Telecom Service One Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8145

TSO
Telecom Service One

ANNUAL REPORT 2012/13

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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

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

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Board of Directors

Chairman and Non-executive Director

Cheung King Shek

Executive Director

Cheung King Fung Sunny

Non-executive Directors

Cheung King Shan
Cheung King Chuen Bobby

Independent Non-executive Directors

Hui Ying Bun
Fong Ping
Kwok Yuen Man Marisa
Chu Kin Wang Peleus

Company Secretary

Lam Yuen Ling Eva *ACS, ACIS*

Compliance Officer

Cheung King Fung Sunny

Board Committee

Audit Committee

Chu Kin Wang Peleus (Chairman)
Hui Ying Bun
Fong Ping
Kwok Yuen Man Marisa

Nomination Committee

Hui Ying Bun (Chairman)
Fong Ping
Kwok Yuen Man Marisa
Chu Kin Wang Peleus

Remuneration Committee

Fong Ping (Chairman)
Hui Ying Bun
Kwok Yuen Man Marisa
Chu Kin Wang Peleus

Authorised Representatives

Cheung King Fung Sunny
Lam Yuen Ling Eva

Company's Website

www.tso.cc

Corporate Information

Auditor

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

Legal Adviser

Philip KY Lee & Co
Suite 1203, 12/F.,
Shanghai Industrial Investment Building,
60 Hennessy Road,
Wanchai, Hong Kong

Compliance Adviser

China Everbright Capital Limited
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong

Registered Office

Clifton House, 75 Fort Street,
PO Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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

Principal Place of Business in Taiwan

Unit A, 11/F, Wanbang Commercial Building,
No. 230, Section 4, Zhongxiao East Road,
Daan District,
Taipei City, Taiwan

Principal Bankers

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

Chong Hing Bank Limited
Chong Hing Bank Centre,
24 Des Voeux Road Central,
Hong Kong

Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Ltd.
Clifton House,
75 Fort Street,
PO Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18/F., Fook Lee Commercial Centre,
Town Place, 33 Lockhart Road,
Wanchai, Hong Kong

Principal Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

8145

Chairman's Statement

Dear Shareholders

On behalf of the Board of Directors (the "Board") of Telecom Service One Holdings Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2013.

Business Overview

Our Group is a well-established repair service provider in Hong Kong, with an operating history since 1999. The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. We have been appointed by corporate customers comprising manufacturers of mobile phones and personal electronic products, telecommunication service providers and global services companies as their service provider to provide repair and refurbishment services for their products and to their customers. The Group's repair and refurbishment services primarily cover mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles.

The consumer electronics market was boosted by the growing popularity of smartphones. Being one of the major repair service providers for mobile phones in Hong Kong, the Group has benefited from such promising trend. During the last few years, handset experienced a considerable growth in sales volume and increase in average selling price, which cast significant influence over the Group's overall revenue.

We experienced continuous growth in revenue during the two years ended 31 March 2012 and 2013 as a result of the increasing sales volume of mobile phones. Our Group's turnover increased from approximately HK$69.6 million to approximately HK$78.5 million, representing a growth of 12.8%. Profit attributable to equity holders of our Group was approximately HK$1.5 million in 2012/13, representing a decrease of 89.3% over 2011/12 which was mainly due to the listing expenses incurred during the year.

Future Prospect

2013 was an important milestone for the Group. On 30 May 2013, the Company was successfully listed on the GEM of the Stock Exchange ("Listing"), which provided a platform for the Group to gain access to the capital market to facilitate future growth. Moreover, the successful Listing enhanced our reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for our further expansion. I would like to once again thank all the professional parties and our management team for their joint efforts in making the Listing of our Group a success.

We will continue to maintain our business growth and expand our business by the implementation of various future plans and growth strategies. We will continue strengthening our leading position in the industry by enhancing the scope of the Group's repair and refurbishment services, strengthening the product knowledge and technical capability and expanding the accessories business, so that we can strengthen our customer base and accelerate our business growth.

Appreciation

Last but not the least, the Board would like to express sincere thanks to our customers, business partners, suppliers and shareholders for their persistent support to the Group, and our appreciation for the efforts and endeavors made by our management and staffs during the past year to achieve remarkable results for the Group.

Cheung King Shek
Chairman and Non-executive Director
Hong Kong, 24 June 2013

Management Discussion and Analysis

Industry Overview

Mobile phone has become an important tool for the use of internet and smartphone market in Hong Kong exhibited a splendid development, which ornamented the global smartphone and related industry with amazing results. Over the years, Hong Kong has developed comprehensive and efficient information and communication technology ("ICT") infrastructure. The number of public mobile subscribers had more than doubled over the past decade, reaching approximately 16.5 million in January 2013. The mobile subscriber penetration rate was 229.6%, making Hong Kong one of the places with the highest penetration rates in the world.

Moreover, the value of the imports of ICT goods increased at an average rate of 13.7% per annum between 2008 and 2012. The demand for the Group's repair and refurbishment services for mobile phones and personal electronic products is largely driven by the demand for those goods.

The Directors consider that the market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is highly fragmented and competitive. Repair and refurbishment service providers, including (i) business-to-business service providers and authorized service providers (such as the Group); and (ii) business-to-customers service providers operating their shops in shopping centres, compete with each other through brand recognition and reputation, pricing and customer service quality.

During the year, the Group conducted efficient analysis on market information, adopted timely and appropriate contingent strategies, capitalized on market opportunities, expanded customer base and therefore further promoted the Group's integrated competitiveness.

Business Review

The Group is a well-established repair service provider in Hong Kong and Taiwan, with an operating history since 1999. Our business objective, as stated in our prospectus in relation to our placing and Listing issued on 23 May 2013 (the "Prospectus"), is to boost the growth by enhancing the scope of the Group's repair and refurbishment services, strengthening the product knowledge and technical capability and expanding the scale of accessories business.

During the year, the Group opened a new service centre and expanded the size of another service centre. It recorded revenue of approximately HK$73.5 million from repair service which increased 7.4% from that of last year. Besides focusing on growing its more well established repair business, the Group, in the last quarter of the year, also commenced expanding the scale of accessories business by selling accessories to mobile manufacturers and adding more points of sale. The revenue from accessories business increased 328.7% to approximately HK$5.0 million in 2012/13. However, the profit attributable to equity holders of the Company was decreased to approximately HK$1.5 million as compared with a profit of approximately HK$14.1 million in the previous year. The primary reason for the variance is attributed to the listing expenses incurred for the year.

The Directors believe that enhancing the scope of the Group's repair and refurbishment services is the key to the Group's long-term success. In the past, the Group has expanded the range of personal electronic products covered by its repair and refurbishment services from mobile phones and pagers to personal and tablet computers, portable media players, video game consoles and handheld game consoles. In particular, since certain corporate customers of the Group manufacture personal electronic products other than mobile phones, such as tablet computers, notebook computers, digital photo frames, digital cameras, etc., the Group may, leveraging on the established business relationship with such customers, enhance its scope of repair and refurbishment services provided to them to cover the other personal electronic products of those corporate customers.

Financial Review

	2012/13 HK$'000	2011/12 HK$'000
Revenue	78,513	69,581
Gross Profit	32,355	30,640
Net Profit	1,509	14,076

The Group's revenue for the year of 2012/13 was approximately HK$78.5 million, representing an increase of 12.8% over the previous year. The increase in the Group's revenue was in line with the Group's track record in delivering consistent growth over the years.

Revenue by Segment

	2012/13 HK$'000	2011/12 HK$'000	Change (%)	2012/13 % of total revenue	2011/12 % of total revenue
Repairing service income	73,476	68,406	7.4%	93.6%	98.3%
Sales of accessories	5,037	1,175	328.7%	6.4%	1.7%
	78,513	69,581	12.8%	100.0%	100.0%

Revenue from repair business was the principal source of revenue of the Group and it contributed 93.6% of the Group's total revenue in 2012/13, it is expected to continue to be our principal source of revenue in the future. Revenue from repair business represented the amount generated from provision of repair and refurbishment services for mobile phones and other personal electronic products.

Included in the amount of revenue was approximately HK$5.0 million (2011/12: HK$1.2 million) generated from the accessories business, which represented a significant increase of 328.7% from that of 2011/12. The Group is actively expanding the scale of accessories business by selling accessories to mobile manufacturers as gifts or premium to their customers. In addition, the Group also sell accessories at its customer service centres and at the retail shops of its related company namely Telecom Digital Mobile Limited on a consignment basis.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year, cost of sales increased to approximately HK$46.2 million (2011/12: HK$38.9 million), representing an increase of 18.5%. The increase in cost of sales was mainly attributable to the increase in direct labour cost and the parts price appreciation. The Group's direct labour cost was approximately HK$32.1 million (2011/12: HK$28.7 million), representing an increase of 11.8% from that of 2011/12.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year of 2012/13 was approximately HK$32.4 million. Gross profit margin decreased by 2.8% to 41.2% from 44.0%. The decrease was mainly due to the increase in cost of sales.

Other Income

Other income increased from approximately HK$0.9 million in the previous financial year to approximately HK$2.5 million for the year ended 31 March 2013. The main reason for the increase came from the gain on disposals of plant and equipment of approximately HK$1.3 million.

Net Operating Expenses and Administrative Expenses

The Group's total net operating expenses and administrative expenses for the year 2012/13 were approximately HK$31.0 million (2011/12: HK$14.7 million), representing an increase of 110.2% over the previous year, due to the followings:

(1) Increase in rentals as the Group opened its central repair centre in Kwai Chung in February 2012, and during the year, it opened a new service centre in Kwai Fong and expanded the size of another service centre in Mongkok. The Group's expenses on rentals for the year 2012/13 were approximately HK$10.2 million (2011/12: HK$5.7 million), representing an increase of 80.2% from that of 2011/12.

(2) Increase in depreciation due to the set-up of new repair and service centres; and

(3) Approximately HK$8.3 million one-time expenses in relation to the Group's Listing.

Profit before Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of approximately HK$3.4 million for the year ended 31 March 2013, representing an decrease of 79.4% from approximately HK$16.7 million in the previous financial year.

Income Tax Expense

Income tax expense decreased from approximately HK$2.6 million in the previous financial year to approximately HK$1.9 million for the year ended 31 March 2013.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position as at 31 March 2013. The Group had cash and cash equivalents of HK$5.2 million as at 31 March 2013 (2011/12: HK$2.6 million). Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the Placing to meet potential needs for business expansion and development. As at 31 March 2013, the Group had bank borrowing of HK$5 million and the unutilized bank facilities of HK$25.2 million available for further draw down should it have any further capital needs.

Gearing Ratio

The gearing ratio of the Group, calculated as total debt over total equity, was approximately 14.6% as at 31 March 2013 (2011/12: 31.1%).

Contingent Liabilities

As at 31 March 2013, the Group had no material contingent liabilities. (2011/12: Nil).

Foreign Currency Risk

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

Capital Commitments

As at 31 March 2013, the Group did not have any significant capital commitments (2011/12: Nil).

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2013 (2011/12: Nil).

Management Discussion and Analysis

Capital Structure

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

The management 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.

Significant Investments Held

Except for investments in subsidiaries, during the year ended 31 March 2013, the Group did not hold any significant investment in equity interest in any other company and did not own any properties.

Human Resources

As at 31 March 2013, the Group employed approximately 177 (2011/12: 167) 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.

Directors and Senior Management

Chairman and Non-executive Director

Mr. Cheung King Shek, aged 61, was appointed as a Director in August 2012 and appointed as Chairman and re-designated as Non-executive Director on 30 April 2013 and is responsible for advising on overall strategic planning and management of the Group. Mr. Cheung has been a Director of Telecom Service One Limited ("TSO"), a wholly owned subsidiary of the Company since April 1987. He has been an executive director of the group of companies (collectively known as "Telecom Digital Group") which are ultimately owned by Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (the "Cheung Brothers") since September 1982 and is the chairman of Telecom Digital Group. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of Telecom Digital Group. Mr. Cheung brings to Telecom Digital 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, Telecom Digital Group has grown to be a versatile service provider in the telecommunications industry, providing services in mobile communications, 2-way data, paging and information broadcasting. Mr. Cheung 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. From 2002 to 2012, Mr. Cheung was a committee member of Chinese People Political Consultative Conference of Guangdong Province. Mr. Cheung is an honorary citizen of Swatow City. He is the elder brother of Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby, the Non-executive Directors, and Mr. Cheung King Fung Sunny, the Executive Director.

Executive Director

Mr. Cheung King Fung Sunny, aged 45, was appointed as a Director in August 2012 and re-designated as Executive Director on 30 April 2013 and is primarily responsible for managing the Group's relationship with the customers and exploring new business opportunities for the Group. Mr. Cheung has been a Director of TSO since June 1999. Mr. Cheung joined Telecom Digital Group in 1991 and is an executive director of Telecom Digital Group, responsible for overseeing the areas of finance and operation, management information system and technical support of Telecom Digital Group. Mr. Cheung graduated from the University of Western Ontario in Canada with a bachelor's degree in administrative and commercial studies in October 1990. He is a committee member of Chinese People Political Consultative Conference of Guangzhou City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, the Chairman and Non-executive Director, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby, the Non-executive Directors.

Non-executive Directors

Mr. Cheung King Shan, aged 54, was appointed as a Director in August 2012 and re-designated as Non-executive Director on 30 April 2013 and is advising on marketing and sales strategies. Mr. Cheung has been a Director of TSO since June 1999. He joined Telecom Digital Group in 1983 and is an executive director of Telecom Digital Group, responsible for the overall planning and formulation of the its marketing and sales strategies in line with its sales and corporate targets, and plays a major role in the growth of the sales volume and customer base. Mr. Cheung graduated from the Carleton University in Ottawa, Canada with a bachelor's degree in art in November 1983. He is a committee member of Chinese People Political Consultative Conference of Dongguan City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, the Chairman and Non-executive Director, and the elder brother of Mr. Cheung King Chuen Bobby, the Non-executive Director, and Mr. Cheung King Fung Sunny, the Executive Director.

Directors and Senior Management

Mr. Cheung King Chuen Bobby, aged 54, was appointed as a Director in August 2012 and re-designated as Non-executive Director on 30 April 2013 and is advising on administrative operation. Mr. Cheung has been a Director of TSO since April 1987. He joined Telecom Digital Group in 1984 and is an executive director 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 obtained a bachelor degree in art in urban planning studies and a postgraduate diploma in urban planning implementation from the University of Westminster in London in 1983 and 1984 respectively. Mr. Cheung is a committee member of Chinese People Political Consultative Conference of Swatow City, and an honorary citizen of Swatow City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, the Chairman and Non-executive Director, and Mr. Cheung King Shan, a Non-executive Director, and the elder brother of Mr. Cheung King Fung Sunny, the Executive Director.

Independent Non-executive Directors

Mr. Hui Ying Bun, aged 66, was appointed as an Independent Non-executive Director on 30 April 2013. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. Hui has been a non-executive director of Dah Chong Hong Holdings Limited ("DCH Holdings"), a company listed on the Main Board of the Stock Exchange with stock code of 1828, since January 2012. He has also been the chairman of DCH Holdings since July 2007 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's chief Executive since January 2003. Mr. Hui has more than 40 years experience in motor vehicle businesses and corporate management.

Mr. Fong Ping, aged 63, was appointed as an Independent Non-executive Director on 30 April 2013. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr. Fong has over 26 years of experience in garment and jewelry industries. Mr. Fong is the chairman of Kwai Tsing District Council, an observer of Independent Police Complaints Council. Mr. Fong is also a committee member of Chinese People Political Consultative Conference of Guangdong Province and a standing committee member of Chinese People Political Consultative Conference of Swatow City. Since 15 June 2012, he has been an independent non-executive director of TC Orient Lighting Holdings Limited (stock code: 515), the shares of which are listed on the Main Board of the Stock Exchange.

Ms. Kwok Yuen Man Marisa, aged 58 was appointed as an Independent Non-executive Director on 30 April 2013. She is a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. She has over 10 years of experience in holding senior managerial roles in telecommunication industry. She joined Cable & Wireless HKT Limited in April 1982 and left the company in February 2000 when she was the director of corporate market. In 2001, she joined Hong Kong CSL Limited as director, marketing and operations and left the company in June 2004. She later joined PCCW-HKT Limited as managing director, commercial group from June 2004 to February 2006. From June 2006 to March 2007, she was the managing director of Boyden China Limited, a global Executive search firm. From March 2007 to March 2011, Ms. Kwok was the general manager, marketing unit HK & Macau, of Sony Ericsson Mobile Communications International AB. Currently, Ms. Kwok is a director of Rich Gain Worldwide Limited, which is principally engaged in retail of apparel, leather goods & accessories. She holds a bachelor of arts honours degree in business administration from the University of Western Ontario.

Mr. Chu Kin Wang Peleus, aged 48, was appointed as an Independent Non-executive Director on 30 April 2013. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company. Mr. Chu has over 20 years of experience in corporate finance, auditing, accounting and taxation. Since 1 December 2008, he has been the executive director of Chinese People Holdings Limited (stock code: 681), a company listed on the Main Board of the Stock Exchange. During the period from September 2005 to March 2007, Mr. Chu was an executive director of Mastermind Capital Limited (stock code: 905), a company listed on the Main Board of the Stock Exchange and known as Haywood Investments Limited during the relevant period. He was the company secretary of Hong Long Holdings Limited (stock code: 1383), a company listed on the Main Board of the Stock Exchange, responsible for corporate finance, financial reporting and compliance and company secretarial matters from 2007 to 2010. Mr. Chu has been or was an independent non-executive director of the following companies listed on the Main Board or GEM of the Stock Exchange:

- EDS Wellness Holdings Limited (stock code: 8176) since 5 March 2012
- China Vehicle Components Technology Holdings Limited (stock code: 1269) since 19 October 2011
- Flyke International Holdings Ltd. (stock code: 1998) since 24 February 2010
- Huayu Expressway Group Ltd. (stock code: 1823) since 21 May 2009
- EYANG Holdings (Group) Co., Limited (stock code: 117) since 16 April 2007
- Sustainable Forest Holding Limited (stock code: 723) from 31 January 2008 to 31 August 2010

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

Senior Management

Ms. Lee Wing Tsz, aged 44, was appointed as the Chief Financial Officer of the Group in August 2012 and is primarily responsible for the financial management of the Group. Ms. Lee worked for Telecom Digital Services Limited as its group financial controller from September 2009 to August 2012. Since August 2012, Ms. Lee has been under the Group's employment but not the other businesses of the controlling shareholders. Ms. Lee also worked for SHINEWING Tax and Business Advisory Ltd as tax manager from May 2006 to August 2009. Ms. Lee had worked for The Law Debenture Corporation (H.K.) Ltd as assistant trust manager from November 2002 to September 2005. She was a tax manager of Ernst & Young Tax Service Ltd from February 1994 to November 2002. Ms. Lee received her bachelor's degree in art in accountancy from the Hong Kong Polytechnic University in November 2002.

Directors and Senior Management

Ms. Fong Kit Sze, aged 39, has been the General Manager of TSO since October 2008 and is primarily responsible for client management and supervision of the daily operation of TSO. She joined TSO in May 2004 as business development manager. Ms. Fong was the business development manager of Telecom Digital Services Limited from October 2003 to April 2004 and was primarily responsible for the development of IDD business. Since May 2004, Ms. Fong has been under the Group's employment but not the other businesses of the Controlling Shareholders. Ms. Fong also worked for Wharf T&T Limited and New World Telephone Limited as account manager from June 2003 to September 2003 and from February 2002 to June 2003 respectively. Ms. Fong received her bachelor's degree in social science in East Asian studies from the City University of Hong Kong in November 1998.

Corporate Governance Practices

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders (the "Shareholders"), customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the GEM Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference.

Since the date of listing of shares of the Company on GEM of the Stock Exchange (i.e. 30 May 2013) (the "Listing Date") and up to the date of this annual report (the "Period"), the Company has complied with the CG Code as set out in Appendix 15 to the GEM Listing Rules, except the deviation as disclosed under the section headed "Chairman and Chief Executive Officer" below.

Compliance of Code for Directors' Securities Transaction

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

Board of Directors

Composition of the Board of Directors

Up to the date of this annual report, the Board comprises one Executive Director, three Non-executive Directors and four Independent Non-executive Directors. The composition of the Board was as follows:

Chairman and Non-Executive Director

Mr. Cheung King Shek
(appointed as Director on 3 August 2012 and re-designated as Chairman and Non-executive Director on 30 April 2013)

Executive Director

Mr. Cheung King Fung Sunny
(appointed as Director on 3 August 2012 and re-designated as Executive Director on 30 April 2013)

Non-Executive Directors

Mr. Cheung King Shan
(appointed as Director on 3 August 2012 and re-designated as Non-executive Director on 30 April 2013)
Mr. Cheung King Chuen Bobby
(appointed as Director on 3 August 2012 and re-designated as Non-executive Director on 30 April 2013)

Independent Non-executive Directors

Mr. Hui Ying Bun (appointed on 30 April 2013)
Mr. Fong Ping (appointed on 30 April 2013)
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)
Mr. Chu Kin Wang Peleus (appointed on 30 April 2013)

The biographical details of all Directors and senior management of the Company are set out on pages 11 to 14 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Directors and Senior Management", 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.

During the Period, the management provided all members of the Board with monthly updates in accordance with the 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 Company's articles of association. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the Period, the Board held one meeting. Details of the attendance of Directors are as follows:

	Attendance/ Number of General Meeting entitled to attend	Attendance/ Number of Board Meetings entitled to attend
Chairman and Non-Executive Director		
Mr. Cheung King Shek (appointed as Director on 3 August 2012 and re-designated as Chairman and Non-executive Director on 30 April 2013)	0/0	1/1
Executive Director		
Mr. Cheung King Fung Sunny (appointed as Director on 3 August 2012 and re-designated as Executive Director on 30 April 2013)	0/0	1/1
Non-Executive Directors		
Mr. Cheung King Shan (appointed as Director on 3 August 2012 and re-designated as Non-executive Director on 30 April 2013)	0/0	1/1
Mr. Cheung King Chuen Bobby (appointed as Director on 3 August 2012 and re-designated as Non-executive Director on 30 April 2013)	0/0	1/1
Independent Non-executive Directors		
Mr. Hui Ying Bun (appointed on 30 April 2013)	0/0	1/1
Mr. Fong Ping (appointed on 30 April 2013)	0/0	1/1
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)	0/0	1/1
Mr. Chu Kin Wang Peleus (appointed on 30 April 2013)	0/0	1/1

Directors' Appointment, Re-election and Removal

Under the code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term.

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

Each of the Non-executive Directors and Independent Non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 30 April 2013 subject to early removal from office in accordance with the articles of association of the Company, and retirement and re-election provisions in the articles of association of the Company.

In compliance with the code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. By virtue of article 112 of the articles of association of the Company, 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 but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 108(a) of the articles of association of the Company, at each annual general meeting one-third of the directors for the time being, or, if their number is not 3 or a multiple of 3, 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 3 years. A retiring director shall be eligible for re-election.

Independent Non-executive Directors

The Company has four Independent Non-executive Directors to comply with Rule 5.05 of the GEM Listing Rules. Furthermore, among the four Independent Non-executive Directors, Mr. Chu Kin Wang Peleus has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules. In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its Independent Non-executive Directors the written confirmation of his/her independence. The Company, based on such confirmation, considers Mr. Hui Ying Bun, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus to be independent.

Chairman and Chief Executive Officer

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

During the Period, the role of the Chairman is performed by Mr. Cheung King Shek but the office of the chief executive officer of the Company is vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

Delegation of Powers

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

Continuing Professional Development

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

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 March 2013, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Directors	Topics on training covered *(Note)*
Chairman and Non-Executive Director	
Mr. Cheung King Shek	a, b & c
Executive Director	
Mr. Cheung King Fung Sunny	a, b & c
Non-executive Directors	
Mr. Cheung King Shan	a, b & c
Mr. Cheung King Chuen Bobby	a, b & c
Independent Non-executive Directors	
Mr. Hui Ying Bun	a, b & c
Mr. Fong Ping	a, b & c
Ms. Kwok Yuen Man Marisa	a, b & c
Mr. Chu Kin Wang Peleus	a, b & c

Notes:

(a) Directors' Duties

(b) Corporate Governance Code

(c) Listing Rules

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors that may arise out in the corporate activities which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

Board Committees

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 2 May 2013 with written terms of reference in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

The Audit Committee comprises four Independent Non-executive Directors namely, Mr. Hui Ying Bun, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus. Mr. Chu Kin Wang Peleus is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the consolidated financial statements and annual results for the year ended 31 March 2013.

During the Period, the Audit Committee held one meeting to review the audited consolidated financial statements for the year ended 31 March 2013. Details of the attendance of members of the Audit Committee meeting are as follows:

Members	Attendance
Mr. Chu Kin Wang Peleus *(Chairman)* (appointed on 30 April 2013)	1/1
Mr. Hui Ying Bun (appointed on 30 April 2013)	1/1
Mr. Fong Ping (appointed on 30 April 2013)	1/1
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)	1/1

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 2 May 2013 with written terms of reference in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of Non-executive Directors and the remuneration package of individual Executive Directors and senior management include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee comprises four Independent Non-executive Directors, namely Mr. Hui Ying Bun, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus. Mr. Fong Ping is the chairman of the Remuneration Committee.

During the Period, the Remuneration Committee held one meeting to review the remuneration packages of all the Directors and senior management of the Company. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

Members	Attendance
Mr. Fong Ping *(Chairman)* (appointed on 30 April 2013)	1/1
Mr. Hui Ying Bun (appointed on 30 April 2013)	1/1
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)	1/1
Mr. Chu Kin Wang Peleus (appointed on 30 April 2013)	1/1

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration package of the Executive Director is to enable the Group to retain and motivate the Executive Director by linking his compensation with performance as measured against corporate objectives achieved. The executive Director is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The share option scheme of the Company (the "Share Option Scheme") was adopted by all Shareholders by way of written resolution on 2 May 2013. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best qualifying personnel for development of the Group's business; to provide additional incentive to employees (full-time and part-time), company secretary, directors, consultant, agent, representative, adviser, customer, contractor, business partner/ally/alliance, joint venture partner or supplier of the Group (collectively the "Eligible Person") and any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members ("Related Trust and Company") and to promote the long term financial success of the Group by aligning the interests of option holders to Shareholders.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company become aligning and thereby the eligible persons have additional incentives to improve the Company's performance.

Nomination Committee

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

The nomination committee of the Company (the "Nomination Committee") was established on 2 May 2013 with written terms of reference in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive of the Company.

The Nomination Committee comprises four Independent Non-executive Directors, namely, Mr. Hui Ying Bun, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus. Mr. Hui Ying Bun is the chairman of the Nomination Committee.

During the Period, the Nomination Committee held one meeting to review the structure, size and composition of the Board and assess the independence of Independent Non-executive Directors. Details of the attendance of the members of the Nomination Committee meeting are as follows:

Members	Attendance
Mr. Hui Ying Bun *(Chairman)* (appointed on 30 April 2013)	1/1
Mr. Fong Ping (appointed on 30 April 2013)	1/1
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)	1/1
Mr. Chu Kin Wang Peleus (appointed on 30 April 2013)	1/1

Accountability and Audit

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

All Directors acknowledges 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 2013, 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 2013, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, in respect of their audit and non-audit services was as follows:

	HK$
Audit service	420,000
Non-audit services	2,000,000
Total	2,420,000

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the policies and practices on corporate governance of the Group and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

- to review the Company's compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules and disclosure in the corporate governance report of the Company.

During the Period, the Board held one meeting regarding the corporate governance functions. Details of the attendance of Directors are as follows:

	Attendance
Chairman and Non-Executive Director	
Mr. Cheung King Shek (appointed as Director on 3 August 2012 and re-designated as Chairman and Non-executive Director on 30 April 2013)	1/1
Executive Director	
Mr. Cheung King Fung Sunny (appointed as Director on 3 August 2012 and re-designated as Executive Director on 30 April 2013)	1/1
Non-Executive Directors	
Mr. Cheung King Shan (appointed as Director on 3 August 2012 and re-designated as Non-executive Director on 30 April 2013)	1/1
Mr. Cheung King Chuen, Bobby (appointed as Director on 3 August 2012 and re-designated as Non-executive Director on 30 April 2013)	1/1
Independent Non-executive Directors	
Mr. Hui Ying Bun (appointed on 30 April 2013)	1/1
Mr. Fong Ping (appointed on 30 April 2013)	1/1
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)	1/1
Mr. Chu Kin Wang Peleus (appointed on 30 April 2013)	1/1

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 system of internal control of the Group, covering all material controls, including financial and operation for the year ended 31 March 2013.

Investors and Shareholders Relations

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. Enquiries and suggestions from Shareholders or investors are welcomed, and enquires from Shareholders may be put to the Board through the following channels to the Chief Financial Officer:

1. By mail to the Company's principle place of business at Units 1805-1807, 18th Floor, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong;

2. By email at enquiry@tso.cc

The Company uses a number of formal communications channel to account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting 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 website 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 share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other 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 meeting 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 Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor 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 article of association of the Company, 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person (the "Candidate") for election as a director of the Company at a general meeting, he/she shall deposit a written notice (the "Written Notice") to the Company's principal place of business in Hong Kong at Units 1805-1807, 18th Floor, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Written Notice (i) must include the personal information of the Candidate as required by Rule 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of the publication of his/her personal information.

The period for lodgment of the Written Notice shall commence on the day after the dispatch 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 Company's Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a director of the Company 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 websites (www.tso.cc) which include the latest information relating to the Group and its businesses.

Company Secretary

The company secretary of the Company, Ms. Lam Yuen Ling Eva, is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Lee Wing Tsz, the Chief Financial Officer.

Report of the Directors

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 March 2013.

Corporate Reorganisation and Placing

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 3 August 2012. Pursuant to a reorganisation to rationalise the group structure in preparation for the Listing, the Company became the holding company of the Group. Details of the reorganisation are set out in the Prospectus. The Company's shares were listed on GEM on 30 May 2013.

Principal Place of Business in Hong Kong

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Units 1805-1807, 18th Floor, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

Principal Activities

The principal activity of the Company and its subsidiaries is providing repair and refurbishment services for mobile phones and other personal electronic products. The principal activities and other particulars of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

Annual General Meeting and Closure of Register of Members

The annual general meeting (the "Annual General Meeting") of the Company for the year ended 31 March 2013 is scheduled to be held on 10, September 2013. A notice convening the Annual General Meeting will be issued and despatched to Shareholders on 28 June 2013.

The register of members of the Company will be closed from 6, September 2013 to 10, September 2013 (both dates inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the forthcoming annual general meeting of the Company, 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 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5, September 2013.

Deed of Non-competition

The deed of non-competition dated 10 May 2013 and entered into by East-Asia Pacific Limited ("East-Asia"), Amazing Gain Limited ("Amazing Gain"), Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby, Mr. Cheung King Fung Sunny (the "Cheung Brothers") and Sarasin Trust Company (Singapore) Limited (as trustee of the Cheung Family Trust) in favour of the Company regarding certain non-competition undertakings given by the controlling Shareholders in favour of the Company. The details of the deed of non-competition have been disclosed in the Prospectus.

Use of Proceeds from the Company's Placing

The proceeds from the Company's issue of 30,000,000 new shares at the time of the Listing amounted to approximately HK$14.9 million, net of underwriting fees and other related expenses. 90% of the net proceeds, amounting to approximately HK$13.4 million, is used for acquisition of a commercial property at a prime location in Hong Kong for use as a customer service centre of the Group; and 10% of the net proceeds, amounting to approximately HK$1.5 million, is used as general working capital.

As at the date of this annual report, the Directors do not anticipate any change to the plan as to use of proceeds. Up to the date of this annual report, there was no usage made out of the net proceeds from the Listing. The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong in accordance with the intention of the Directors as disclosed in the Prospectus.

Major Customers and Suppliers

During the year, the Group's top five customers accounted for approximately 62.0% of the revenue. The top five suppliers accounted for approximately 94.0% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 13.5% of the revenue and the Group's largest supplier accounted for approximately 65.2% of the total purchases for the year.

For the financial year ended 31 March 2013, Telecom Digital Data Limited ("TDD"), which is beneficially owned by the Cheung Brothers, who are directors and controlling shareholders of the Company, was one of the five largest customers of the Group. TDD has only appointed the Group to provide the repair and refurbishment services for pagers and two-way mobile data communication devices during the two years ended 31 March 2013. The service fee paid by TDD to the Group represented 12.7% of the Group's revenue for the financial year ended 31 March 2013.

In addition, for the financial year ended 31 March 2013, Radiotex International Limited, which is beneficially owned by the Cheung Brothers, who are directors and controlling shareholders of the Company, was one of the five largest suppliers of the Group and the purchase of parts and accessories by the Group from Radiotex International Limited amounted to HK$1.2 million, representing approximately 8.3% of the Group's total purchases for the year.

Save as above, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Results

The results of the Group for the year ended 31 March 2013 and the state of affairs of the Group as at 31 March 2013 are set out in the consolidated financial statements on pages 46 to 99.

Reserves

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

Distributable Reserves

As at 31 March 2013, there was no reserve available for distribution to Shareholders.

Plant and Equipment

Details of movements in the plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 March 2013 are set out in note 27 to the consolidated financial statements.

Directors

Up to the date of this annual report, the Directors were:

Chairman and Non-executive Director

Mr. Cheung King Shek
(appointed as Director on 3 August 2012 and re-designated as Chairman and Non-executive Director on 30 April 2013)

Executive Director

Mr. Cheung King Fung Sunny
(appointed as Director on 3 August 2012 and re-designated as Executive Director on 30 April 2013)

Non-executive Directors

Mr. Cheung King Shan
(appointed as Director on 3 August 2012 and re-designated as Non-executive Director on 30 April 2013)
Mr. Cheung King Chuen Bobby
(appointed as Director on 3 August 2012 and re-designated as Non-executive Director on 30 April 2013)

Independent Non-executive Directors

Mr. Hui Ying Bun (appointed on 30 April 2013)
Mr. Fong Ping (appointed on 30 April 2013)
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)
Mr. Chu Kin Wang Peleus (appointed on 30 April 2013)

By virtue of article 108(a) of the articles of association of the Company, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

By virtue of article 112 of the articles of association of the Company, Mr. Hui Ying Bun, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting.

Directors' Service Agreement

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

Each of the Non-executive Directors and Independent Non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 30 April 2013 subject to early removal from office in accordance with the articles of association of the Company, and retirement and re-election provisions in the articles of association of the Company.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme adopted by the written resolutions of the all Shareholders passed on 2 May 2013 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to the Qualifying Grantees (as defined below); and to promote the long term financial success of the Group by aligning the interests of option holders to Shareholders.

(b) Participants of the Share Option Scheme

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

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

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

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

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

(collectively the "Eligible Person")

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

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

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

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

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

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

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the Listing Date.

As at the date of this annual report, the outstanding number of options available for grant under the Share Option Scheme is 12,000,000 options to subscribe for Shares, representing 10% of the issued share capital of the Company.

(d) The maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(e) Timing for exercising option

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

(f) Acceptance and payment on acceptance of option offer

An offer shall remain open for acceptance by the Qualifying Grantee concerned for a period of 28 days from the date of the offer (or such period as the Board may specify in writing).

HK$1 is payable by the grantee to the Company on acceptance of the option offer.

(g) The basis of determining the exercise price of option

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

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

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

(iii) the nominal value of a Share.

For the purpose of determining the subscription price, if the Shares have been listed for less than five business days immediately preceding the date of the granting of the option, the new issue price per Share in connection with such listing (excluding brokerage fee, trading fee and transaction levy payable thereon) shall be deemed to be the closing price for any business day falling within the period before such listing.

(h) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

Up to the date of this annual report, there is no option outstanding, granted, exercised, cancelled and lapsed.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this annual report, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) The Company

Long Position:

Name of Directors	Capacity	Number of issued ordinary Shares held	Percentage of the issued share capital of the Company
Mr. Cheung King Shek	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *(Note 1)*	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *(Note 1)*	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *(Note 1)*	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *(Note 1)*	66,000,000	55%

(ii) Associated corporations

Amazing Gain is one of the controlling Shareholders and the holding company of the Company. The companies listed in the table below (apart from Amazing Gain) are wholly owned subsidiaries of Amazing Gain. Hence, Amazing Gain and the rest of the companies listed in the table below are associated corporations of the Company under the SFO. Each of Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny is deemed to have 100% interest in the said associated corporations under the SFO.

Long Position:

Name of associated corporations	Nature of interest	Number of shares/Amount of share capital	Approximate percentage of interests
Amazing Gain Limited	Beneficiary of a trust *(Note 1)*	100	100%
East-Asia Pacific Ltd.	Beneficiary of a trust *(Note 1)*	6	100%
Telecom Service Ltd.	Beneficiary of a trust *(Note 1)*	2,000,000	100%
H.K. Magnetronic Co. Ltd.	Beneficiary of a trust *(Note 1)*	50,000	100%
Oceanic Rich Ltd.	Beneficiary of a trust *(Note 1)*	10,000	100%
Glossy Investment Limited	Beneficiary of a trust *(Note 1)*	10,000	100%
Glossy Enterprises Ltd.	Beneficiary of a trust *(Note 1)*	10,000	100%
Yiu Tai Industrial Ltd.	Beneficiary of a trust *(Note 1)*	1,000	100%
Txtcom Ltd.	Beneficiary of a trust *(Note 1)*	100	100%
Telecom Digital Holdings Ltd.	Beneficiary of a trust *(Note 1)*	24	100%
Telecom Digital Ltd. (incorporated in Macau)	Beneficiary of a trust *(Note 1)*	MOP100,000	100%
Telecom Services One (Macau) Ltd.	Beneficiary of a trust *(Note 1)*	MOP100,000	100%
Telecom Service Network Ltd.	Beneficiary of a trust *(Note 1)*	1,000	100%
Hellomoto Ltd.	Beneficiary of a trust *(Note 1)*	1,000	100%
Maria Trading Inc.	Beneficiary of a trust *(Note 1)*	1	100%
Telecom Digital Ltd.	Beneficiary of a trust *(Note 1)*	2	100%
Silicon Creation Ltd.	Beneficiary of a trust *(Note 1)*	100	100%
Kung Wing Enterprises Ltd.	Beneficiary of a trust *(Note 1)*	1,000,000	100%
Dongguan Kongyong Real Property Management Services Limited	Beneficiary of a trust *(Note 1)*	US$1,500,000	100%

Note 1:
The 66,000,000 Shares are held by East-Asia, representing 55% of the issued share capital of the Company. East-Asia is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Ltd., which holds the shares in Amazing Gain as nominee for Sarasin Trust Company (Singapore) Limited, the 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 and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at the date of this annual report, none of the Directors and chief executives of the Company had any interests and 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 standards of dealing by Directors as referred to Rule 5.48 to 5.67 of the GEM Listing Rules.

Directors' Right to Acquire Shares

Save as disclosed above, at no time during the Period was the Company, or any of its holding companies, its subsidiaries or its 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).

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

As at the date of this annual report, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules on the Stock Exchange:

Long Position:

Name of Shareholders	Capacity	Number of issued ordinary Shares held	Percentage of the issued share capital of the Company
East-Asia Pacific Limited *(Note 1 above)*	Beneficial owner	66,000,000	55%
Amazing Gain Limited *(Note 1 above)*	Interest in a controlled corporation	66,000,000	55%
Sarasin Trust Company (Singapore) Limited *(Note 1 above)*	Trustee (other than a bare trustee)	66,000,000	55%
Ms. Law Lai Ying Ida *(Note)*	Interest of spouse	72,000,000	60%
Ms. Tang Fung Yin Anita *(Note)*	Interest of spouse	72,000,000	60%
Ms. Yeung Ho Ki *(Note)*	Interest of spouse	72,000,000	60%

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

Save as disclosed above, as at the date of this annual report, 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 Period, the Company has maintained the public float required by the GEM Listing Rules.

Directors' Interests in Contracts

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2013.

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 2013.

Directors' Interests in Competing Business

As at 31 March 2013, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 March 2013 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 2013 are set out in note 30 to the consolidated financial statements.

Confirmation of Independence

The Company has received from each of the Independent Non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the Independent Non-executive Directors were independent during the period from their respective appointments and up to the date of this annual report.

Connected Transactions

The related party transactions of the Company are set out in note 31 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

A. Exempt Continuing Connected Transaction

The Group has entered into the following transactions, each of which, upon Listing, constituted a continuing connected transaction for the Company which is exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules:

1. provision of logistic services to the Group by Telecom Service Network Limited

2. consignment of accessories for mobile phones and personal electronic products of certain brands to Telecom Digital Mobile Limited

3. sale of mobile phone accessories by the Group to New World Mobility Limited; and

4. licencing arrangement with Telecom Digital Services Limited for the use of premises by the Group

B. Non-exempt Continuing Connected Transaction

The Group has entered into the following transactions, each of which, upon Listing, constituted a non-exempt continuing connected transaction for the Company subject to reporting, announcement and/or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules (the "Non-exempt Continuing Connected Transactions"). The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules for the Non-exempt Continuing Connected Transactions. The Company shall comply with the annual review and reporting requirements for the Non-exempt Continuing Connected Transactions under Chapter 20 of the GEM Listing Rules.

1. Provision of repair and refurbishment services to TDD

Since 2006, TSO has been providing repair and refurbishment services for pagers and two-way mobile data communication devices to TDD. On 13 May 2013, TSO entered into an agreement with TDD in relation to the provision of such services from the Listing Date to 31 March 2015. The service fee charged by TSO is on a "per device" basis. The service fees are determined by TSO and TDD with reference to the current market rate (in terms of, among others, profit margin) of similar services. The service fees are subject to annual review and adjustment by TSO with reference to the then market rate.

TDD is a wholly-owned subsidiary of Sun Asia Pacific Limited ("SAP"), which is wholly owned by the Cheung Brothers, the significant shareholders of the Company and the Directors. TDD is an associate of the Cheung Brothers and is a connected person of the Company.

The service fees paid by TDD to TSO for the year ended 31 March 2013 were approximately HK$9,999,000. The approved annual caps for the year ended 31 March 2013 (the "Annual Caps") is HK$10,000,000.

2. *Leasing of premises by the Group from certain subsidiaries of East-Asia*

TSO has been leasing properties in Hong Kong from certain wholly-owned subsidiaries of East-Asia for the use by the Group as office premises and service centres and TSO has continued to do so after the Listing. East-Asia is a shareholder of the Company which holds more than 30% interest in the Company. East-Asia is indirectly wholly-owned by the Cheung Family Trust, the discretionary objects of which include the Cheung Brothers (the significant shareholders of the Company and Directors). Each of the wholly-owned subsidiaries mentioned below, namely Oceanic Rich Limited ("Oceanic Rich"), Glossy Investment Limited ("Glossy Investment"), and Glossy Enterprises Limited ("Glossy Enterprises") is an associate of East-Asia and a connected person of the Company. Each of these tenancy agreements is a continuing connected transaction for the Company.

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and saleable area (sq. ft.)
(i)	Unit 1807, 18/F, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	Oceanic Rich	5 June 2012 9 August 2012	two years and two months from 1 February 2012 to 31 March 2014 one year from 1 April 2014 to 31 March 2015	HK$50,540 (exclusive of government rates, government rent and management fee)	head office, repair centre and warehouse 5,511 sq. ft.
(ii)	Unit B, 23/F, Kyoto Plaza, Nos. 491–499 Lockhart Road, Wanchai, Hong Kong	Oceanic Rich	15 June 2012 13 August 2012	one year from 1 April 2012 to 31 March 2013 two years from 1 April 2013 to 31 March 2015	HK$34,925 (exclusive of management fee, air-conditioning charges, government rates and government rent)	repair centre 815 sq. ft.
(iii)	Portion of Units 1202 & 1203, Units 1205–06, 12/F Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	Oceanic Rich	29 November 2012	two years from 1 April 2013 to 31 March 2015	HK$79,296 (exclusive of management fee and air-conditioning charges but inclusive of government rates and government rent)	repair centre 2,017 sq. ft.

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and saleable area (sq. ft.)
(iv)	Units 1808–1810, 18/F, Tower 2, Metroplaza, No. 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong *(Note)*	Oceanic Rich	30 October 2012	two years and five months from 1 November 2012 to 31 March 2015	HK$63,700 (exclusive of government rates and management fee but inclusive of government rent)	repair centre 1,505 sq. ft.
(v)	Unit 1805 & Portion B of Unit 1806, 18/F, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	Glossy Investment	5 June 212 9 August 2012	two years and two months from 1 February 2012 to 31 March 2014 one year from 1 April 2014 to 31 March 2015	HK$76,888 (exclusive of government rates, government rent and management fee)	head office and repair centre 5,511 sq. ft.
(vi)	Unit A, 23/F, Kyoto Plaza, Nos. 491–499 Lockhart Road, Wanchai, Hong Kong	Glossy Enterprises	15 June 2012 13 August 2012	one year from 1 April 2012 to 31 March 2013 two years from 1 April 2013 to 31 March 2015	HK$40,990 (exclusive of management fee, air-conditioning charges, government rates and government rent)	repair centre 968 sq. ft.

Note: As informed by Oceanic Rich, Oceanic Rich entered into a provisional sale and purchase agreement with an independent third party to dispose of the premises (together with the tenancy) on 5 November 2012. Such disposal was completed on 5 February 2013 and as such, the rights and obligations of Oceanic Rich under the tenancy had been assigned to such independent third party, who is now the landlord of the tenancy, and the tenancy no longer constitutes a continuing connected transaction for the Company.

The aggregate annual rentals paid by TSO for the year ended 31 March 2013 in respect of the above leased properties to the above connected persons were approximately HK$3,716,000. The Annual Caps is HK$3,716,000.

3. Purchase of parts and components from SAP (and its subsidiaries)

Since 2006, TSO has been purchasing parts and components such as parts for repairing pagers and two-way mobile data communication devices and mobile phone accessories from SAP and its subsidiaries (the "SAP Group"). On 13 May 2013, SAP and TSO entered into an agreement in relation to such purchase of parts and components from the Listing Date to 31 March 2015. The price of the parts and components purchased from the SAP Group is at cost plus certain percentage of the value of the orders. The prices of the parts and components are determined by TSO and SAP with reference to the current market rate of similar products.

SAP is wholly-owned by the Cheung Brothers, the significant shareholders of the Company and Directors. Each of SAP and its subsidiaries is an associate of the Cheung Brothers and is a connected person of the Company.

The amount of parts and components purchased from the SAP Group by the Group for the year ended 31 March 2013 was approximately HK$1,210,000. The Annual Caps is HK$1,250,000.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's 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 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Interest of Compliance Adviser

As notified by China Everbright Capital Limited ("China Everbright"), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2013 and the date of this report.

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 15 to 27. 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.

Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out in the three years financial summary on page 100 of this annual report.

Auditor

SHINEWING (HK) CPA Limited has acted as auditor of the Company for the year ended 31 March 2013. Up to the date of this annual report, the Company has not changed its external auditor. SHINEWING (HK) CPA Limited 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 forthcoming annual general meeting of the Company.

Events after Reporting Period

Details of significant events occurring after the reporting period are set out in note 32 to the consolidated financial statements.

By order of the Board
Cheung King Shek
Chairman
Hong Kong, 24 June 2013

Independent Auditor's Report

信永中和
ShineWing

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

TO THE MEMBERS OF TELECOM SERVICE ONE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Telecom Service One Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 46 to 99, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
24 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	**2013 HK$'000**	2012 HK$'000
Revenue	*8*	**78,513**	69,581
Cost of sales		**(46,158)**	(38,941)
Gross profit		**32,355**	30,640
Other income	*10*	**2,467**	936
Other operating expenses, net	*11*	**(11,894)**	(7,627)
Administrative expenses		**(19,106)**	(7,122)
Finance costs	*12*	**(373)**	(106)
Profit before tax		**3,449**	16,721
Income tax expense	*13*	**(1,940)**	(2,645)
Profit for the year	*14*	**1,509**	14,076
Exchange differences arising on translation of foreign operation and total other comprehensive expense for the year		**(18)**	(65)
Total comprehensive income for the year		**1,491**	14,011
Earnings per share (HK$)			
Basic and diluted	*17*	**0.03**	0.31

Consolidated Statement of Financial Position

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current asset			
Plant and equipment	18	9,480	13,189
Current assets			
Inventories	19	4,304	4,104
Trade and other receivables	20	23,932	13,812
Amounts due from related companies	31	1,783	3,520
Tax recoverable		104	104
Pledged bank deposits	21	4,102	–
Bank balances and cash	21	5,240	2,562
		39,465	24,102
Current liabilities			
Trade and other payables	22	8,135	5,753
Amount due to intermediate holding company	31	–	3,875
Tax payable		813	1,944
Obligations under finance leases – due within one year	23	–	762
Bank borrowings	24	5,000	–
		13,948	12,334
Net current assets		25,517	11,768
Total assets less current liabilities		34,997	24,957
Non-current liabilities			
Obligations under finance leases – due more than one year	23	–	2,184
Employee benefits	25	147	147
Deferred tax liabilities	26	434	701
		581	3,032
Net assets		34,416	21,925
Capital and reserves			
Share capital	27	60	1
Reserves		34,356	21,924
Total equity		34,416	21,925

The consolidated financial statements on pages 46 to 99 were approved and authorised for issue by the board of directors on 24 June 2013 and are signed on its behalf by:

Cheung King Shek	**Cheung King Fung Sunny**
Chairman	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Statutory reserve HK$'000 *(Note b)*	Retained Profits HK$'000	Total HK$'000
1 April 2011	1	–	–	220	133	7,560	7,914
Profit for the year	–	–	–	–	–	14,076	14,076
Exchange differences arising on translation of foreign operation	–	–	–	(65)	–	–	(65)
Total comprehensive (expense) income for the year	–	–	–	(65)	–	14,076	14,011
At 31 March 2012 and 1 April 2012	1	–	–	155	133	21,636	21,925
Profit for the year	**–**	**–**	**–**	**–**	**–**	**1,509**	**1,509**
Exchange differences arising on translation of foreign operation	**–**	**–**	**–**	**(18)**	**–**	**–**	**(18)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(18)**	**–**	**1,509**	**1,491**
Arising from reorganisation *(Note 27 (b))*	**29**	**–**	**(29)**	**–**	**–**	**–**	**–**
Issue of shares *(Note 27 (c))*	**30**	**10,970**	**–**	**–**	**–**	**–**	**11,000**
At 31 March 2013	**60**	**10,970**	**(29)**	**137**	**133**	**23,145**	**34,416**

Notes:

a. 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.

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**3,449**	16,721
Adjustments for:		
Depreciation of plant and equipment	**4,400**	2,736
Finance costs	**373**	106
Bank interest income	**(5)**	(1)
Gain on disposal of plant and equipment	**(1,325)**	–
Provision for long service payments	**–**	2
Allowance for inventories	**312**	438
Reversal of allowances for inventories	**(105)**	(12)
Operating cash flows before movements in working capital	**7,099**	19,990
(Increase) decrease in inventories	**(407)**	87
Increase in trade and other receivables	**(10,122)**	(4,018)
Decrease (increase) in amounts due from related companies	**1,652**	(10,169)
Increase in trade and other payables	**2,382**	2,941
Employee benefits paid	**–**	(45)
Cash generated from operations	**604**	8,786
Hong Kong Profits Tax paid	**(3,338)**	–
Taiwan profits tax refunded	**–**	45
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(2,734)**	8,831
INVESTING ACTIVITIES		
Advance to related companies	**(16,484)**	–
Purchase of plant and equipment	**(5,066)**	(6,268)
Placement of pledged bank deposits	**(4,102)**	–
Repayment from related companies	**10,701**	–
Proceeds from disposal of plant and equipment	**5,700**	–
Interest received	**5**	1
NET CASH USED IN INVESTING ACTIVITIES	**(9,246)**	(6,267)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
New bank loans raised	**20,000**	–
Proceed from issue of shares	**11,000**	–
Advance from related companies	**1,993**	35,110
Repayments of bank loans	**(15,000)**	–
Repayments of obligations under finance leases	**(2,946)**	(1,042)
Interest paid	**(373)**	(106)
Repayments to related companies	**–**	(35,011)
Repayments to a director	**–**	(50)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**14,674**	(1,099)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,694**	1,465
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**2,562**	1,099
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(16)**	(2)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**5,240**	2,562

1. General

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

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

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

The functional currency of the Company is Hong Kong dollars ("HK$") while that of the subsidiary established in Taiwan is New Taiwan dollars ("NT$"). For the purpose of presenting the financial statements, the Group adopted HK$ as its presentation currency which is the same as the functional currency of the Company.

2. Basis of Preparation

Pursuant to the reorganisation as detailed headed "History and development – Reorganisation" to the prospectus of the Company dated 23 May 2013 (the"Reorganisation"), the Company became the holding company of the companies now comprising the Group on 29 October 2012. The Group have 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 "Controlling Shareholders") throughout the two years ended 31 March 2013 or since their respective dates of incorporation or establishment up to 31 March 2013. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group throughout the two years ended 31 March 2013, using the principles of merger accounting as set out in note 4 below.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the two years ended 31 March 2013 or since their respective dates of incorporation or establishment up to 31 March 2013. The consolidated statement of financial position of the Group as at 31 March 2012 and 2013 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the two years ended 31 March 2013, the Group has consistently adopted all the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("Int"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 April 2012.

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

Amendments to HKFRS	Annual Improvements 2009 – 2011 Cycle[2]
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Translation Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC)*-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee)

1 Effective for annual periods beginning on or after 1 July 2012

2 Effective for annual periods beginning on or after 1 January 2013

3 Effective for annual periods beginning on or after 1 January 2014

4 Effective for annual periods beginning on or after 1 January 2015

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires 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. 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, 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.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to change in the financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

The new standards on consolidation, joint arrangements, associates and disclosures including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) were issued by the HKICPA in June 2011. The directors of the Company anticipate that these new standards will be applied in the Group's consolidated financial statements for annual period beginning 1 January 2013 and the potential impact is described below.

Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the invests to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 April 2013.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

4. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for assets.

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 (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations under common control

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

4. Significant Accounting Policies (continued)

Business combinations under common control (continued)

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Plant and equipment

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is 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.

4. Significant Accounting Policies (continued)

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, pledged bank deposits, 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).

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of 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 30 to 60 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 asset's 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 and amounts due from related companies, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable and amount due from related companies is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to intermediate holding company, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition (continued)

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

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

Impairment losses on tangible assets

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

Recoverable amount is the higher of fair value less costs to sell 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 a 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 a 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Significant Accounting Policies (continued)

Revenue recognition

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

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

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

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

4. Significant Accounting Policies (continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement benefit costs

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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.

For the purpose 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 the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

4. Significant Accounting Policies (continued)

Borrowing costs

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of 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 liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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.

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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 causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and equipment

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

Estimated impairment of plant and equipment

The Group determines whether the plant and equipment are impaired, at least on an annual basis. The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates such as future revenue and discount rates. As at 31 March 2013, the carrying values of plant and equipment of the Group were approximately HK$9,480,000 (2012: HK$13,189,000). No impairment was recognised for both years.

Estimated allowance for inventories

The management of the Group reviews an ageing analysis at the end of the reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2013, the carrying amounts of inventories of the Group were approximately HK$4,304,000 (2012: HK$4,104,000), net of allowance for inventories of approximately HK$681,000 (2012: HK$474,000).

5. Key Sources of Estimation Uncertainty (continued)

Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2013, the carrying amounts of trade and other receivables of the Group were approximately HK$23,932,000 (2012: HK$13,812,000). No impairment loss was recognised during both years.

Provision for long service payment

The Group's provision for long service payment is determined 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. 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.

6. Capital Risk Management

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

The capital structure of the Group consist of obligations under finance leases, 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 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.

7. Financial Instruments

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	31,575	19,763
Financial liabilities		
Amortised cost	12,560	12,004

(b) Financial risk management objectives and policies

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

Market risk

Currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. During the year ended 31 March 2013, approximately 25% (2012: 36%) of the Group's sales and approximately 39% (2012: 21%) of total cost of sales are denominated in United States dollars ("US$") which is different from the functional currencies of the group entities carrying out the transactions.

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

	Assets		Liabilities	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
US$	6,175	2,596	488	769
RMB	3,902	–	–	–

7. Financial Instruments (continued)

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

Market risk (continued)

Currency risk (continued)

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

Sensitivity analysis

The Group is mainly exposed to US$ and RMB.

The following table details the Group's sensitivity to a 5% (2012: 5%) for the year increase or decrease in the functional currencies of the relevant group entities, HK$ and NT$, against the relevant foreign 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where HK$ strengthen 5% (2012: 5%) against the relevant currency. For a 5% (2012: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be positive.

	2013 **HK$**	2012 HK$
Profit or loss	**(400)**	(76)

7. Financial Instruments (continued)

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

Market risk (continued)

Interest rate risk

The Group was exposed to fair value interest rate risk in relation to fixed rate interest-bearing finance leases (note 23) for the year ended 31 March 2012. The Group currently do not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 21) and variable rate bank borrowings (note 24) carried at prevailing market rates. However, the exposure in bank balances are minimal to the Group for the two years ended 31 March 2013 as the 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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used for the two years ended 31 March 2013 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 both years and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2013 would decrease/increase by approximately HK$21,000 (2012: nil). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during both years.

7. Financial Instruments (continued)

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

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

The Group has concentration of credit risk as 28% (2012: Nil) of the total trade receivables at 31 March 2013 was due from the Group's largest customers.

The Group has concentration of credit risk as 70% (2012: 69%) of the total trade receivables at 31 March 2013 was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 96% (2012: 87%) of the total trade receivables as at 31 March 2013.

7. Financial Instruments (continued)

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

Liquidity risk

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

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

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

	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2013 HK$'000
As at 31 March 2013					
Trade and other payables*	**7,560**	**–**	**–**	**7,560**	**7,560**
Bank borrowings *(note)*	**5,013**	**–**	**–**	**5,013**	**5,000**
	12,573	**–**	**–**	**12,573**	**12,560**

	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2012 HK$'000
As at 31 March 2012					
Trade and other payables*	5,183	–	–	5,183	5,183
Amount due to intermediate holding company	3,875	–	–	3,875	3,875
Obligations under finance leases	861	861	1,436	3,158	2,946
	9,919	861	1,436	12,216	12,004

* Excluding other taxes payables and accrued annual leave provisions.

7. Financial Instruments (continued)

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

Liquidity risk (continued)

Note: Bank loans 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 2013, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$5,000,000. 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 loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$5,013,000.

(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.

The directors of the Company consider that the carrying amounts of the other non-current financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values.

8. Revenue

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

	2013 **HK$'000**	2012 HK$'000
Repairing service income	**73,476**	68,406
Sales of accessories	**5,037**	1,175
	78,513	69,581

9. Segment Information

The Group is engaged in a single segment, the provision of mobile phone and consumer electronic devices repair service. Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

The Group's operations are located in Hong Kong and Taiwan. More than 96% of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong during the two years ended 31 March 2013.

Information about major customers

Details of the customers contributing over 10% of total revenue of the Group during the years are as follows:

	2013 **HK$'000**	2012 HK$'000
Customer I	**10,588**	N/A*
Customer II	**9,999**	9,606
Customer III	**9,882**	17,971
Customer IV	**9,848**	N/A*
Customer V	**8,338**	N/A*
	48,655	27,577

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

10. Other Income

	2013 HK$'000	2012 HK$'000
Gain on disposal of plant and equipment	**1,325**	–
Management fee income *(Note i)*	**185**	455
Consignment goods handling income *(Note ii)*	**400**	239
Bank interest income	**5**	1
Exchange gain, net	**10**	–
Others	**542**	241
	2,467	936

Notes:

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

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

11. Other Operating Expenses, Net

	2013 HK$'000	2012 HK$'000
Reimbursement of expenses for service centre	**3,994**	3,310
Service centre management income	**2,958**	2,836
Logistic service income	**266**	80
Miscellaneous income charges	**115**	81
	7,333	6,307
Other operating expenses of service centres	**(19,227)**	(13,934)
Other operating expenses, net	**(11,894)**	(7,627)

12. Finance Costs

	2013 HK$'000	2012 HK$'000
Interest on:		
Bank borrowings		
– wholly repayable within five years	**295**	–
Finance leases	**78**	106
	373	106

13. Income Tax Expense

	2013 HK$'000	2012 HK$'000
Hong Kong Profits Tax		
– current year	**2,229**	1,944
– over-provision in prior years	**(22)**	–
	2,207	1,944
Deferred tax		
– current year	**(267)**	701
Total income tax expense for the year	**1,940**	2,645

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2013 (2012: 16.5%).

13. Income Tax Expense (continued)

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for the two years ended 31 March 2013. No provision for Taiwan profits tax has been made as TSO TW does not have any assessable profit for the year ended 31 March 2013. No provision for Taiwan Profits Tax had been made as TSO TW has unused tax losses available to offset against assessable profits for the year ended 31 March 2012.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Profit before tax	**3,449**	16,721
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**569**	2,764
Tax effect of expenses not deductible for tax purpose	**1,398**	15
Hong Kong Profits Tax concession	**(10)**	–
Over-provision in prior years	**(22)**	–
Tax effect of tax loss not recognised	**5**	–
Utilisation of tax losses previously not recognised	**–**	(134)
	1,940	2,645

Details of deferred taxation are set out in note 26.

14. Profit for the Year

	2013 HK$'000	2012 HK$'000
Profit for the year is arrived at after charging (crediting):		
Directors' emoluments *(note 15)*		
– salaries, allowances and other benefits	648	1,656
– contribution to retirement benefits scheme	30	48
	678	1,704
Other staff costs *(note)*		
– salaries and other allowance	33,739	29,310
– contributions to retirement benefits scheme	1,629	1,458
– severance payment	346	728
– provision of long service payments	–	2
	35,714	31,498
Total staff costs	36,392	33,202
Auditor's remuneration	420	40
Depreciation of plant and equipment	4,400	2,736
Allowance for inventories (included in cost of sales)	312	438
Reversal of allowances for inventories (included in cost of sales)	(105)	(12)
Cost of inventories recognised as an expense	13,427	9,720
Operating lease rentals in respect of rented premises	10,220	5,673

Note:

Included in other operating expenses of service centres, salaries and other allowances of approximately HK$2,152,000 (2012: HK$1,657,000) and retirement benefits scheme contribution of approximately HK$71,000 (2012: HK$83,000) for the year ended 31 March 2013 were incurred for the service centres and wholly reimbursed by the customers. Such amounts were not included in the other staff costs.

15. Directors', Chief Executive's and Employees' Emoluments

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the directors during the year were as follows:

	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 March 2013				
Executive director:				
Mr. Cheung King Fung, Sunny	–	324	15	339
Non-executive directors:	–	–	–	–
Mr. Cheung King Chuen, Bobby	–	108	5	113
Mr. Cheung King Shan	–	108	5	113
Mr. Cheung King Shek	–	108	5	113
Total	–	648	30	678

	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 March 2012				
Executive director:				
Mr. Cheung King Fung, Sunny	–	324	12	336
Non-executive directors:				
Mr. Cheung King Chuen, Bobby	–	324	12	336
Mr. Cheung King Shan	–	324	12	336
Mr. Cheung King Shek	–	684	12	696
Total	–	1,656	48	1,704

15. Directors', Chief Executive's and Employees' Emoluments (continued)

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

Mr. Cheung King Fung, Sunny is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

None of the directors waived or agreed to waive any emolument paid by the Group during the two years ended 31 March 2013. No emoluments were paid by the Group to any of the directors as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 March 2013.

(b) Employees' emoluments

The five highest paid individuals of the Group during the year ended 31 March 2013 included one director(2012: two directors) of the Company, whose emoluments are included in the disclosures presented above. Details of emoluments paid to the remaining four (2012: three) individuals of the Group for the year were as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and other benefits	**2,052**	1,713
Contribution to retirement benefits scheme	**52**	36
	2,104	1,749

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
Nil to HK$1,000,000	**4**	3

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 two years ended 31 March 2013.

16. Dividends

No dividend was paid or proposed during the year ended 31 March 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

17. Earnings per Share

	2013 HK$'000	2012 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	1,509	14,076

The calculation of the basic earnings per share for the two years ended 31 March 2013 is based on the profit for the year attributable to the owners of the Company for the years and assuming 45,000,000 shares and 59,178,082 shares of the Company were in issue during the two years ended 31 March 2013 respectively after taking into account the capitalisation issue pursuant to the Reorganisation as stated in note 2 and share subscription as stated in note 27(c).

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the two years ended 31 March 2013.

18. Plant and Equipment

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Computers HK$'000	Total HK$'000
COST							
As at 1 April 2011	4,672	1,660	880	6,144	6,279	2,027	21,662
Exchange realignment	(10)	–	–	–	–	(5)	(15)
Additions	3,027	1,632	749	3,988	–	951	10,347
As at 31 March 2012 and 1 April 2012	7,689	3,292	1,629	10,132	6,279	2,973	31,994
Exchange realignment	1	–	–	–	–	–	1
Additions	3,664	665	190	–	–	547	5,066
Disposals	–	–	–	(6,930)	–	–	(6,930)
As at 31 March 2013	**11,354**	**3,957**	**1,819**	**3,202**	**6,279**	**3,520**	**30,131**
ACCUMULATED DEPRECIATION							
As at 1 April 2011	3,773	981	541	3,448	6,216	1,124	16,083
Exchange realignment	(10)	–	–	–	–	(4)	(14)
Provided for the year	652	249	113	1,319	14	389	2,736
As at 31 March 2012 and 1 April 2012	4,415	1,230	654	4,767	6,230	1,509	18,805
Exchange realignment	1	–	–	–	–	–	1
Provided for the year	2,121	546	240	990	15	488	4,400
Eliminated on disposals	–	–	–	(2,555)	–	–	(2,555)
As at 31 March 2013	**6,537**	**1,776**	**894**	**3,202**	**6,245**	**1,997**	**20,651**
CARRYING VALUES							
As at 31 March 2013	**4,817**	**2,181**	**925**	**–**	**34**	**1,523**	**9,480**
As at 31 March 2012	3,274	2,062	975	5,365	49	1,464	13,189

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

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

As at 31 March 2012, net carrying values of a motor vehicle of approximately HK$3,257,000 was held under finance leases. Such motor vehicle was disposed of during the year ended 31 March 2013.

19. Inventories

	2013 HK$'000	2012 HK$'000
Merchandises	**4,304**	4,104

During the year ended 31 March 2013, certain impaired inventories were sold at a gross profit. A reversal of write-down of merchandises of approximately HK$105,000 (2012: HK$12,000) has been recognised and included in cost of sales.

20. Trade and other Receivables

	2013 HK$'000	2012 HK$'000
Trade receivables	**12,199**	8,349
Other receivables	**8,251**	5,332
Prepayment	**3,482**	131
	23,932	13,812

The Group does not hold any collateral over these balances.

The Group grants an average credit period of 30 days to 60 days to its trade customers. The following was an aged analysis of trade receivables presented based on invoice date at the end of the reporting period which approximated the respective revenue recognition dates.

	2013 HK$'000	2012 HK$'000
Within 30 days	**3,899**	3,006
31-60 days	**7,560**	2,357
61-90 days	**301**	1,744
91-120 days	**225**	820
Over 120 days	**214**	422
	12,199	8,349

20. Trade and other Receivables (continued)

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

	2013 HK$'000	2012 HK$'000
31-60 days	301	1,744
61-90 days	225	820
91-120 days	214	422
Total	740	2,986

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

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

	2013 HK$'000	2012 HK$'000
US$	5,473	1,739

21. Pledged Bank Deposits/Bank Balances and Cash

Bank balances carried interest at prevailing market rates ranged from 0.01% to 0.17% (2012: 0.01% to 0.17%) per annum during the year ended 31 March 2013. The pledged bank deposits carried interest ranged from 0.01% to 0.60% (2012: 0.01% to 0.60%) per annum during the year ended 31 March 2013.

As at 31 March 2013, pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$200,000 and HK$3,902,000 have been pledged to secure bank overdrafts and letter of credit respectively and are therefore classified as current assets.

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

	2013 HK$'000	2012 HK$'000
US$	702	857
RMB	3,902	–

22. Trade and other Payables

	2013 HK$'000	2012 HK$'000
Trade payables	**1,817**	936
Accrued expenses and other payables	**6,318**	4,817
Total	**8,135**	5,753

The average credit period on purchases of goods ranged from 30 days to 60 days. The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
Within 30 days	**1,102**	770
31 – 90 days	**172**	–
Over 90 days	**543**	166
	1,817	936

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

	2013 HK$'000	2012 HK$'000
US$	**488**	769

23. Obligations Under Finance Leases

	2013 HK$'000	2012 HK$'000
Analysed for reporting purposes as:		
Current liabilities	–	762
Non-current liabilities	–	2,184
	–	2,946

A motor vehicle of the Group is held under finance lease for a lease term of 5 years. Interest rate underlying all obligations under finance leases are fixed at 8% at the contract date.

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Amounts payable under finance leases				
Within one year	–	861	–	762
In more than one year but not more than two years	–	861	–	793
In more than two years but not more than five years	–	1,436	–	1,391
	–	3,158	–	2,946
Less: future finance charges	–	(212)	–	N/A
Present value of lease obligation	–	2,946	–	2,946
Less: Amounts due for settlement within 12 months (shown under current liabilities)			–	(762)
Amounts due for settlement after 12 months			–	2,184

The Group's obligation under finance leases were secured by the lessor's charge over the leased assets and denominated in HK$.

24. Bank Borrowings

	2013 HK$'000	2012 HK$'000
Unsecured	5,000	–
Carrying amount repayable* – within one year	5,000	–

* The amounts due are based on scheduled repayment dates set out in the loan agreement.

	Effective interest rate	2013 HK$'000	2012 HK$'000
Borrowings comprise the following floating rate bank borrowings:			
Unsecured revolving term loan of HK$5,000,000 at 3% above Hong Kong Interbank Offered Rates ("HIBOR") repayable by 28 September 2013 or on demand	3.2775%	5,000	–
Total borrowings		5,000	–

As at 31 March 2013, the Group has undrawn borrowing facilities of HK$25,200,000 (2012: HK$200,000).

25. Employee Benefits

	2013 HK$'000	2012 HK$'000
At the beginning of the year	147	190
Provision for the year	–	2
Paid during the year	–	(45)
At the end of the year	147	147

The Group makes provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance, as further explained in note 4. The provision represents the management's best estimate of the Group's liability at the end of the reporting period. As at 31 March 2013, the amount is calculated based on the principal assumptions stated as below:

	As at 31 March	
	2013	2012
Annual salary increment	8.45%	4.3%
Turnover rate	13.6% to 28.6%	11.6% to 24.5%
MPF return rate	4.0%	3.6%
Discount rate	0.1% to 1.4%	0.2% to 1.3%

26. Deferred Taxation

The following is the major deferred tax (liabilities) and assets recognised and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation HK$'000	Estimated tax losses HK$'000	Total HK$'000
As at 1 April 2011	(344)	344	–
Charged to the consolidated statement of comprehensive income *(note 13)*	(357)	(344)	(701)
As at 31 March 2012 and 1 April 2012	(701)	–	(701)
Credited to the consolidated statement of comprehensive income *(note 13)*	267	–	267
As at 31 March 2013	(434)	–	(434)

At 31 March 2013, the Group had unused tax losses of approximately HK$255,000 (2012: HK$225,000) available for offset against future profits. At as 31 March 2013, no deferred tax assets has been recognised in respect of the remaining tax losses of approximately HK$255,000 (2012: HK$225,000) due to the unpredictability of future profit streams. As at 31 March 2013, tax losses of approximately HK$225,000 (2012: HK$225,000) may be carried forward to until 2020 and the remaining tax losses of approximately HK$30,000 may be carried forward to 2023.

27. Share Capital

The share capital of the Group at 31 March 2012 represented the share capital of Telecom Service One Limited ("TSO HK").

The share capital of the Group at 31 March 2013 represented the share capital of the Company.

	Number of shares	Share capital HK$'000
Authorised		
Ordinary share of HK$0.1 each as at date of incorporation and as at 31 March 2013 *(Note a)*	3,800,000	380
Issued and fully paid		
Ordinary share of HK$0.1 each at date of incorporation *(Note a)*	1	–
Issued in consideration for the acquisition of the issued share capital of Telecom Service One Investment Limited ("TSO BVI") *(Note b)*	299,999	30
Subscription of share by East-Asia *(Note c)*	300,000	30
Ordinary shares of HK$0.1 as at 31 March 2013	600,000	60

Notes:

(a) On 3 August 2012, the Company was incorporated in Cayman Islands as an exempted company with limited liabilities under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. At the date of incorporation, 1 fully paid share of HK$0.1 each was issued.

(b) On 29 October 2012, the Company allotted and issued 299,999 shares of HK$0.1 each credited as fully paid and in return acquired all the outstanding ordinary shares of TSO BVI.

(c) On 6 December 2012, East-Asia, the immediate holding company of the Company, entered into a subscription agreement with the Company pursuant to which East-Asia agreed to subscribe for 300,000 shares of HK$0.1 each at a total subscription price of HK$11,000,000.

(d) Pursuant to the resolutions in writing of the shareholders of the Company passed on 2 May 2013, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by creation of 996,200,000 new shares HK$0.1 each.

All shares issued during the year ended 31 March 2013 rank pari passu with existing shares in all respects.

28. Operating Leases Commitment

The Group as lessee

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

	2013 **HK$'000**	2012 HK$'000
Within one year	**4,652**	2,950
In the second to fifth year, inclusive	**1,438**	1,529
	6,090	4,479

The Group leases certain of its office premises and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three (2012: one to two) years with fixed rentals as at 31 March 2013.

29. Major Non-Cash Transactions

During the year ended 31 March 2013, an amount of approximately HK$1,908,000 (2012: HK$44,659,000) included in amounts due to related companies and an amount of approximately HK$3,875,000 (2012: nil) amount due to intermediate holding company was set off with an equivalent amount included in amounts due from related companies.

During the year ended 31 March 2012, the Group acquired plant and equipment of approximately HK$91,000 which was settled by a related company as included in amount due to a related company.

During the year ended 31 March 2012, the Group entered into finance lease arrangements in respect of a motor vehicle with a total capital value at the inception of the lease of approximately HK$3,988,000.

30. Retirement Benefits Scheme Contributions

Hong Kong

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and its employees makes monthly contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month and HK$1,250 per month since June 2012.

During the year ended 31 March 2013, the total cost charged to the consolidated statement of comprehensive income of approximately HK$1,509,000 (2012: HK$1,386,000) represents contributions payable to the scheme by the Group in respect of the year.

Taiwan

As stipulated by Labour Pension Act in Taiwan, the subsidiary of the Company is required to contribute to a defined contribution scheme for all its employees at 6% of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees.

During the year ended 31 March 2013, the total cost charged to the consolidated statement of comprehensive income of approximately HK$150,000 (2012: HK$120,000) represents contributions payable to the plan by the Group in respect of the year.

31. Related Party Transactions and Balances

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

Name of company	Nature of transactions	Notes	Year ended 31 March 2013 HK$'000	2012 HK$'000
Related companies				
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	*(i) & (iii)*	783	417
Oceanic Rich Limited	Rental expenses paid thereto	*(ii) & (iii)*	2,301	1,677
Glossy Enterprises Limited	Rental expenses paid thereto	*(ii) & (iii)*	492	312
Glossy Investment Limited	Rental expenses paid thereto	*(ii) & (iii)*	923	–
Telecom Digital Services Limited	Licensing fee paid thereto	*(ii) & (iii)*	44	–
Radiotex International Limited	Purchases of goods thereto	*(i) & (iii)*	1,189	704
	Received repairing service income therefrom	*(i) & (iii)*	36	–
Telecom Digital Data Limited	Received repairing service income therefrom	*(i) & (iii)*	9,999	9,606
	Telecommunication service paid thereto	*(i) & (iii)*	89	53
Telecom Digital Mobile Limited	Purchase of goods thereto	*(i) & (iii)*	21	55
	Consignment fee paid thereto	*(i) & (iii)*	590	–
New World Mobility Limited	Sales of goods therefrom	*(i) & (iii)*	963	–
Telecom (Macau) Limited	Received repairing service income therefrom	*(i) & (v)*	41	33
Chief Plus Limited	Rental expenses paid thereto	*(ii) & (iv)*	–	360
Non-recurring in nature:				
Telecom Digital Service Limited	Proceed of sales of motor vehicle therefrom	*(i) & (iii)*	2,500	–

31. Related Party Transactions and Balances (continued)

(a) (Continued)

Details of amounts due from related companies are as follows:

				Maximum amount outstanding during the year ended 31 March	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Telecom Digital Mobile Limited	*(iii), (vi) & (vii)*	**716**	31	**772**	86
Telecom Digital Data Limited	*(iii), (vi) & (vii)*	**680**	2,899	**2,899**	9,606
Radiotex International Limited	*(iii), (vi) & (vii)*	**–**	590	**590**	650
Telecom (Macau) Limited	*(v), (vi) & (vii)*	**2**	–	**15**	33
New World Mobility Limited	*(iii), (vi) & (vii)*	**385**	–	**385**	–
		1,783	3,520		

31. Related Party Transactions and Balances (continued)

(a) (Continued)

Notes:

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

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

(iii) The Controlling Shareholders of the Company have beneficial interests in the company.

(iv) Mr. Cheung King Shek, the director of the Company, has beneficial interests in the company.

(v) Mr. Cheung King Shek, Mr. Cheung King Fung, Mr. Cheung King Chuen, Bobby, the directors of the Company, have beneficial interests in the company.

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

(vii) The amounts due from (to) related parties were fully settled in May 2013.

31. Related Party Transactions and Balances (continued)

(b) The amount due to intermediate holding company was arisen from (to) temporary fund transfer of non-trade nature. The amounts are unsecured, interest-free and repayable on demand. The amount has been fully settled during the year ended 31 March 2013.

(c) Banking facilities

During the year ended 31 March 2012, the Group's banking facilities of HK$200,000 were secured by a bank deposit placed by Telecom Service Network Limited, a related company (2013: nil).

During the year ended 31 March 2013, the Group's banking facilities of HK$30 million were guaranteed by Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen, Bobby and Mr. Cheung King Fung, Sunny.

As at 31 March 2013, the unutilised banking facilities guaranteed by related parties were HK$25,000,000 (2012: HK$200,000 was secured by a bank deposit placed by a related company).

(d) Obligations under finance leases

During the year ended 31 March 2013 and 2012, the Group's obligations under finance leases were guaranteed by a director, Mr. Cheung King Fung, Sunny. This personal guarantee was released during the year ended 31 March 2013 as the finance lease was settled upon disposal during the year.

(e) During the year ended 31 March 2012, and up to July 2012, certain rentals, staff costs and miscellaneous operating expenses were provided by the Company's related company at nil consideration.

31. Related Party Transactions and Balances (continued)

(f) Compensation of key management personnel

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

	2013 HK$'000	2012 HK$'000
Short-term benefits	**1,625**	2,198
Post-employment benefits	**43**	60
	1,668	2,258

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

32. Events after the Reporting Period

The following significant events took place subsequent to 31 March 2013:

(a) Change in the authorised share capital and capitalisation issue

Pursuant to the resolutions in writing of the shareholders of the Company passed on 2 May 2013, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by creation of 996,200,000 new shares HK$0.1 each.

On 2 May 2013, pursuant to the resolution of the then shareholders of the Company, it was approved to issue 89,400,000 ordinary shares of HK$0.1 each to such shareholders by way of capitalisation of HK$8,940,000 from the share premium account upon listing of the Company's shares on the GEM of the Stock Exchange (the "Capitalisation Issue"). Such shares were issued on 29 May 2013, being one day before the date on which dealings in the shares of the Company first commence on the GEM of the Stock Exchange (the "Listing Date").

(b) Placing

On 30 May 2013, being the Listing Date, the Company issued a total of 30,000,000 ordinary shares HK$0.1 each at a price of HK$1.0 per share as a result of the completion of the Placing. Of the total gross proceeds, HK$3,000,000 representing the par value were credited to the Company's share capital and HK$27,000,000, before the share issue expenses, was credited to the share premium account. The Company's total number of issued shares was increased to 120,000,000 shares upon completion of the Placing.

33. Statement of Financial Position of the Company

	Notes	2013 HK$'000
Non-current assets		
Investment in a subsidiary		21,563
		21,563
Current assets		
Other receivables and prepayments		3,339
Amount due from a subsidiary	(a)	1,958
		5,297
Current liability		
Other payables		2,737
		2,737
Net current assets		2,560
Net assets		24,123
Capital and reserves		
Share capital		60
Reserves	(b)	24,063
Total Equity		24,123

33. Statement of Financial Position of the Company (continued)

Notes:

(a) The amount is unsecured, non-interest bearing and repayable on demand.

(b) Reserves

	Share premium HK$'000	Other Reserve (#) HK$'000	Accumulated loss HK$'000	Total HK$'000
As at 3 August 2012 (date of incorporation)	–	–	–	–
Issue of shares	10,970	–	–	10,970
Arising from Reorganisation	–	21,533	–	21,533
Loss and total comprehensive expense for the year	–	–	(8,440)	(8,440)
As at 31 March 2013	10,970	21,533	(8,440)	24,063

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

34. Subsidiaries

Particulars of the Company's subsidiary are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
TSO BVI	BVI	US$1,000	100%	–	Investment holding
TSO HK	Hong Kong	HK$1,000	–	100%	Provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories
TSO TW	Taiwan	NT$500,000	–	100%	Provision of mobile phone repair services

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

Financial Summary

	Year ended 31 March		
	2011	2012	**2013**
	HK$'000	HK$'000	**HK$'000**
RESULTS			
Revenue	37,905	69,581	**78,513**
Cost of sales	(24,390)	(38,941)	**(46,158)**
Gross profit	13,515	30,640	**32,355**
Other income	679	936	**2,467**
Other operating expenses, net	(3,402)	(7,627)	**(11,894)**
Administrative expenses	(6,610)	(7,122)	**(19,106)**
Finance costs	–	(106)	**(373)**
Profit before tax	4,182	16,721	**3,449**
Income tax expense	–	(2,645)	**(1,940)**
Profit for the year	4,182	14,076	**1,509**
Exchange differences arising on translation of foreign operation and total other comprehensive income (expense) for the year	394	(65)	**(18)**
Total comprehensive income for the year	4,576	14,011	**1,491**
Earnings per share (HK$)			
Basic and diluted	0.09	0.31	**0.03**

	As at 31 March		
	2011	2012	**2013**
	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES			
Total assets	24,301	37,291	**48,945**
Total Liabilities	(16,387)	(15,366)	**(14,529)**
	7,914	21,925	**34,416**
Equity attributable to owners of the Company	7,914	21,925	**34,416**