
6	Unit D, 10/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 April 2016–31 March 2017 1 April 2017–31 March 2018	46,176 49,728
7	Portion of Unit A, 23/F., Kyoto Plaza, Nos. 491–499, Lockhart Road, Wanchai, Hong Kong	Shop	1 July 2014–31 March 2017	25,290
8	Shop A4, G/F., Kam Wah Mansion, No. 226–242 Cheung Sha Wan Road, Kowloon	Shop	1 April 2016–31 March 2017 1 April 2017–31 March 2018	66,000 80,000
9	Portion of Shop 4, G/F., 93 Lion Rock Road, Kowloon City, Kowloon	Shop	1 April 2014–31 March 2017 1 April 2017–31 March 2018	40,000 44,000
10	19/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 April 2016–31 March 2017 1 April 2017–31 March 2018	325,728 350,784
11	Room & Portion of Roof top of Flat G, 5/F., Silver Centre Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories	Cell site	1 April 2016–31 March 2017 1 April 2017–31 March 2018	5,280 5,800
12	Flat C and Roof, 23/F., Tung Po Building, 485 King's Road, North Point, Hong Kong	Cell site	1 April 2016–31 March 2017	6,600
13	Office No.1, 29/F., Portion of R/F., Ho King Commercial Centre, No. 2–16 Fa Yuen Street, Mongkok, Kowloon	Cell site	1 April 2016–31 March 2017	3,850

Report of the Directors (continued)

	Address	Usage	Term	Monthly rent HK\$
14	Radio Station & Antenna on Portion of the Roof of 4 Wing Lee Street, Peng Chau, New Territories	Cell site	1 April 2016–31 March 2017	6,600
15	Portion of R/T of Flat G, 5/F., Silver Center Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories	Cell site	1 April 2016–31 March 2017 1 April 2017–31 March 2018	7,920 8,700
16	Unit A025, 1/F., Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, New Territories	Shop	1 April 2016–31 March 2017 1 April 2017–31 March 2018	66,000 80,000
17	Shop C28 & C29, 1/F., Kingswood Richly Plaza, 1 Tin Wu Road, New Territories	Shop	1 April 2014–31 March 2017 1 April 2017–31 March 2018	59,000 65,000
18	Roof Level of Flat E on 22/F. of Block 5, Hong Kong Garden (Phase 1), 101 Castle Peak Road, Tsing Lung Tau, New Territories	Cell site	1 April 2016–31 March 2017 1 April 2017–31 March 2018	1,925 2,200
19	Roof Level of Unit 3407, New Trend Centre, 704 Prince Edward Road East, San Po Kong, Kowloon	Cell site	1 April 2016–31 March 2017 1 April 2017–31 March 2018	8,342 9,100
20	Shop 6, Wing Light Building, 68–76 Castle Peak Road, Yuen Long, New Territories	Shop	1 April 2016–31 March 2017 1 April 2017–31 March 2018	66,000 80,000
21	Rua de Pequim, n ^o s 170–174, Edifício Centro Comercial Kong Fat, 16 ^o andar E, Macau	Office	1 August 2014–31 July 2016 1 August 2016–31 March 2017 1 April 2017–31 March 2018	8,540 8,540 9,150
22	Carparking Space No. 8 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 September 2014–31 August 2017	5,000

Report of the Directors (continued)

	Address	Usage	Term	Monthly rent HK\$
23	Carparking Space Nos. 9 and 12 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 September 2014–31 August 2017	10,000
24	Carparking Space Nos. 10 and 13 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 September 2014–31 August 2017	10,000
25	Carparking Space Nos. 5, 6 and 7 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 September 2014–31 August 2017 1 September 2017–31 August 2018 (Rentals reduce to \$10,500 per month from April to August 2017)	15,000 10,500
26	Carparking Space Nos. 45, 46, 47, 48 and 49 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 September 2014–31 August 2017 1 September 2017–31 August 2018 (Rentals reduce to \$17,500 per month from April to August 2017)	25,000 17,500
27	Carparking Space No.11 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 September 2014–31 August 2017	5,000

As disclosed in the announcements of the Company dated 1 September 2014 and 31 March 2017, the annual caps for the aggregate rents and licence fees payable by the Group to the East-Asia Group under the Master Agreement with East-Asia, the Renewal Tenancy Agreements and the Renewal Licence Agreements for the years ended/ending 31 March 2017 and 2018 are HK\$14,008,000 and HK\$14,162,900 respectively. The aggregate amount of rents and licence fees paid by the Group to the East-Asia Group under the Master Agreement with East-Asia for the year ended 31 March 2017 is approximately HK\$13,770,000.

3. Transactions with TSO

Telecom Service One Limited (“TSO”, a wholly-owned subsidiary of TSO Holdings) is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. On 22 May 2014, the Company entered into a master agreement with TSO (the “Master Agreement with TSO”) setting out the governing terms and conditions in relation to the following services provided by TSO and the Group to each other for a term up to 31 March 2017.

TSO is indirectly owned by the Cheung Family Trust as to 51.56% which indirectly holds 54.60% of the Shares in issue and is therefore a connected person of the Company under the GEM Listing Rules and the Listing Rules. Accordingly, the below transactions constitute continuing connected transactions for the Company.

The Group expects that the below services will continue after the expiration of the Master Agreement with TSO. Therefore, the Company and TSO entered into the renewal master agreement (“Renewal Master Agreement”) on 31 March 2017 for a term of one year ending 31 March 2018.

Report of the Directors (continued)

a. Provision of repair and refurbishment services by TSO to the Group

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

As disclosed in the Prospectus and the announcement of the Company dated 31 March 2017, the aggregate annual caps for the repair and refurbishment service fees payable by the Group to TSO under the Master Agreement with TSO and the Renewal Master Agreement for the years ended/ending 31 March 2017 and 2018 are HK\$10,000,000 and HK\$5,000,000 respectively. The amount of repair and refurbishment service fees paid by the Group to TSO under the Master Agreement with TSO for the year ended 31 March 2017 is approximately HK\$5,846,000.

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

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

As disclosed in the Prospectus and the announcement of the Company dated 31 March 2017, the annual caps for the consignment fees receivable by TDS from TSO under the Master Agreement with TSO and the Renewal Master Agreement for the years ended/ending 31 March 2017 and 2018 are HK\$4,200,000 and HK\$4,000,000 respectively. The consignment fees received by TDS from TSO under the Master Agreement with TSO for the year ended 31 March 2017 is approximately HK\$961,000.

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

Confirmation of Independent Non-executive Directors

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

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

Report of the Directors (continued)

Confirmation from Auditor of the Company

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

- a. nothing has come to their attention that causes them to believe that the above non-exempt continuing connected transactions have not been approved by the Board;
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap 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 2017, 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, Guotai Junan Capital Limited ("Guotai Junan"), as at 31 March 2017, neither Guotai Junan 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 except for the compliance adviser agreement entered into between the Company and Guotai Junan in May 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 17 to 26 of this annual report. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

Report of the Directors (continued)

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 March 2017 and the material factors underlying its results and financial position can be found in the Management Discussion and Analysis on pages 7 to 13 of this annual report. These discussions form part of this Report of the Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The ESG Report of the Company for the year ended 31 March 2017 is set out on pages 27 to 30 of this annual report which elaborates on the various works of the Group in fulfilling the principle of sustainable development and its performance in social responsibilities. The Group is committed to achieve the development of sustainability of communities. An environmental policy has been adopted by the Group for implementation of environmental friendly measures and practices in the operation of the Group's businesses. The Group adheres to the principle of Recycling and Reducing and implements green office practices, e.g. using recycled paper, setting up recycling bins, and double-sided printing and copying.

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

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2017, 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 (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 (Model Code) as the code of conduct regarding securities transactions by the Directors.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its customers and suppliers to fulfill its immediate and long-term goals. During the year ended 31 March 2017, there was no material and significant dispute between the Group and its customers and/or suppliers.

Report of the Directors (continued)

FINANCIAL SUMMARY

An analysis of the results and of the assets and liabilities of the Group using financial key performance indicators is set out in the financial summary on page 128 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period are set out in note 34 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 March 2017 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is to be proposed at the AGM.

By Order of the Board

Cheung King Shek

Chairman

Hong Kong, 26 June 2017

Independent Auditor's Report



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

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

OPINION

We have audited the consolidated financial statements of Telecom Digital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 127, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Independent Auditor's Report (continued)

Uncertainty related to going concern

Refer to note 1 to the consolidated financial statements.

The key audit matter

The Group recorded net current liabilities of approximately HK\$34,147,000 as at 31 March 2017 and the directors of the Company concluded the Group has the ability to continue as a going concern with the consideration of the cash flows forecast prepared by the directors of the Company. The cash flow forecast was prepared based on the expected operating cash flow, the availability of the Group's existing utilised banking facilities and the current conditions of the bank borrowings.

We have identified the uncertainty related to going concern of the Group as a key audit matter in view of the significance of the impact of going concern assumption to the consolidated financial statements and the cash flow forecast prepared by the directors of the Company involved significant judgements and estimates.

How the matter was addressed in our audit

Our procedures were designed to challenge the appropriateness of judgements and estimates used in the cash flow forecast prepared by the directors of the Company with reference to the Group's current operations, the availability of the Group's existing unutilised bank facilities and the probability of the exercise of the sole discretion rights from the banks for the bank borrowings with repayment on demand clause.

We compared the underlying data used in the cash flow forecast to the approved budget from the directors of the Company. We reviewed the amount of Group's existing banking facilities at the end of the reporting period by comparing the amounts in the received confirmations. We also reviewed the cash flow forecast prepared by the directors of the Company with reference to the actual result up to the date of approval of consolidated financial statements.

Carrying amount of inventories

Refer to note 20 to the consolidated financial statements and the accounting policies on page 74.

The key audit matter

As at 31 March 2017, the carrying amount of the inventories was approximately HK\$45,749,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of estimates on the net realisable value.

We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.

How the matter was addressed in our audit

Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 March 2017.

We have discussed with the management for the long-aged inventories identified as at 31 March 2017 and challenged their judgements and estimates on such inventories of not being obsolete. We have reviewed the utilisation of inventories after the end of the reporting period on the abovementioned long-aged inventories. We have also reviewed the selling price of the inventories at 31 March 2017 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

Independent Auditor's Report (continued)

Valuation and impairment of trade and other receivables

Refer to note 21 to the consolidated financial statements and the accounting policies on pages 74–75.

The key audit matter

As at 31 March 2017, the carrying amounts of (i) trade receivables, net of impairment loss recognised in respect of trade receivables; and (ii) other receivables, are approximately HK\$8,807,000 and HK\$11,827,000 respectively. Allowance for impairment loss recognised in respect of trade receivables was approximately HK\$64,000. No allowance for impairment loss recognised in respect of other receivables has been made for the year ended 31 March 2017.

The impairment assessment of trade and other receivables performed by the management included the identification of objective evidence of impairment and calculation of the present value of the estimated future cash flows of the trade and other receivables under the impairment testing. This assessment is dependent upon significant judgements and estimates made by the management in the calculation of the estimated future cash flows of trade and other receivables.

We have identified the valuation and impairment of the trade and other receivables as a key audit matter in view of the significance of the carrying amount of trade and other receivables and the impairment assessment performed by the management involved significant judgements and estimates, which may be subject to management bias.

How the matter was addressed in our audit

Our audit procedures were designed to review the management assessment of the indicators of possible impairment of trade and other receivables and challenge the reasonableness of the judgements and estimates used in the calculation of the estimated future cash flows of trade and other receivables under the impairment testing.

We have discussed the indicators of possible impairment with the management and, where such indicators were identified by the management, assessed the impairment testing performed by the management. We have challenged the judgements and estimates used by the management under the impairment testing by assessing the reliability of the management's estimates on the future cash flows of trade and other receivables, taking into account the ageing analysis at year end and cash received after year end, as well as the past repayment history and recent creditworthiness of each significant debtor.

OTHER INFORMATION

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

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

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

Independent Auditor's Report (continued)

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

Independent Auditor's Report (continued)

- conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Chuen Fai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong
26 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	7	1,092,263	1,428,914
Cost of inventories sold		(630,220)	(1,002,971)
Staff costs		(169,153)	(141,632)
Depreciation		(24,846)	(22,958)
Other income	9	6,078	6,241
Other operating expenses		(193,775)	(190,425)
Share of result of an associate		32,502	31,971
Finance costs	10	(3,448)	(5,437)
Profit before tax		109,401	103,703
Income tax expense	11	(13,659)	(13,934)
Profit for the year	12	95,742	89,769
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gain (loss) on long service payment obligations	25	294	(339)
Other comprehensive income (expense) for the year		294	(339)
Total comprehensive income for the year		96,036	89,430
Profit for the year attributable to:			
Owners of the Company		95,593	89,769
Non-controlling interests		149	—
		95,742	89,769
Total comprehensive income for the year attributable to:			
Owners of the Company		95,887	89,430
Non-controlling interests		149	—
		96,036	89,430
Earnings per share (HK\$)	15		
Basic		0.24	0.22
Diluted		0.24	0.22

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment	16	226,528	236,715
Investment property	17	41,537	—
Club membership	18	1,560	1,560
Interest in an associate	19	24,853	24,413
Prepayments for purchase of property, plant and equipment		10,354	5,312
		304,832	268,000
Current assets			
Inventories	20	45,749	187,585
Trade and other receivables	21	68,266	68,853
Amounts due from related companies	35(a)	1,204	62
Amount due from an associate	35(b)	26,550	21,611
Pledged bank deposits	22	5,065	5,065
Bank balances and cash	22	42,907	15,819
		189,741	298,995
Current liabilities			
Trade and other payables	23	62,231	107,890
Amounts due to related companies	35(a)	2,286	60
Bank overdrafts	22	6,201	3,820
Bank borrowings	24	150,976	211,054
Tax payables		2,194	2,765
		223,888	325,589
Net current liabilities		(34,147)	(26,594)
Total assets less current liabilities		270,685	241,406
Non-current liabilities			
Long service payment obligations	25	2,240	2,163
Deferred tax liabilities	26	3,209	4,157
		5,449	6,320
Net assets		265,236	235,086

Consolidated Statement of Financial Position (continued)

As at 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Capital and reserves			
Share capital	27	4,030	4,001
Reserves		261,058	231,085
Equity attributable to owners of the Company		265,088	235,086
Non-controlling interests		148	—
		265,236	235,086

The consolidated financial statements on pages 57 to 127 were approved and authorised for issue by the board of directors on 26 June 2017 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 2017

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>(note a)</i>	Share option reserve HK\$'000	Exchange reserve HK\$'000	Legal reserve HK\$'000 <i>(note b)</i>	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015	4,000	87,363	5,404	—	(233)	91	74,664	171,289	—	171,289
Profit for the year	—	—	—	—	—	—	89,769	89,769	—	89,769
Other comprehensive expense:										
Actuarial loss on long service payment obligations	—	—	—	—	—	—	(339)	(339)	—	(339)
Total comprehensive income for the year	—	—	—	—	—	—	89,430	89,430	—	89,430
Dividends <i>(note 14)</i>	—	—	—	—	—	—	(28,004)	(28,004)	—	(28,004)
Equity-settled share option expense <i>(note 28)</i>	—	—	—	2,260	—	—	—	2,260	—	2,260
Effect of share options										
— shares issue upon exercise <i>(note 27)</i>	1	139	—	(29)	—	—	—	111	—	111
— lapse	—	—	—	(54)	—	—	54	—	—	—
At 31 March 2016	4,001	87,502	5,404	2,177	(233)	91	136,144	235,086	—	235,086

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 March 2017

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note a)	Share option reserve HK\$'000	Exchange reserve HK\$'000	Legal reserve HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2016	4,001	87,502	5,404	2,177	(233)	91	136,144	235,086	—	235,086
Profit for the year	—	—	—	—	—	—	95,593	95,593	149	95,742
Other comprehensive income: Actuarial gain on long service payment obligations	—	—	—	—	—	—	294	294	—	294
Total comprehensive income for the year	—	—	—	—	—	—	95,887	95,887	149	96,036
Dividends (note 14)	—	—	—	—	—	—	(72,303)	(72,303)	—	(72,303)
Non-controlling interest arising on acquisition of a subsidiary (note 30)	—	—	—	—	—	—	—	—	1,399	1,399
Effect of capital reduction (note c)	—	—	—	—	—	—	—	—	(1,400)	(1,400)
Effect of share options										
— shares issue upon exercise (note 27)	29	8,044	—	(1,655)	—	—	—	6,418	—	6,418
— lapse	—	—	—	(93)	—	—	93	—	—	—
At 31 March 2017	4,030	95,546	5,404	429	(233)	91	159,821	265,088	148	265,236

Notes:

- 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.
- In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.
- On 22 April 2016, a special resolution has been passed by the shareholders of Distribution One Limited ("Distribution One"), a non-wholly owned subsidiary of the Company, for the reduction of share capital of Distribution One by approximately HK\$5,000,000. As a result, approximately HK\$1,400,000 has been settled with the amount due from the non-controlling shareholder in accordance with section 210 of the Hong Kong Companies Ordinance.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	109,401	103,703
Adjustments for:		
Bank interest income	(205)	(281)
Depreciation of property, plant and equipment	24,068	22,958
Depreciation of investment property	778	—
Finance costs	3,448	5,437
Loss on written off of property, plant and equipment	4,948	4,822
Loss on disposal of property, plant and equipment	76	261
Equity-settled share option expense	—	2,260
Provision for long service payments	313	359
Share of result of an associate	(32,502)	(31,971)
Operating cash inflows before movements in working capital	110,325	107,548
Decrease in inventories	142,083	29,124
Decrease in trade and other receivables	1,026	30,691
Increase in amount due from an associate	(4,939)	(17,077)
(Decrease) increase in trade and other payables	(49,821)	15,242
Decrease in long service payment obligations	58	151
Cash generated from operations	198,732	165,679
Hong Kong Profits Tax paid	(15,178)	(13,027)
Macau Complementary Income Tax paid	—	(671)
NET CASH FROM OPERATING ACTIVITIES	183,554	151,981
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(15,118)	(49,701)
Purchase of investment property	(42,315)	—
Prepayments for purchase of property, plant and equipment	(8,901)	(5,312)
Placement of pledged bank deposits	—	(456)
Net cash outflow from the acquisition of a subsidiary (note 30)	(125)	—
Dividend received from an associate	32,062	32,554
Proceeds from disposal of property, plant and equipment	72	617
Repayment from non-controlling shareholder of a subsidiary	3,600	—
Bank interest received	205	281
Advanced to related companies	(1,142)	(5)
NET CASH USED IN INVESTING ACTIVITIES	(31,662)	(22,022)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
FINANCING ACTIVITIES		
Bank borrowings raised	447,735	906,917
Proceeds from exercise of share options	6,418	111
Advanced from (repayment to) related companies	2,226	(558)
Interest paid	(3,448)	(5,437)
Dividend paid	(72,303)	(28,004)
Repayment of bank borrowings	(507,813)	(1,018,573)
NET CASH USED IN FINANCING ACTIVITIES	(127,185)	(145,544)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,707	(15,585)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,999	27,584
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by	36,706	11,999
Bank balances and cash	42,907	15,819
Bank overdrafts	(6,201)	(3,820)
	36,706	11,999

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

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

Corporate Information

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate Information" to the annual report.

The shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 30 May 2014 and have been transferred from GEM to Main Board of the Stock Exchange subsequent to year end on 10 May 2017.

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Basis of Preparation

As at 31 March 2017, the Group had net current liabilities of approximately HK\$34,147,000. This condition indicates the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis since the following:

- (i) the unutilised banking facilities readily available to the Group amounted to approximately HK\$382,305,000 at 31 March 2017, which remain valid up to the date of approval of the consolidated financial statements;
- (ii) bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause and shown under current liabilities amounted to approximately HK\$63,995,000. The directors of the Company are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low provided that the Group did not breach any financial covenants imposed by the borrower banks and the bank borrowings were repaid on schedule. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements; and
- (iii) the Group is expected to generate adequate cash flows to maintain its operations.

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

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

In current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

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 ⁴
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ²
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and Its Associate or Joint Venture ⁵
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ²

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

⁴ Effective for annual periods beginning on or after 1 January 2019.

⁵ Effective date not yet been determined.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 (2014) *Financial Instruments*

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

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

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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 cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 (2014) *Financial Instruments* (continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract(s) with a 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 result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

HKFRS 16 Leases

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 16 Leases (continued)

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

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

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. 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. As at 31 March 2017, the Group has non-cancellable operating lease commitments in respect of office premises, transmission stations and service outlets of approximately HK\$80,497,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

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

New and revised HKFRSs issued but not yet effective (continued)

Amendment to HKAS 7 Disclosure Initiative

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

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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 the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

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

The principal accounting policies are set out below.

Basis of consolidation

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

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Profit or loss of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

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

Business combination

Business combination is accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase. Non-controlling interests, unless as required by another standards, are measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Interest in an associate

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in an associate (continued)

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

Property, plant and equipment

Property, plant and equipment including buildings held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, if any, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment property

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

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

If an investment property becomes an owner-occupied property when there is a change in use, as evidenced by commencement of an owner-occupation, the carrying amount of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

Club membership

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand.

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss on financial assets

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Derecognition

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

Service income from provision of telecommunication services, paging services, maintenance service, two-way wireless data services, logistics services and consultancy service 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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Employee benefits

Short-term employee benefits

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

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF") are recognised as an expense when employees have rendered service entitling them to the contributions.

Employment Ordinance long service payments

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

Foreign currencies

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the 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 is recognised in profit or loss.

Impairment losses on tangible assets and club membership

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets and club membership (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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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

Fair value measurement

When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its high and best use.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

Classification of leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risk and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

The directors of the Company determine that the carrying amount of leasehold land and buildings of approximately HK\$181,631,000 (2016: HK\$187,635,000) cannot be allocated reliably between the land and building elements due to infeasibility of the allocation of purchase price between the leasehold land and buildings. The total amount has been classified as a finance lease under the property, plant and equipment.

Going concern consideration

The assessment of the going concern assumption involves making judgements by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to liquidity risk, that individually or collectively may cast significant doubt about the going concern assumptions as set out in note 1.

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment and investment property

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

As at 31 March 2017, there is no revision of the estimated useful lives and the related depreciation of the property, plant and equipment and investment property with carrying amount of approximately HK\$226,528,000 (2016: HK\$236,715,000) and HK\$41,537,000 (2016: nil) respectively.

Estimated impairment loss of property, plant and equipment

The Group assesses annually whether property, plant and equipment has any indication of impairment. The impairment losses for property, 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 property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates such as forecasted revenue and discount rates. As at 31 March 2017, the carrying amount of property, plant and equipment were approximately HK\$226,528,000 (2016: HK\$236,715,000). There was no impairment loss recognised as at 31 March 2017 (2016: nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment loss of investment property

At 31 March 2017, the directors of the Company perform impairment assessment on the investment property of approximately HK\$41,537,000 (2016: nil) and identify if there is if there was any impairment. Accordingly, the recoverable amount of the investment property is estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amount of the investment property is determined using fair value less cost of disposal, by comparing the recent market transactions of similar properties in the similar locations and conditions. Based on the estimated recoverable amount, no impairment loss has been recognised in respect of the investment property at 31 March 2017 (2016: nil).

Estimated impairment loss of club membership

The management of the Company reviews the impairment of club membership at the end of each reporting period. Management estimates the fair value of the club membership with reference to recent selling prices. In making the estimation, the Group considers comparable membership recently sold in the market. As at 31 March 2017, the carrying amount of the club membership was approximately HK\$1,560,000 (2016: HK\$1,560,000). There was no impairment loss recognised as at 31 March 2017 (2016: nil).

Estimated impairment loss of interest in an associate

Determining whether the interest in an associate is impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2017, the carrying amount of Group's interest in an associate are approximately HK\$24,853,000 (2016: HK\$24,413,000). No impairment loss was recognised as at 31 March 2017 (2016: nil).

Estimated allowance for inventories

The Group makes the allowance for inventories based on assessments of the net realisable value and ageing analysis of inventories and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2017, the carrying amount of inventories was approximately HK\$45,749,000 (2016: HK\$187,585,000). There was no inventory written off as at 31 March 2017 (2016: nil).

Estimated impairment loss of trade and other receivables

When there is objective evidence of impairment, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 March 2017, the aggregate carrying amount of trade and other receivables were approximately HK\$20,634,000 (2016: HK\$36,501,000), net of aggregate accumulated impairment loss recognised of approximately HK\$64,000 as at 31 March 2017 (2016: HK\$64,000).

Income taxes

At 31 March 2017, the Group had unused tax losses of approximately HK\$7,111,000 (2016: HK\$3,881,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision for long service payments

The Group's provision for long service payments is determined based on projected unit credit method with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions including: pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability rate. 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 provision for long service payments and the results and financial position of the Group. As at 31 March 2017, the carrying amount of long service payment obligations were approximately HK\$2,240,000 (2016: HK\$2,163,000).

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Loans and receivables (including bank balances and cash)	125,447	104,158
Financial liabilities		
Amortised cost	198,640	290,258

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) related companies and an associate, pledged bank deposits, bank balances and cash, trade and other payables, bank overdrafts and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances (2016: bank balances and trade payables) are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets (Liabilities)	
	2017 HK\$'000	2016 HK\$'000
United States Dollars ("USD")	92	(25,696)

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

Interest rate risk

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used for the years ended 31 March 2017 and 2016 when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the year ended 31 March 2017 and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK\$631,000 (2016: HK\$872,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

Credit risk

As at 31 March 2017, 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 the 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 other receivables, amounts due from related companies and an associate is assessed by taking into account their financial positions, 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.

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

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, as all trade receivables as at 31 March 2017 and 2016 are due from customers located in Hong Kong.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

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 Group is exposed to liquidity risk as at 31 March 2017 as the Group had net current liabilities of approximately HK\$34,147,000 (2016: HK\$26,594,000). The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in note 1.

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate 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
As at 31 March 2017			
Financial liabilities included in trade and other payables	39,177	39,177	39,177
Amounts due to related companies	2,286	2,286	2,286
Bank overdrafts	6,201	6,201	6,201
Bank borrowings	152,693	152,693	150,976
	200,357	200,357	198,640
	On demand or within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2016			
Financial liabilities included in trade and other payables	75,324	75,324	75,324
Amounts due to related companies	60	60	60
Bank overdrafts	3,820	3,820	3,820
Bank borrowings	212,320	212,320	211,054
	291,524	291,524	290,258

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

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

Bank borrowings with a repayment on demand clause are included in the “on demand or within 1 year” time band in the above maturity analysis. As at 31 March 2017, the aggregate principal amounts of these bank borrowings amounted to approximately HK\$150,976,000 (2016: HK\$211,054,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the respective loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$160,013,000 (2016: HK\$218,154,000).

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 revenue arising on sales of goods and service income for the year. An analysis of the Group’s revenue is as follows:

	2017 HK\$'000	2016 HK\$'000
Sales of goods	713,181	1,091,169
Service income	379,082	337,745
	1,092,263	1,428,914

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

8. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 March 2016

	Retail business HK\$'000	Distribution business HK\$'000	Paging and other tele- communications services HK\$'000	Operation services HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue						
External sales	485,193	616,087	97,400	230,234	—	1,428,914
Inter-segment sales	—	396,530	3,307	—	(399,837)	—
Segment revenue	485,193	1,012,617	100,707	230,234	(399,837)	1,428,914
Segment results	32,233	15,751	183	38,263		86,430
Bank interest income						281
Finance costs						(5,437)
Share of result of an associate						31,971
Corporate expenses						(9,542)
Profit before tax						103,703

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

Inter-segment sales are charged at prevailing market rates.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2017 HK\$'000	2016 HK\$'000
Segment assets		
Retail business	158,860	163,151
Distribution business	40,614	152,524
Paging and other telecommunications services	61,697	72,608
Operation services	39,983	30,132
Total segment assets	301,154	418,415
Unallocated corporate assets	193,419	148,580
Total assets	494,573	566,995
Segment liabilities		
Retail business	14,199	11,000
Distribution business	14,914	53,668
Paging and other telecommunications services	29,785	33,252
Operation services	2,470	11,889
Total segment liabilities	61,368	109,809
Unallocated corporate liabilities	167,969	222,100
Total liabilities	229,337	331,909

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

- all assets are allocated to segments other than certain property, plant and equipment, investment property, club membership, interest in an associate, certain other receivables, amounts due from related companies, pledged bank deposits and certain bank balances and cash managed on central basis and corporate assets; and
- all liabilities are allocated to segments other than certain other payables, deferred tax liabilities, amounts due to related companies, bank overdrafts and bank borrowings, tax payables, long services payment obligations and corporate liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

8. SEGMENT INFORMATION (continued)

The segment information is as follows:

For the year ended 31 March 2017

	Retail business HK\$'000	Distribution business HK\$'000	Paging and other tele- communications services HK\$'000	Operation services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	12,135	632	7,375	10	3,916	24,068
Depreciation of investment property	—	—	—	—	778	778
Additions to non-current assets	17,564	289	1,124	—	42,315	61,292
Loss on disposal of property, plant and equipment	—	—	76	—	—	76
Loss on written off of property, plant and equipment	—	—	4,948	—	—	4,948
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Club membership	—	—	—	—	1,560	1,560
Interest in an associate	—	—	—	—	24,853	24,853
Bank interest income	—	—	—	—	(205)	(205)
Finance costs	—	—	—	—	3,448	3,448
Income tax expense	4,016	1,253	584	7,496	310	13,659
Share of result of an associate	—	—	—	—	(32,502)	(32,502)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

8. SEGMENT INFORMATION (continued)

For the year ended 31 March 2016

	Retail business HK\$'000	Distribution business HK\$'000	Paging and other tele- communications services HK\$'000	Operation services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	8,725	891	9,628	13	3,701	22,958
Additions to non-current assets	13,056	9	9,129	—	27,507	49,701
Loss on disposal of property, plant and equipment	7	44	210	—	—	261
Loss on written off of property, plant and equipment	110	—	4,712	—	—	4,822

Amounts regularly provided to
the chief operating decision
maker but not included in
the measure of segment
profit or loss or segment
assets:

Club membership	—	—	—	—	1,560	1,560
Interest in an associate	—	—	—	—	24,413	24,413
Bank interest income	—	—	—	—	(281)	(281)
Finance costs	—	—	—	—	5,437	5,437
Income tax expense	6,096	1,815	144	5,556	323	13,934
Share of result of an associate	—	—	—	—	(31,971)	(31,971)

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

8. SEGMENT INFORMATION (continued)

Geographical information

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

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

Revenue from external customers

	2017 HK\$'000	2016 HK\$'000
Hong Kong (place of domicile)	1,090,739	1,427,247
Macau	1,524	1,667
	1,092,263	1,428,914

Non-current assets

	2017 HK\$'000	2016 HK\$'000
Hong Kong (place of domicile)	304,815	267,983
Macau	17	17
	304,832	268,000

Information about major customer

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

	2017 HK\$'000	2016 HK\$'000
Customer A ¹	363,267	291,774

¹ Revenue from operation services.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

9. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Bank interest income	205	281
Consultancy income	300	300
Rental income (<i>note</i>)	4,256	3,227
Warehouse storage income	—	328
Exchange gain	435	1,864
Others	882	241
	6,078	6,241

Note: Included in rental income was approximately HK\$680,000 (2016: nil) arising from the operating lease of investment property of the Group in which direct operating expenses of approximately HK\$139,000 (2016: nil) was incurred during the year ended 31 March 2017.

10. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest expenses on bank borrowings and bank overdrafts	3,448	5,437

11. INCOME TAX EXPENSE

	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax		
— current year	14,800	13,943
— over-provision in prior years	(193)	(86)
	14,607	13,857
Macau Complementary Income Tax		
— under-provision in prior years	—	12
Deferred tax		
— current year	(948)	65
	13,659	13,934

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

11. INCOME TAX EXPENSE (continued)

During the years ended 31 March 2017 and 2016, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

During the years ended 31 March 2017 and 2016, no Macau Complementary Income Tax has been provided since there were no assessable profits generated.

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

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

	2017 HK\$'000	2016 HK\$'000
Profit before tax	109,401	103,703
Tax expense at rates applicable to profits in the jurisdictions concerned	18,050	17,033
Adjustments in respect of current tax of previous periods	(193)	(74)
Tax effect of share of result of an associate	(5,363)	(5,275)
Tax effect of expenses not deductible for tax purpose	841	1,646
Tax effect of income not taxable for tax purpose	(37)	(46)
Tax effect of tax losses not recognised	601	382
Tax effect of deductible temporary difference not recognised	(32)	762
Tax exemption (<i>note</i>)	(140)	(120)
Utilisation of tax losses previously not recognised	(68)	(374)
Income tax expense for the year	13,659	13,934

Note: During the year ended 31 March 2017, seven (2016: six) Hong Kong subsidiaries were entitled to 75% tax deduction on Hong Kong Profits Tax with a cap at HK\$20,000 (2016: HK\$20,000).

Details of deferred taxation are set out in note 26.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

12. PROFIT FOR THE YEAR

	2017 HK\$'000	2016 HK\$'000
Profit for the year is arrived at after charging:		
Directors' emoluments (<i>note 13</i>)		
— fees	360	360
— salaries, allowances and other benefits	7,471	7,448
— discretionary bonuses	136	111
— contribution to retirement benefits scheme	232	232
— equity-settled share option expense	—	49
	8,199	8,200
Other staff costs		
— salaries, allowances and other benefits	154,024	125,407
— contribution to retirement benefits scheme	6,617	5,455
— provision for long service payments	313	359
— equity-settled share option expense	—	2,211
	160,954	133,432
Total staff costs	169,153	141,632
Auditor's remuneration	950	900
Depreciation of property, plant and equipment	24,068	22,958
Depreciation of investment property	778	—
Loss on written off of property, plant and equipment	4,948	4,822
Loss on disposal of property, plant and equipment	76	261
Share of income tax expense of an associate	6,379	6,260
Operating lease rentals in respect of:		
— rented premises	68,184	56,984
— transmission stations	13,615	14,922
	81,799	71,906

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of 9 (2016: 9) directors and chief executive were as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	Fees	Salaries, allowances and other benefits	Discretionary Bonuses	Contributions to retirement benefits scheme	Total
	HK\$'000	HK\$'000	HK\$'000 (note iv)	HK\$'000	HK\$'000
Year ended 31 March 2017					
Executive directors:					
Mr. Cheung King Shek	—	1,584	—	49	1,633
Mr. Cheung King Shan (note i)	—	1,584	—	49	1,633
Mr. Cheung King Chuen Bobby (note i)	—	1,584	—	49	1,633
Mr. Cheung King Fung Sunny (note ii)	—	1,584	—	49	1,633
Mr. Wong Wai Man	—	649	84	18	751
Ms. Mok Ngan Chu	—	486	52	18	556
Independent non-executive directors:					
Mr. Hui Ying Bun	120	—	—	—	120
Mr. Ho Nai Man Paul (note iii)	120	—	—	—	120
Mr. Lam Yu Lung	120	—	—	—	120
Total	360	7,471	136	232	8,199

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary Bonuses HK\$'000 (note iv)	Contributions to retirement benefits scheme HK\$'000	Equity-settled share option expense HK\$'000	Total HK\$'000
Year ended 31 March 2016						
Executive directors:						
Mr. Cheung King Shek	—	1,584	—	49	—	1,633
Mr. Cheung King Shan (note i)	—	1,584	—	49	—	1,633
Mr. Cheung King Chuen Bobby (note i)	—	1,584	—	49	—	1,633
Mr. Cheung King Fung Sunny (note ii)	—	1,584	—	49	—	1,633
Mr. Wong Wai Man	—	638	64	18	24	744
Ms. Mok Ngan Chu	—	474	47	18	25	564
Independent non-executive directors:						
Mr. Hui Ying Bun	120	—	—	—	—	120
Mr. Ho Nai Man Paul (note iii)	120	—	—	—	—	120
Mr. Lam Yu Lung	120	—	—	—	—	120
Total	360	7,448	111	232	49	8,200

Notes:

- (i) Re-designated from non-executive director to executive director on 8 September 2015.
- (ii) Appointed as chief executive officer on 8 September 2015.
- (iii) Passed away on 4 March 2017.
- (iv) Discretionary bonuses were determined with reference to the Group's operating results and individual performance.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

No directors or chief executive waived or agreed to waive any emolument paid by the Group during the years ended 31 March 2017 and 2016. No emoluments were paid by the Group to any of the directors or chief executive as an incentive payment to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2017 and 2016.

No emoluments were paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the years ended 31 March 2017 and 2016.

(b) Employees' emoluments

The five highest paid individuals of the Group included four directors of the Company during both years ended 31 March 2017 and 2016 respectively, whose emoluments are included in the analysis presented above. Details of emoluments paid to the remaining one individual of the Group during the years ended 31 March 2017 and 2016 were as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and other benefits	1,058	1,058
Discretionary bonuses (<i>note iv</i>)	114	87
Contribution to retirement benefits scheme	18	18
Equity-settled share option expense	—	17
	1,190	1,180

Her emolument was within the following band:

	2017 No. of Employees	2016 No. of Employees
HK\$1,000,000 to HK\$1,500,000	1	1

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2017 and 2016.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

14. DIVIDENDS

	2017 HK\$'000	2016 HK\$'000
Dividends recognised as distribution during the year:		
2014/15 final dividend of HK\$0.02 per share	—	8,000
2015/16 first interim dividend of HK\$0.05 per share	—	20,004
2015/16 second interim dividend of HK\$0.05 per share	20,010	—
2016/17 first interim dividend of HK\$0.03 per share	12,008	—
2016/17 second interim dividend of HK\$0.05 per share	20,139	—
2016/17 third interim dividend of HK\$0.05 per share	20,146	—
	72,303	28,004

Subsequent to the end of the reporting period, the board of directors declared the fourth interim dividend of HK\$0.05 per share for the year ended 31 March 2017.

15. EARNINGS PER SHARE

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

	2017 HK\$'000	2016 HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	95,593	89,769

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	401,402	400,035
Effect of dilutive potential ordinary shares:		
— Share options	654	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	402,056	400,035

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Radio and transmitting equipment HK\$'000	Tele- communications devices HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
COST							
As at 1 April 2015	169,428	74,058	22,376	14,447	19,949	40,015	340,273
Additions	27,506	—	9,111	—	6,529	6,555	49,701
Disposal	—	—	(386)	(1,163)	—	(14)	(1,563)
Written off	—	—	(8,140)	—	(1,384)	(220)	(9,744)
As at 31 March 2016 and 1 April 2016	196,934	74,058	22,961	13,284	25,094	46,336	378,667
Additions	—	1,042	—	—	6,818	11,117	18,977
Disposal	—	—	(199)	—	—	(1)	(200)
Written off	—	—	(7,808)	—	—	—	(7,808)
As at 31 March 2017	196,934	75,100	14,954	13,284	31,912	57,452	389,636
ACCUMULATED DEPRECIATION							
As at 1 April 2015	3,510	68,283	5,984	9,002	6,503	31,319	124,601
Provided for the year	5,789	2,181	5,180	1,840	4,526	3,442	22,958
Eliminated in disposal	—	—	(62)	(618)	—	(5)	(685)
Eliminated in written off	—	—	(3,427)	—	(1,305)	(190)	(4,922)
As at 31 March 2016 and 1 April 2016	9,299	70,464	7,675	10,224	9,724	34,566	141,952
Provided for the year	6,004	2,035	3,527	1,374	5,615	5,513	24,068
Eliminated in disposal	—	—	(52)	—	—	—	(52)
Eliminated in written off	—	—	(2,860)	—	—	—	(2,860)
As at 31 March 2017	15,303	72,499	8,290	11,598	15,339	40,079	163,108
CARRYING VALUES							
As at 31 March 2017	181,631	2,601	6,664	1,686	16,573	17,373	226,528
As at 31 March 2016	187,635	3,594	15,286	3,060	15,370	11,770	236,715

The above property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

16. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2017, the Group's leasehold land and buildings with carrying value of approximately HK\$181,631,000 (2016: HK\$187,635,000) have been pledged to secure banking facilities granted to the Group.

17. INVESTMENT PROPERTY

	HK\$'000
COST	
As at 1 April 2015, 31 March 2016 and 1 April 2016	—
Additions	42,315
As at 31 March 2017	42,315
ACCUMULATED DEPRECIATION	
As at 1 April 2015, 31 March 2016 and 1 April 2016	—
Provided for the year	778
As at 31 March 2017	778
CARRYING VALUE	
As at 31 March 2017	41,537
As at 31 March 2016	—

The fair value of the Group's investment property as at 31 March 2017 was approximately HK\$42,500,000 (2016: nil). The fair value has been arrived at based on a valuation carried out by Prudential Surveyors (Hong Kong) Limited, a member of The Hong Kong Institution of Surveyors, by market comparison approach with reference to the recent market prices for similar properties in the similar locations and conditions. The valuation of the fair value of the investment property is grouped into fair value hierarchy Level 2. In estimating the fair value of the investment property, the highest and best use of fair value hierarchy is its current use.

There were no transfers between levels of fair value hierarchy during the year ended 31 March 2017.

The above investment property is depreciated on a straight-line basis over the term of the lease over 31 years.

At 31 March 2017, the Group's investment property with carrying value of approximately HK\$41,537,000 (2016: nil) has been pledged to secure banking facilities granted to the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

18. CLUB MEMBERSHIP

	2017 HK\$'000	2016 HK\$'000
Club membership, at cost	1,560	1,560

The directors of the Company consider no impairment identified with reference to the second hand market price of the club membership as at the end of the reporting period (2016: nil).

19. INTEREST IN AN ASSOCIATE

	2017 HK\$'000	2016 HK\$'000
Cost of interest in an associate	16,640	16,640
Share of post-acquisition result, net of dividends received	8,213	7,773
	24,853	24,413

As at 31 March 2017 and 2016, the Company had interest in the following associate:

Name of company	Form of entity	Place of incorporation and operation	Class of shares held/ share capital	Proportion of ownership interest and voting rights held by the Group	Principal activity
Sun Mobile Limited ("SUN Mobile")	Incorporated	Hong Kong	Ordinary shares/ HK\$1,000	40%	Provision of mobile services including voice and data products

The associate was accounted for using the equity method in these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

19. INTEREST IN AN ASSOCIATE (continued)

The summarised financial statements in respect of the associate as extracted from the financial statements prepared in accordance with HKFRSs.

	2017 HK\$'000	2016 HK\$'000
Non-current assets	176	347
Current assets	248,666	224,782
Current liabilities	(186,709)	(164,096)
Net assets	62,133	61,033
Revenue	1,021,199	862,218
Profit and total comprehensive income for the year	81,255	79,927
Dividends received from the associate during the year	32,062	32,554

Reconciliation of the above summarised financial statements to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017 HK\$'000	2016 HK\$'000
Net assets of an associate	62,133	61,033
Group's effective interest	40%	40%
Proportion of the Group's ownership interest in an associate and carrying amount of the Group's interest in an associate	24,853	24,413

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

20. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Merchandises	45,749	187,585

21. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	8,871	29,634
Less: Impairment loss recognised in respect of trade receivables	(64)	(64)
	8,807	29,570
Other receivables	11,827	6,931
Deposits	29,087	25,100
Prepayment	18,545	7,252
	68,266	68,853

The Group does not hold any collateral over these balances.

The Group allows an average credit period of ranged from 7 to 30 days (2016: 7 to 30 days) to its trade customers. The following is an ageing analysis of trade receivables, net of accumulated impairment loss, presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2017 HK\$'000	2016 HK\$'000
Within 90 days	8,435	28,478
91–180 days	301	1,058
181–365 days	51	10
Over 365 days	20	24
	8,807	29,570

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

21. TRADE AND OTHER RECEIVABLES (continued)

The Group's trade receivables neither past due nor impaired of approximately HK\$6,275,000 (2016: HK\$17,820,000) mainly represent sales made to recognised and creditworthy customers with good repayment history. The Group regularly monitored the credit quality of these customers, who trade on credit terms.

Included in the Group's trade receivable balance at 31 March 2017 are debtors with aggregate carrying amount of approximately HK\$2,532,000 (2016: HK\$11,750,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

At 31 March 2017 and 2016, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	Within 30 days HK\$'000	31-90 days HK\$'000	91-180 days HK\$'000	181-365 days HK\$'000	Over 365 days HK\$'000	Total HK\$'000
As at 31 March 2017	1,865	295	351	1	20	2,532
As at 31 March 2016	8,247	2,292	1,138	49	24	11,750

Movement in the impairment loss of trade receivables was as follows:

	2017 HK\$'000	2016 HK\$'000
At the beginning and the end of the year	64	64

Included in the impairment loss of trade receivables at 31 March 2017 were individually impaired trade receivables with an aggregate balance of approximately HK\$64,000 (2016: HK\$64,000) which have been placed in severe financial difficulties.

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

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. All bank deposits have been pledged to secure bank overdrafts and bank borrowings. The pledged deposits carried interest at prevailing market rates ranging from 0.01% to 0.06% per annum during the year ended 31 March 2017 (2016: 0.01% to 0.16%).

During the year ended 31 March 2017, bank balances carried interest at prevailing market rates ranging from 0.01% to 3.87% (2016: 0.01% to 3.48%) per annum.

During the year ended 31 March 2017, bank overdrafts carried interest at 1-month HIBOR plus 1.25% (2016: 1-month HIBOR plus 1.25%) per annum.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS (continued)

As at 31 March 2017, all the bank overdrafts were secured by bank deposits with aggregate principal amount of not less than HK\$4,180,000 (2016: HK\$4,180,000).

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

	2017 HK\$'000	2016 HK\$'000
USD	92	24

23. TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	17,968	51,094
Receipts in advance	23,054	32,566
Accrued expenses and other payables	21,209	24,230
	62,231	107,890

The average credit period on trade payables is 30 days (2016: 30 days). The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
Within 60 days	15,299	47,548
61–90 days	38	1,335
Over 90 days	2,631	2,211
	17,968	51,094

As at 31 March 2016, included in trade payables were approximately HK\$25,720,000 (2017: nil) which were denominated in USD.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

24. BANK BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Variable rate bank borrowings:		
— Mortgage loans	70,209	60,441
— Others	28,043	19,500
Variable rate trust receipt borrowings	52,724	131,113
	150,976	211,054
Secured	101,369	119,500
Unsecured	49,607	91,554
	150,976	211,054

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

	2017 HK\$'000	2016 HK\$'000
Within one year	86,981	155,918
After one year but within two years	6,267	5,338
After two years but within five years	19,142	16,223
After five years	38,586	33,575
	150,976	211,054
Carrying amount of bank borrowings that are repayable on demand or within one year	86,981	155,918
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)	63,995	55,136
	150,976	211,054

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

24. BANK BORROWINGS (continued)

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

	2017	2016
Variable rate bank borrowings	1.71%–2.24%	1.52%–2.24%

- (b) The bank borrowings are all denominated in HK\$.
- (c) As at 31 March 2017, secured bank borrowings of approximately HK\$101,369,000 (2016: HK\$119,500,000) were secured by leasehold land and buildings included in property, plant and equipment and investment property with carrying amounts of approximately HK\$181,631,000 (2016: HK\$187,635,000) and HK\$41,537,000 (2016: nil) respectively.

25. LONG SERVICE PAYMENT OBLIGATIONS

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

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

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2017 by Asset Appraisal Limited, a member of The Hong Kong Institution of Surveyors. The present value of the defined benefit obligation, and the related service cost, were measured using the projected unit credit method.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

25. LONG SERVICE PAYMENT OBLIGATIONS (continued)

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

	2017 HK\$'000	2016 HK\$'000
At the beginning of the year	2,163	1,314
Charged to profit or loss	313	359
Actuarial (gain) loss recognised in other comprehensive income	(294)	339
Benefits refund during the year	58	151
At the end of the year	2,240	2,163

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

	2017 HK\$'000	2016 HK\$'000
At the beginning of the year	2,163	1,314
Current service cost	300	358
Interest cost	13	1
Remeasurement (gain) loss:		
Actuarial (gain) loss recognised in other comprehensive income	(294)	339
Benefits refund during the year	58	151
At the end of the year	2,240	2,163

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

	2017 HK\$'000	2016 HK\$'000
Current service cost	300	358
Net interest expense	13	1
Components of defined benefit costs recognised in profit or loss (included in staff costs)	313	359

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

25. LONG SERVICE PAYMENT OBLIGATIONS (continued)

Remeasurement on the net defined benefit liability:

	2017 HK\$'000	2016 HK\$'000
Actuarial (gain) loss arising from changes in financial assumptions	(294)	339
Components of defined benefit costs recognised in other comprehensive income	(294)	339

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

	2017 HK\$'000	2016 HK\$'000
Cumulative amount of actuarial losses at the beginning of the year	381	42
Net actuarial (gain) loss during the year	(294)	339
Cumulative amount of actuarial losses at the end of the year	87	381

As at 31 March 2017 and 2016, the amounts are calculated based on the principal assumptions stated as below:

	2017	2016
Annual salary increment	3.99%	4.04%
Turnover rate	33.33%–42.49%	3.75%–30.76%
MPF return rate	3.50%	3.86%
Discount rate	0.608%–1.676%	0.286%–1.496%

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

If the discount rate is 100 basis points higher (lower), the long service payment obligations would decrease by approximately HK\$237,000 (increase by approximately HK\$280,000) (2016: decrease by approximately HK\$169,000 (increase by approximately HK\$192,000)).

If the annual salary increment increases (decreases) by 100 basis points, the long service payment obligations would increase by approximately HK\$1,002,000 (decrease by approximately HK\$700,000) (2016: increase by approximately HK\$701,000 (decrease by approximately HK\$549,000)).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

25. LONG SERVICE PAYMENT OBLIGATIONS (continued)

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

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior year.

The weighted average duration of the long service payment obligations is 27 (2016: 25) years.

26. DEFERRED TAXATION

	2017 HK\$'000	2016 HK\$'000
Deferred tax liabilities	3,209	4,157

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

	Accelerated tax depreciation HK\$'000	Deferred employee benefits HK\$'000	Total HK\$'000
As at 1 April 2015	3,318	774	4,092
Charged (credited) to the consolidated statement of profit or loss and other comprehensive income (<i>note 11</i>)	180	(115)	65
As at 31 March 2016 and 1 April 2016	3,498	659	4,157
Credited to the consolidated statement of profit or loss and other comprehensive income (<i>note 11</i>)	(945)	(3)	(948)
As at 31 March 2017	2,553	656	3,209

At 31 March 2017, the Group had unused tax losses of approximately HK\$7,111,000 (2016: HK\$3,881,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward definitely.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

26. DEFERRED TAXATION (continued)

At 31 March 2017, the Group had deductible temporary differences of approximately HK\$495,000 (2016: HK\$688,000). At 31 March 2017, no deferred asset has been recognised in relation to such deductible temporary difference and it is not considered probable that taxable profits will be available against which such deductible temporary differences can be utilised.

27. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share Capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017		10,000,000,000	100,000
Issued and fully paid:			
At 1 April 2015		400,000,000	4,000
Issue of shares upon:			
Exercise of share options	(a)	50,000	1
At 31 March 2016 and 1 April 2016		400,050,000	4,001
Issue of shares upon:			
Exercise of share options	(b)	2,891,000	29
At 31 March 2017		402,941,000	4,030

Notes:

- (a) 50,000 share options were exercised during the year resulted in the issue of 50,000 ordinary shares of the Company and increase in share capital of approximately HK\$1,000, as further detailed in note 28.
- (b) 2,891,000 share options were exercised during the year resulted in the issue of 2,891,000 ordinary shares of the Company and increase in share capital of approximately HK\$29,000, as further detailed in note 28.

All shares issued during the year ended 31 March 2017 rank *pari passu* with existing shares in all respects.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

28. SHARE OPTION SCHEME

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

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

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

At 31 March 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 741,000 (2016: 3,796,000), representing approximately 0.18% (2016: 0.95%) of the shares of the Company in issue at that date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

28. SHARE OPTION SCHEME (continued)

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

For the year ended 31 March 2017

Grantees	Date of grant	Exercisable period	Exercise price	Number of share options				
				Outstanding at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2017
Directors	7 July 2015	7 July 2015– 6 July 2018	HK\$2.22	60,000	—	(30,000)	—	30,000
Employees	7 July 2015	7 July 2015– 6 July 2018	HK\$2.22	3,736,000	—	(2,861,000)	(164,000)	711,000
Total				3,796,000	—	(2,891,000)	(164,000)	741,000
Exercisable at the end of the year								741,000
Weighted average exercise price				HK\$2.22	—	HK\$2.22	HK\$2.22	HK\$2.22

For the year ended 31 March 2016

Grantees	Date of grant	Exercisable period	Exercise price	Number of share options				
				Outstanding at 1 April 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2016
Directors	7 July 2015	7 July 2015– 6 July 2018	HK\$2.22	—	60,000	—	—	60,000
Employees	7 July 2015	7 July 2015– 6 July 2018	HK\$2.22	—	4,536,000	(50,000)	(750,000)	3,736,000
Total				—	4,596,000	(50,000)	(750,000)	3,796,000
Exercisable at the end of the year								3,796,000
Weighted average exercise price				—	HK\$2.22	HK\$2.22	HK\$2.22	HK\$2.22

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

28. SHARE OPTION SCHEME (continued)

During the year ended 31 March 2016, there were 656,000 share options from the non-acceptance by the employees at the date of grant included in the number of share options lapsed.

In respect of the share option exercised during the year ended 31 March 2017, the weighted average share price at the dates of exercise is HK\$3.56 (2016: HK\$2.24).

The Group recognised the total expense of approximately HK\$2,260,000 for the year ended 31 March 2016 in relation to share options granted by the Company. No share option was granted during the year ended 31 March 2017.

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

Options granted on 7 July 2015

Underlying stock price	HK\$1.98
Exercise price	HK\$2.22
Contractual Option Life	3 years
Risk-free rate	0.62%
Expected dividend yield	2.60%
Expected volatility of underlying share	78.48%
Exercise multiple	Directors: 2.47 Employees: 1.6
Exit rate	Directors: 0% Employees: 10%
Estimated fair value for each share option	Directors: HK\$0.81 Employees: HK\$0.57

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Non-current asset			
Investment in a subsidiary		34,068	34,161
Current assets			
Amounts due from subsidiaries	<i>(i)</i>	358,856	319,528
Bank balance		35	4
		358,891	319,532
Current liabilities			
Other payables		102	119
Tax payable		—	141
Amounts due to subsidiaries	<i>(i)</i>	210,869	143,621
		210,971	143,881
Net current assets		147,920	175,651
Total assets less current liabilities		181,988	209,812
Capital and reserves			
Share capital	<i>27</i>	4,030	4,001
Reserves	<i>(ii)</i>	177,958	205,811
		181,988	209,812

Notes:

- (i) The amounts are unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

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

Notes: (continued)

(ii) Reserves

	Share premium HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2015	87,363	31,956	—	28,347	147,666
Profit and total comprehensive income for the year	—	—	—	83,833	83,833
Dividends	—	—	—	(28,004)	(28,004)
Equity-settled share option expense (note 28)	—	—	2,260	—	2,260
Effect of share options					
— Shares issue upon exercise (note 27)	139	—	(29)	—	110
— Lapse	—	—	(54)	—	(54)
At 31 March 2016 and 1 April 2016	87,502	31,956	2,177	84,176	205,811
Profit and total comprehensive income for the year	—	—	—	38,154	38,154
Dividends	—	—	—	(72,303)	(72,303)
Effect of share options					
— Shares issue upon exercise (note 27)	8,044	—	(1,655)	—	6,389
— Lapse	—	—	(93)	—	(93)
At 31 March 2017	95,546	31,956	429	50,027	177,958

30. ACQUISITION OF A SUBSIDIARY

On 15 April 2016, Telecom Service Network Limited ("TSN"), a wholly-owned subsidiary of the Company, completed the acquisition of 72% equity interest in Distribution One, from an independent third party, at a cash consideration of HK\$3,600,000. This acquisition has been accounted for using the acquisition method. Distribution One is engaged in the provision of distribution services and the purpose of the acquisition is to expand the Group's distribution business.

No acquisition-related cost has been incurred from the above acquisition.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	15 April 2016 HK\$'000
Inventories	247
Prepayment	439
Amount due from non-controlling shareholder	5,000
Bank balances	3,475
Trade payables	(8)
Other payables	(2,252)
Receipts in advance	(1,902)
Net assets at the date of the acquisition	4,999

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

30. ACQUISITION OF A SUBSIDIARY (continued)

	15 April 2016
	HK\$'000
Consideration transferred	3,600
Add: non-controlling interest (28% equity interest in Distribution One)	1,399
Less: net assets acquired	(4,999)
Goodwill arising on acquisition	—

The non-controlling interest in Distribution One was measured by proportionate share of the net assets of Distribution One.

Net cash outflow from the acquisition of Distribution One is as follows:

	15 April 2016
	HK\$'000
Cash consideration paid	3,600
Less: bank balances acquired	(3,475)
	125

Included in the profit for the year is approximately HK\$652,000 attributable to the business generated by Distribution One. Revenue for the year included approximately HK\$80,610,000 generated from Distribution One.

Had the acquisition been completed on 1 April 2016, total revenue of the Group for the year would have approximately HK\$1,092,633,000, and profit for the year would have been approximately HK\$95,749,000. The pro forma information is for illustrative purposes only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

31. OPERATING LEASES COMMITMENTS

The Group as lessee

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

	2017 HK\$'000	2016 HK\$'000
Within one year	52,557	39,000
In the second to fifth year, inclusive	27,940	33,046
	80,497	72,046

The Group leases certain of its office premises, transmission stations and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three years (2016: one to three years) with fixed rentals as at 31 March 2017.

The Group as lessor

Rental income earned during the year ended 31 March 2017 was approximately HK\$4,256,000 (2016: HK\$3,227,000). The office premises, transmission stations, warehouse and service outlets are rented to third parties under operating leases with leases negotiated for a term of one to two years (2016: one to two years) as at 31 March 2017.

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

	2017 HK\$'000	2016 HK\$'000
Within one year	499	2,408
In the second to fifth year, inclusive	—	1,234
	499	3,642

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

32. CAPITAL COMMITMENTS

	2017 HK\$'000	2016 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	22,181	3,431

33. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and its employees makes monthly contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK\$1,500 (2016: HK\$1,500) per month.

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

During the year ended 31 March 2017, the total expenses charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK\$6,849,000 (2016: HK\$5,687,000) represented contributions payable to the scheme by the Group.

34. EVENTS AFTER THE REPORTING PERIOD

- (a) On 9 May 2017, the subsidiary of the Company completed the purchase of a property from an independent third party at a cash consideration of HK\$25,000,000. The property was classified as leasehold land and buildings under property, plant and equipment at the date of the completion. Further details are set out in the announcements of the Company dated 14 March 2017 and 9 May 2017.
- (b) On 10 May 2017, the shares of the Company, which have been listed on the GEM of the Stock Exchange with effect from 30 May 2014, have been transferred to Main Board of the Stock Exchange. Further details are set out in the announcements of the Company dated 25 August 2016, 28 February 2017, 1 March 2017 and 28 April 2017.
- (c) On 21 June 2017, a wholly-owned subsidiary of the Company signed a provisional agreement for the purchase of a property with an independent third party at a consideration of HK\$30,000,000. Further details of the acquisition are set out in the announcement of the Company dated 21 June 2017.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

35. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of company	Nature of transactions	Notes	2017 HK\$'000	2016 HK\$'000
Related companies				
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	4,779	4,034
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	824	833
H.K.Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	102	102
Radiotex International Limited	Purchase of goods therefrom	(i) & (iii)	—	9,111
Silicon Creation Limited	Rental expenses paid thereto	(ii) & (iii)	5,291	5,078
	Repair service fee paid thereto	(i) & (iii)	720	360
SUN Mobile	Service fee income received therefrom	(i) & (iii)	360,605	291,774
	Promotion income received therefrom	(i) & (iii)	2,662	288
Telecom Digital Securities Limited	Subscription fee income received therefrom	(i) & (iii)	1,226	1,159
	Consultancy fee income received therefrom	(i) & (iii)	300	300
	Technical support service income received therefrom	(i) & (iii)	120	120
	Sub-letting income received therefrom	(ii) & (iii)	79	197
Telecom Properties Investment Limited	Rental expenses paid thereto	(ii) & (iii)	1,859	1,758
Telecom Service Limited	Rental expenses paid thereto	(ii) & (iii)	915	832
Telecom Service One Limited	Repairs and maintenance fee paid thereto	(i) & (iii)	5,846	9,139
	Consignment fee received therefrom	(i) & (iii)	961	2,093
	Logistic fee income received therefrom	(i) & (iii)	741	1,246
	Sub-letting income received therefrom	(ii) & (iii)	502	125
	Sales of goods thereto	(i) & (iii)	30	—

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Details of amounts due from related companies are as follows:

	Notes	As at 31 March		Maximum amount During the year ended 31 March	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Telecom Digital Securities Limited	(iii) & (iv)	59	8	227	57
Telecom Service One Limited	(iii) & (iv)	—	54	—	54
Telecom Service Limited	(iii) & (iv)	1,136	—	1,136	—
Silicon Creation Limited	(iii) & (iv)	9	—	9	—
		1,204	62		

Details of amounts due to related companies are as follows:

	Notes	2017 HK\$'000	2016 HK\$'000
Glossy Enterprises Limited	(iii) & (iv)	12	—
Silicon Creation Limited	(iii) & (iv)	—	60
Telecom Service One Limited	(iii) & (iv)	2,274	—
		2,286	60

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.
- (ii) The rental income, sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.
- (iii) Cheung Brothers, the directors of the Company, have direct or indirect beneficial interests in the relevant parties.
- (iv) The amounts are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) The amount due from an associate is trade in nature, unsecured, interest-free with 7 days (2016: 7 days) credit term and aged within 30 days (2016: 30 days). The amount was neither past due nor impaired.

(c) Compensation of key management personnel

The remuneration of key management during the years ended 31 March 2017 and 2016 was as follow:

	2017 HK\$'000	2016 HK\$'000
Short-term benefits	9,139	9,130
Post-employment benefits	250	250
	9,389	9,380

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

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ operation	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Company				Principal activities
				Direct		Indirect		
				2017	2016	2017	2016	
Anton Sunrise Limited	Hong Kong 18 November 2016	Ordinary	HK\$1	—	—	100%	—	Property Investment
Carries Technology Limited	Hong Kong 30 June 1987	Ordinary	HK\$300,000	—	—	100%	100%	Installation, provision of maintenance and management services for paging transmission stations
CKK Properties Limited	Hong Kong 19 January 1990	Ordinary	HK\$1,000	—	—	100%	100%	Property investment
Distribution One	Hong Kong 16 February 2016	Ordinary	HK\$100	—	—	72%	—	Provision of distribution services
F1 Global Limited	Hong Kong 20 February 2017	Ordinary	HK\$10	—	—	80%	—	E-commerce business

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2017

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place and date of incorporation/ operation	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Company				Principal activities
				Direct		Indirect		
				2017	2016	2017	2016	
Gold Hill Limited	Hong Kong 1 June 2016	Ordinary	HK\$1	—	—	100%	—	Property investment
Mango Limited	Hong Kong 5 August 2002	Ordinary	HK\$1,000	—	—	100%	100%	Provision of technical support activities
Telecom Digital 2 Limited	Hong Kong 7 August 2002	Ordinary	HK\$1,000	—	—	100%	100%	Provision of telecommunications services
Telecom Digital Data Limited	Hong Kong 3 September 1999	Ordinary	HK\$5,000,000	—	—	100%	100%	Trading of telecommunications products and provision of paging services, maintenance services and two-way wireless data services
Telecom Digital Investment Limited	BVI 12 March 2014	Ordinary	US\$1	100%	100%	—	—	Investment holding
Telecom Digital Mobile Limited	Hong Kong 27 August 2001	Ordinary	HK\$1,000	—	—	100%	100%	Provision of operation services
Telecom Digital Services Limited	Hong Kong 17 September 2001	Ordinary	HK\$1,000	—	—	100%	100%	Provision of management consultancy and professional services, sales of telecommunications products and provision of telecommunications services
Telecom (Macau) Limited	Macau 15 June 1977	Ordinary	MOP100,000	—	—	100%	100%	Trading of telecommunications products and provision of paging services
TSN	Hong Kong 3 September 1999	Ordinary	HK\$1,000	—	—	100%	100%	Provision of distribution services

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

Financial Summary

	Year ended 31 March				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	1,092,263	1,428,914	1,358,304	1,198,346	1,091,089
Cost of inventories sold	(630,220)	(1,002,971)	(980,125)	(832,569)	(747,514)
Staff costs	(169,153)	(141,632)	(121,003)	(109,882)	(119,051)
Depreciation	(24,846)	(22,958)	(20,865)	(17,707)	(12,996)
Other income	6,078	6,241	8,491	12,261	6,825
Other operating expenses	(193,775)	(190,425)	(172,045)	(182,454)	(182,089)
Reversal of impairment loss recognised in respect of interest in an associate	—	—	—	—	9,646
Share of result of an associate	32,502	31,971	28,428	23,295	12,983
Finance costs	(3,448)	(5,437)	(3,938)	(4,123)	(4,352)
Profit before tax	109,401	103,703	97,247	87,167	54,541
Income tax expense	(13,659)	(13,934)	(10,430)	(6,429)	(4,157)
Profit for the year	95,742	89,769	86,817	80,738	50,384
Profit for the year attributable to:					
Owners of the Company	95,593	89,769	86,817	80,738	50,384
Non-controlling Interests	149	—	—	—	—
Earnings per share (HK\$)					
Basic	0.24	0.22	0.23	0.27	0.17
Diluted	0.24	0.22	0.23	0.27	0.17
ASSETS AND LIABILITIES					
Total assets	494,573	566,995	595,265	408,902	698,212
Total liabilities	(229,337)	(331,909)	(423,976)	(270,368)	(639,922)
	265,236	235,086	171,289	138,534	58,290
Equity attributable to owners of the Company	265,088	235,086	171,289	138,534	58,290
Non-controlling interests	148	—	—	—	—
	265,236	235,086	171,289	138,534	58,290