TSO
Telecom Service One

Telecom Service One Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8145

Annual Report
2013/14

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.

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.

CONTENTS

CORPORATE INFORMATION

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
Fong Ping
Kwok Yuen Man Marisa
Chu Kin Wang Peleus

COMPANY SECRETARY

Tsang Kit Man

COMPLIANCE OFFICER

Cheung King Fung Sunny

BOARD COMMITTEES

Audit Committee
Chu Kin Wang Peleus *(Chairman)*
Fong Ping
Kwok Yuen Man Marisa

Nomination Committee
Kwok Yuen Man Marisa *(Chairman)*
Fong Ping
Chu Kin Wang Peleus

Remuneration Committee
Fong Ping *(Chairman)*
Kwok Yuen Man Marisa
Chu Kin Wang Peleus

AUTHORISED REPRESENTATIVES UNDER GEM LISTING RULES

Cheung King Fung Sunny
Tsang Kit Man

COMPANY'S WEBSITE

http://www.tso.cc

AUDITOR

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens,
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,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

CORPORATE INFORMATION (continued)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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,
P.O. 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 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 2014.

ANNUAL RESULTS

The Group's revenue for the year ended 31 March 2014 was approximately HK$94.3 million (2012/13: HK$78.5 million), representing an increase of 20.1%. Gross profit surged by 30.2% to approximately HK$42.1 million (2012/13: 32.4 million). The increase was mainly due to increase in repair jobs and higher revenue generated from accessories business. The earnings attributable to the owners of the Company for the year ended 31 March 2014 was approximately HK$14.3 million as compared to approximately HK$1.4 million for the year ended 31 March 2013. The improvement in results was mainly attributable to the sales increases and the one-off listing expenses incurred in 2012/13.

BUSINESS OVERVIEW AND OUTLOOK

During the year, the Group made continuous efforts to strengthen its 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.

Provision of Repair and Refurbishment Services

We set-up our first service centre in China for provision of repair and refurbishment services to our largest corporate customer in December 2013. The new repair centre is situated at prime location in Shenzhen with a gross floor area of over 2,000 square feet. Moreover, the Group successfully gained three new contracts from three corporate customers to provide repair and refurbishment services for mobile phones of three new brands during the year.

Sales of Accessories

In addition to focusing on growing our more well established repair business, we also expanded the scale of accessories business by introducing more types of accessories and selling at more points of sale. The revenue from accessories business increased 66.8% to approximately HK$8.4 million in 2013/14 (2012/13: HK$5.0 million). In late 2013, the Group also installed a new digital printing system for mobile phone cases at its service centres in Hong Kong. We anticipate that the sales will further increase in 2014/15.

Looking forward, the Group will continue to focus on enhancing the core competence of its principal business, adhering to delivering the highest quality services, strengthening the product knowledge and technical capability, actively diversify our customer base and accelerate our business growth.

CHAIRMAN'S STATEMENT (continued)

APPRECIATION

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

Cheung King Shek
Chairman and Non-Executive Director
Hong Kong, 16 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Mobile phone usage, especially the usage of smartphones, has been surging. Such surge has been powered by the frequent update of product models by mobile phone manufacturers or brand owners. Due to keen competition amongst mobile phone manufacturers, new models of mobile phones with new features are being put to the market every 3 to 6 months to stimulate consumers' demand. In addition, along with the continuous advancement of technology, smartphone apps are becoming more popular, user experience is continuously enhanced, and more and more types of smartphones are available at affordable pricing. Accordingly, featured phones are tended to be replaced by smartphones, which drives the surge of the shipment of mobile phone in Hong Kong.

Driven by the development of mobile technology, lower prices and the comprehensive Information and Communication Technology (ICT) infrastructure built in Hong Kong which facilitates the popularity of mobile phones, Hong Kong's revenue of mobile phones experienced a solid growth from US$2.11 billion in 2010 to US$8.13 billion in 2013 with a compound growth rate ("CAGR") of 56.77%. The shipment of mobile phone in Hong Kong also experienced a rapid growth from 6.26 million units in 2010 to 26.61 million units in 2013 with a CAGR of 61.99%.

BUSINESS REVIEW

The 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 as well as sale of related accessories. 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. Our business objective 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.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2014 was approximately HK$94.3 million (2012/13: HK$78.5 million), representing an increase of 20.1% over the previous year. The increase in the Group's revenue was mainly due to the increase in repair jobs and higher revenue generated from the accessories business.

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$52.2 million (2012/13: HK$46.2 million), representing an increase of 13.0%. The increase in cost of sales was corresponded to the increase in revenue. The Group's cost of inventories sold was approximately HK$19.1 million (2012/13: HK$13.4 million), representing an increase of 42.3% from that of the previous year.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year was approximately HK$42.1 million (2012/13: HK$32.4 million), representing an increase of 30.2% over the previous year. Gross profit margin slightly increased by 3.5% to 44.7% from 41.2%.

Other Income

Other income for the year ended 31 March 2014 was approximately HK$3.6 million (2012/13: HK$2.5 million). Other income mainly contributed by management fee and consignment goods handling income, bank interest and gain on disposal of plant and equipment.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2014 were approximately HK$14.3 million (2012/13: HK$11.9 million), representing an increase of 19.9% over the previous year. The increase was mainly due to the following:

(i) Decrease in reimbursement of expenses for service centres from a corporate customer due to downsizing of service centre of that corporate customer in January 2013 and the Group's service centre in Taiwan ceased business in November 2013; and

(ii) Increase in consignment commission paid for the consignment sale of accessories.

Administrative expenses for the year ended 31 March 2014 was approximately HK$13.2 million (2012/13: HK$19.2 million). The decrease was mainly due to the one-off listing expenses incurred in the previous year.

Profit before Tax

The Group had recorded a profit before tax of approximately HK$18.1 million for the year ended 31 March 2014, (2012/13: HK$3.4 million) representing an increase of 441.1% from the previous year.

Material Acquisitions or Disposals and Significant Investments

In the first quarter of 2014, the Group acquired 100% of the equity interest in Telecom Service One (Macau) Limited preparing for the proposed new operation in Macau. The Group did not make any material disposal of subsidiaries or significant investments during the year ended 31 March 2014.

Liquidity and Financial Resources

As at 31 March 2014, the Group had current assets of approximately HK$75.4 million (2012/13: HK$43.0 million) and current liabilities of approximately HK$9.2 million (2012/13: HK$18.7 million.

As at 31 March 2014, the Group's gearing ratio was 0.3% as compared to 29.2% as at 31 March 2013, which is calculated based on the Group's total borrowings of approximately HK$0.2 million (2012/13: HK$9.7 million) and the Group's total equity of approximately HK$72.6 million (2012/13: HK$33.2 million).

At present, the Group generally finances its operations with internally generated cash flows. Net cash generated from operating activities for the year was approximately HK$10.9 million. Net cash used in investing activities was approximately HK$0.9 million.

The Group maintained a healthy liquidity position as at 31 March 2014. The Group had cash and cash equivalents of HK$33.9 million as at 31 March 2014 (2012/13: HK$5.3 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 2014, the Group has no bank borrowing and the unutilized bank facilities of HK$9.1 million available for further draw down should it have any further capital needs.

Contingent Liabilities

As at 31 March 2014, the Group had no material contingent liabilities (2012/13: 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 2014, the Group did not have any significant capital commitments (2012/13: Nil).

Final Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2014 (2012/13: Nil).

Interim Dividend

Being determined to make better return to the shareholders, the Directors proposed to declare and distribute to the shareholders an interim dividend of HK$0.25 per share, payable on 9 July 2014 to Shareholders on record as at 30 June 2014.

Capital Structure

There was no change in the capital structure during the year ended 31 March 2014.

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 2014, the Group did not hold any significant investment in equity interest in any other company and did not own any properties.

Employees and Remuneration Policies

As at 31 March 2014, the Group employed 222 (31 March 2013: 177) full time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

Outlook

Looking forward, the Group will continue to focus on enhancing the core competence of its principal business, adhering to delivering the highest quality services, strengthening the product knowledge and technical capability, actively diversify our customer base and accelerate our business growth. The Group has discussed with its largest corporate customer and is planning to open a new customer service centre in Macau to provide repair and refurbishment services for mobile phones for such customer. The new service centre is expected to commence operation in the fourth quarter of 2014.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 23 May 2013 (the "Prospectus") with the Group's actual business progress for the year ended 31 March 2014 (the "Review Period") is set out below:

Business objectives for the Review Period	Actual Business Progress for Review Period
Enhancing the scope of the repair and refurbishment services provided by the Group	
• Meet with existing corporate customers or new customers which manufacture such personal electronic products so as to present to such customers the relevant existing competitive advantages of the Group in the industry and understand the primary demands of such customers on the repair and refurbishment services.	The Company met with its existing corporate customers and presented to them the relevant existing competitive advantages of the Group so as to explore any business opportunities.
• Explore business opportunities (such as providing the repair and refurbishment services for parts and accessories which have not been provided to the existing customers) to enhance the scope of repair and refurbishment services provided to existing clients.	Three of the corporate customers have engaged the Group to provide repair and refurbishment services for mobile phones of three new brands, respectively. The Company has discussed with its largest corporate customer on provision of its services in the People's Republic of China for such customer and opened a customer service centre in Shenzhen to provide repair and refurbishment services for mobile phones and other personal electronic products for such customer in late December 2013.
• Evaluate and explore potential new personal electronic products (such as LCD monitors and other peripherals which consist of certain common parts and components and apply certain common technologies with the personal electronic products repaired and refurbished by the Group) for which the Group can provide repair and refurbishment services without incurring substantial additional labour costs and other operating expenses.	The Group is keep exploring potential new products to enhance the scope of the repair and refurbishment services.

Business objectives for the Review Period (continued)	Actual Business Progress for Review Period (continued)
Enhancing the scope of the repair and refurbishment services provided by the Group (continued)	
• Prepare feasibility study and cost planning if there is any such potential business opportunity.	The Company has discussed with its largest corporate customer on provision of its services in Macau for such customer and is planning to open a customer service centre there to provide repair and refurbishment services for mobile phones and other personal electronic products for such customer in the fourth quarter of 2013.
Strengthening the product knowledge and technical capability of the Group	
• Choose appropriate calibres in its technical team and customer service team.	Over 100 appropriate staff in the technical team and customer service team were chosen.
• Train the selected customer service staff and technicians by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products.	The selected customer service staff and technicians were trained by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products.
Expanding the Group's sales on accessories	
• Identify more types of quality accessories with high profit margin.	Handheld chargers and handset cases were identified by the Group as accessories with high profit margin.
• Offer to sell the new accessories identified at the customer service centres of the Group and, on a consignment basis, at the retail shops of Telecom Digital Holdings Limited ("TDHL"), a connected person of the Company.	During the period, the Group has identified some new accessories, such as new types or models of handheld chargers, Bluetooth devices and handset cases (with digital printed diagrams) and have been selling such new accessories at the Group's customer service centres and TDHL's retail shops.
• Study the sales figures of the accessories sold by the Group and identify the most profitable product mix.	The Company studied the sales figures of the accessories sold by the Group and identified the most profitable product mix.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Cheung King Shek, aged 62, was appointed as a Director of the Company 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 and is also a director of certain other subsidiaries of the Company. He was appointed as a director of TDHL (a company listed on the GEM) on 29 November 2002 and was appointed as the chairman and re-designated as an executive director in March 2014. He joined TDHL Group in 1981 and is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of TDHL Group. Mr. Cheung brings to TDHL Group more than 30 years of experience in the telecommunications industry and has achieved a solid track record of achievements. Under his leadership and stewardship, TDHL Group has grown to be a versatile service provider in the telecommunications industry. Mr. Cheung graduated with a bachelor's degree in commerce from the University of New South Wales in April 1976 and a master degree in business administration from the University of Melbourne in Australia in August 1981. Mr. Cheung is the chairman of Hong Kong Radio Paging Association, and an honorary citizen of Swatow City. He is the elder brother of Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby, the Non-Executive Directors of the Company, and Mr. Cheung King Fung Sunny, the Executive Director of the Company. Mr. Cheung is a director of East-Asia Pacific Limited ("East-Asia") which has disclosure interests in the Company under the provisions of the Securities and Futures Ordinance.

EXECUTIVE DIRECTOR

Mr. Cheung King Fung Sunny, aged 46, was appointed as a Director of the Company 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 and is also a director of certain other subsidiaries of the Company. He was appointed as a director of TDHL on 29 November 2002, re-designated as an executive director in March 2014 and is primarily responsible for overseeing the financial management of TDHL Group. Mr. Cheung joined TDHL Group in 1990. 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's Political Consultative Conference of Guangzhou City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, the Chairman and Non-Executive Director of the Company, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby, the Non-Executive Directors of the Company. Mr. Cheung is a director of East-Asia which has disclosure interests in the Company under the provisions of the Securities and Futures Ordinance.

NON-EXECUTIVE DIRECTORS

Mr. Cheung King Shan, aged 55, was appointed as a Director of the Company 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 and is also a director of certain other subsidiaries of the Company. He was appointed as a director of TDHL on 29 November 2002, re-designated as a non-executive director in March 2014 and is responsible for advising on sales and marketing and apps writing in relation to TDHL's information broadcasting services. Mr. Cheung joined TDHL Group in 1985 and was responsible for the overall planning and formulation of the marketing and sales strategies in line with its sales and corporate targets, and played a major role in the growth of the sales volume and customer base before being re-designated as a non-executive director. 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's Political Consultative Conference of Dongguan City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, the Chairman and Non-Executive Director of the Company, and the elder brother of Mr. Cheung King Chuen Bobby, the Non-Executive Director of the Company, and Mr. Cheung King Fung Sunny, the Executive Director of the Company. Mr. Cheung is a director of East-Asia which has disclosure interests in the Company under the provisions of the Securities and Futures Ordinance.

Mr. Cheung King Chuen Bobby, aged 55, was appointed as a Director of the Company in August 2012 and redesignated 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 and is also a director of certain other subsidiaries of the Company. He was appointed as a director of TDHL on 29 November 2002, re-designated as a non-executive director in March 2014 and is responsible for advising on administration, human resources and special ad hoc projects. He joined TDHL Group in 1985 and was responsible for the formulation and implementation of its administrative policies as well as overseeing its administrative operation in human resources, legal and administration, property management and PRC projects before being re-designated as a non-executive director. 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's 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 of the Company, and Mr. Cheung King Shan, a Non-Executive Director of the Company, and the elder brother of Mr. Cheung King Fung Sunny, the Executive Director of the Company. Mr. Cheung is a director of East-Asia which has disclosure interests in the Company under the provisions of the Securities and Futures Ordinance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fong Ping, aged 64, was appointed as an Independent Non-Executive Director of the Company on 30 April 2013. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr. Fong has over 26 years of experience in garment and jewelry industries. Mr. Fong is the chairman of Kwai Tsing District Council and a committee member of Hong Kong Fight Crime Committee. Mr. Fong is also a committee member of Chinese People's Political Consultative Conference of Guangdong Province and a standing committee member of Chinese People's Political Consultative Conference of Swatow City. 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 59, was appointed as an Independent Non-Executive Director of the Company on 30 April 2013. She is the chairman of Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. She has over 30 years of experience in holding senior managerial roles in telecommunication industry. She joined Cable & Wireless HKT Limited in April 1982 and left the company in February 2000 when she was the director of corporate market. In 2001, she joined Hong Kong CSL Limited as director, marketing and operations and left the company in June 2004. She later joined PCCW-HKT Limited as managing director, commercial group from June 2004 to February 2006. From June 2006 to March 2007, she was the managing director of Boyden China Limited, a global executive search firm. From March 2007 to March 2011, Ms. Kwok was the general manager, marketing unit 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 49, was appointed as an Independent Non-Executive Director of the Company 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 Company 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 (name changed to Sun Century Group Limited on 1 February 2012) (stock code: 1383), a company listed on the Main Board of the Stock Exchange, responsible for corporate finance, financial reporting and compliance and company secretarial matters from 2007 to 2010. Mr. Chu has been 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 Limited (stock code: 1823) since 21 May 2009
- EYANG Holdings (Group) Co., Limited (stock code: 117) since 16 April 2007

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

SENIOR MANAGEMENT

Ms. Fong Kit Sze, aged 40, has been the General Manager of TSO since October 2008 and is primarily responsible for client management and supervision of the daily operation of TSO. She joined TSO in May 2004 as business development manager. Ms. Fong was the business development manager of Telecom Digital Services Limited ("TDS") from October 2003 to April 2004 and was primarily responsible for the development of IDD business. Since May 2004, Ms. Fong has been under the Group's employment but not the other businesses of the Controlling Shareholders. 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 REPORT

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, 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 nomination committee and a remuneration committee with specific written terms of reference.

During the period from the date of listing of shares of the Company on GEM of the Stock Exchange (i.e. 30 May 2013) (the "Listing Date") to 31 March 2014 (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 "Functions of the Board" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 March 2014, all of them have confirmed that they have complied with the required standard of dealings during the Period.

BOARD OF DIRECTORS

Composition of the Board of Directors

The Board currently comprises one Executive Director, three Non-Executive Directors and three Independent Non-Executive Directors. The composition of the Board is as follows:

Chairman and Non-Executive Director

Mr. Cheung King Shek (re-designated as Chairman and Non-Executive Director on 30 April 2013)

Executive Director

Mr. Cheung King Fung Sunny (re-designated as Executive Director on 30 April 2013)

Non-Executive Directors

Mr. Cheung King Shan (re-designated as Non-Executive Director on 30 April 2013)
Mr. Cheung King Chuen Bobby (re-designated as Non-Executive Director on 30 April 2013)

Independent Non-Executive Directors

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 13 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.

According to the code provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Period, the Executive Director has provided and will continue to provide to all Non-Executive Directors updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.

Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication in accordance with the 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, four board meetings and one general meeting were held. Details of the attendance of Directors are as follows:

Directors	**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 (re-designated as Chairman and Non-Executive Director on 30 April 2013)	1/1	4/4
Executive Director		
Mr. Cheung King Fung Sunny (re-designated as Executive Director on 30 April 2013)	1/1	4/4
Non-Executive Directors		
Mr. Cheung King Shan (re-designated as Non-Executive Director on 30 April 2013)	1/1	4/4
Mr. Cheung King Chuen Bobby (re-designated as Non-Executive Director on 30 April 2013)	1/1	4/4
Independent Non-Executive Directors		
Mr. Fong Ping (appointed on 30 April 2013)	0/1	4/4
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)	1/1	4/4
Mr. Chu Kin Wang Peleus (appointed on 30 April 2013)	0/1	4/4

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.

The re-election of each of those Independent Non-Executive Directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by the shareholders of the Company at the relevant Annual General Meeting; and (ii) further information being given to shareholders of the Company together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

Independent Non-Executive Directors

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

Chairman and Chief Executive

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the Period, the role of the Chairman is performed by Mr. Cheung King Shek and the executive functions of a chief executive are discharged by Mr. Cheung King Fung Sunny as the Executive Director of the Company.

Delegation of Powers

The Board delegates day-to-day operations of the Group to the 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 training for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the Period, all the Directors have participated in continuous professional development and the relevant details are set out below:

Directors	**Types of training** *(Notes)*
Chairman and Non-Executive Director	
Mr. Cheung King Shek	(a) & (b)
Executive Director	
Mr. Cheung King Fung Sunny	(a) & (b)
Non-Executive Directors	
Mr. Cheung King Shan	(a) & (b)
Mr. Cheung King Chuen Bobby	(a) & (b)
Independent Non-Executive Directors	
Mr. Fong Ping	(b)
Ms. Kwok Yuen Man Marisa	(b)
Mr. Chu Kin Wang Peleus	(b)

Notes:

(a) attending seminars and/or conferences and/or forums

(b) reading journals, updates, articles and/or materials, etc.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and the Company Secretary that may arise out in the corporate activities to comply 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 three Independent Non-Executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus. Mr. Chu Kin Wang Peleus is the chairman of the Audit Committee.

Four Audit Committee Meetings were held during the Period. Details of the attendance of members of the Audit Committee Meetings are as follows:

Members	**Attendance/Number of Audit Committee Meetings entitled to attend**
Mr. Chu Kin Wang Peleus *(Chairman)* (appointed on 30 April 2013)	4/4
Mr. Fong Ping (appointed on 30 April 2013)	4/4
Ms. Kwok Yuen Man Marisa (appointed on 30 April 2013)	4/4

The following is a summary of work performed by the Audit Committee during the Period:

(a) reviewed the quarterly, half-year and annual financial statements before submission to the Board;

(b) reviewed the Group's financial controls, internal control and risk management systems;

(c) approved the remuneration and the appointment and the terms of engagement of the external auditor;

(d) reviewed the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards; and

(e) had two meetings with the external auditor, with one of which without executive Board members present.

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 the Executive Director, including 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 three Independent Non-Executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus. Mr. Fong Ping is the chairman of the Remuneration Committee.

One Remuneration Committee Meeting was held during the Period to review the remuneration packages of all the Directors of the Company. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

Members	**Attendance/Number of Remuneration Committee Meetings entitled to attend**
Mr. Fong Ping *(Chairman)* (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 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 three Independent Non-Executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus. Ms. Kwok Yuen Man Marisa is the chairman of the Nomination Committee.

Two Nomination Committee Meetings were held during the Period. Details of the attendance of the members of the Nomination Committee meeting are as follows:

Members	**Attendance/Number of Nomination Committee Meetings entitled to attend**
Ms. Kwok Yuen Man Marisa *(Chairman)* (appointed as member on 30 April 2013 and subsequently as chairman on 21 March 2014)	2/2
Mr. Fong Ping (appointed on 30 April 2013)	2/2
Mr. Chu Kin Wang Peleus (appointed on 30 April 2013)	2/2

The following is a summary of work performed by the Nomination Committee during the Period:

(a) reviewed the structure, size and composition of the Board;

(b) assessed the independence of Independent Non-Executive Directors;

(c) revised the terms of reference of the Nomination Committee;

(d) established the Board Diversity Policy; and

(e) recommended to the Board the appointment of Ms. Kwok Yuen Man Marisa as the chairman of Nomination Committee.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board during the year. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background and one out of the seven Board members being a woman, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

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 2014, 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, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, in respect of their audit and non-audit services was as follows:

	HK$'000
Audit service	560
Non-audit services	280
Total	840

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 of the Company.

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Company has reviewed the effectiveness of the system of internal control of the Group, covering all material controls, including financial and operation for the year ended 31 March 2014.

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 enquiries from shareholders may be put to the Board through the following channels to the Executive Director:

1. By mail to the Company's principal 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 quarterly, 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 websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, 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 articles 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 website (*http://www.tso.cc*) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY

Ms. Tsang Kit Man has been appointed the company secretary of the Company with effect from 11 February 2014. She is an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. During the Period, Ms. Tsang has taken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

The Directors submit herewith their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2014.

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 of the issued ordinary shares of HK$0.1 each in the capital of the Company on the GEM (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 as well as sale of related accessories therefor. The principal activities and other particulars of the subsidiaries of the Company are set out in note 37 to the consolidated financial statements.

RESULTS

The results of the Group for the financial year ended 31 March 2014 and the state of affairs of the Group as at that day are set out in the consolidated financial statements on pages 42 to 108.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of HK$0.25 per share, payable on 9 July 2014 to Shareholders on record as at 30 June 2014.

The register of members of the Company will be closed from 2 to 3 July 2014 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for the abovementioned interim dividend, all transfer 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 4:00 p.m. on 30 June 2014.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "Annual General Meeting") of the Company is scheduled to be held on 11 August 2014. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company on 27 June 2014.

The register of members of the Company will be closed from 7 to 11 August 2014 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to attend and vote at the Annual General Meeting, 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 4:00 p.m. on 6 August 2014.

DEED OF NON-COMPETITION

The deed of non-competition dated 10 May 2013 and entered into by East-Asia, Amazing Gain Limited ("Amazing Gain"), the Cheung Brothers and J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust) 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 intended to be 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 intended to be used as general working capital.

As at 31 March 2014, the Directors do not anticipate any change to the plan as to use of proceeds. However, the above planned use of proceeds was based on the best estimation of future market conditions made by the Group at the time of Listing and the proceeds are intended to be applied in accordance with the actual development of the market. The Group, after taking into account the actual situation of the Hong Kong property market in the year, has not yet acquired any commercial property for use as a customer service centre as planned at the time of Listing. Up to 31 March 2014, 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 a licensed bank in Hong Kong in accordance with the intention of the Directors as disclosed in the Prospectus.

Save as disclosed above, the Directors had considered that no modification of the use of proceeds as described in the Prospectus was required.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's top five customers accounted for approximately 60.4% of the revenue. The top five suppliers accounted for approximately 90.0% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 17.0% of the revenue and the Group's largest supplier accounted for approximately 43.7% of the net purchases for the year.

For the financial year ended 31 March 2014, Telecom Digital Data Limited ("TDD"), which is a wholly-owned subsidiary of TDHL, 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 three years ended 31 March 2014. The service fee paid by TDD to the Group represented 10.5% of the Group's revenue for the financial year ended 31 March 2014.

In addition, for the financial year ended 31 March 2014, 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 by the Group from Radiotex International Limited amounted to HK$1.3 million, representing approximately 6.1% of the Group's net purchases for the year.

Save as disclosed 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 issued share capital) had any interest in these major customers and suppliers.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in note 36 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2014, the Company's reserves available for distribution to Shareholders amounted to approximately HK$33.6 million.

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 2014 are set out in note 27 to the consolidated financial statements.

NON-LISTED WARRANTS

Particulars of non-listed warrants of the Group and the Company as at 31 March 2014 are set out in note 28 to the financial statements.

DIRECTORS

During the Period and up to the date of this annual report, the Directors were:

Chairman and Non-Executive Director

Mr. Cheung King Shek (re-designated as Chairman and Non-Executive Director on 30 April 2013)

Executive Director

Mr. Cheung King Fung Sunny (re-designated as Executive Director on 30 April 2013)

Non-Executive Directors

Mr. Cheung King Shan (re-designated as Non-Executive Director on 30 April 2013)
Mr. Cheung King Chuen Bobby (re-designated as Non-Executive Director on 30 April 2013)

Independent Non-Executive Directors

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)
Mr. Hui Ying Bun (appointed on 30 April 2013 and resigned on 21 March 2014)

By virtue of article 108(a) of the articles of association of the Company, Mr. Cheung King Shek, Mr. Cheung King Fung Sunny and Mr. Chu Kin Wang Peleus will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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 (including those 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.

"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 31 March 2014, 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.

(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.

No share options were granted, exercised or cancelled by the Company under the Share Option Scheme for the financial year ended 31 March 2014 and there were no outstanding share options under the Scheme as at 31 March 2014 and the date of this report.

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

As at 31 March 2014, 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 A)*	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *(Note A)*	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *(Note A)*	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust *(Note A)*	66,000,000	55%

(ii) Associated corporations

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

Long Position

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

Note A: The 66,000,000 shares representing 55% of the issued share capital of the Company are held by East-Asia. 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 J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executive 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 Rules 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 executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 March 2014, the following persons (other than Directors or chief executive 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 GEM Listing Rules:

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 A above)*	Beneficial owner	66,000,000	55%
Amazing Gain Limited *(Note A above)*	Interest in a controlled corporation	66,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Limited *(Note A above)*	Trustee (other than a bare trustee)	66,000,000	55%
Ms. Law Lai Ying Ida *(Note B)*	Interest of spouse	72,000,000	60%
Ms. Tang Fung Yin Anita *(Note B)*	Interest of spouse	72,000,000	60%
Ms. Yeung Ho Ki *(Note B)*	Interest of spouse	72,000,000	60%

Note B: Ms. Law Lai Ying Ida is the wife of Mr. Cheung King Shek. Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to 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 held by the Cheung Family Trust.

Save as disclosed above, as at 31 March 2014, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the 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 2014.

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 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2014, 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 2014 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 2014 are set out in note 31 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 31 March 2014.

CONNECTED TRANSACTIONS

The related party transactions of the Company are set out in note 33 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 Transactions

During the financial year ended 31 March 2014, the Group has entered into the following transactions, each of which 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; and

2. licencing arrangement with TDS for the use of premises by the Group.

B. Non-exempt Continuing Connected Transactions

During the financial year ended 31 March 2014, the Group has entered into the following transactions, each of which 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, particulars of which were previously disclosed in the Prospectus and announcements dated 31 July 2013 and 13 December 2013. According to the Prospectus, 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 transactions 1-3. The Company shall comply with the annual review and reporting requirements for all of the following non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules.

1. Provision of repair and refurbishment services to TDD

Since 2006, the Company has been providing repair and refurbishment services for pagers and two-way mobile data communication devices to TDD. On 13 May 2013, the Company 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 the Company is on a "per device" basis. The service fees are determined by the Company 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 the Company with reference to the then market rate.

During the Period, TDD has been 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 was an associate of the Cheung Brothers and therefore a connected person of the Company.

The service fees paid by TDD to the Company for the year ended 31 March 2014 were approximately HK$9.9 million. The approved annual cap for the year ended 31 March 2014 as disclosed in the Prospectus is HK$10,000,000.

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

The Company 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. 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 therefore 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.)
As disclosed in the Prospectus						
(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	13 August 2012	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.
(iv)	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 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$76,888 (exclusive of government rates, government rent and management fee)	head office and repair centre 9,590 sq.ft.
(v)	Unit A, 23/F, Kyoto Plaza, Nos. 491–499 Lockhart Road, Wanchai, Hong Kong	Glossy Enterprises	13 August 2012	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.
As disclosed in the announcement of the Company dated 31 July 2013						
(vi)	Unit B, 15/F, Kyoto Plaza, No. 491-499 Lockhart Road, Causeway Bay, Hong Kong	Oceanic Rich	31 July 2013	two years from 1 August 2013 to 31 July 2015	HK$35,952 (exclusive of rates, management fees and all other outgoings)	repair centre 1,284 sq.ft.
(vii)	Unit 1201 and Portion of Unit 1202, 12/F, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	Oceanic Rich	31 July 2013	one year and eight months from 1 August 2013 to 31 March 2015	HK$42,700 (inclusive of government rents and rates but exclusive of management fees and all other outgoings)	repair centre 1,525 sq.ft.

The aggregate annual rentals paid by the Company for the year ended 31 March 2014 in respect of the above leased properties to the above connected persons were approximately HK$3.8 million. The approved annual cap for the year ended 31 March 2014 as disclosed in the announcement of the Company dated 31 July 2013 is HK$3,784,000.

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

Since 2006, the Company 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 the Company 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 the Company 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 therefore 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 2014 was approximately HK$1.3 million. The approved annual cap for the year ended 31 March 2014 as disclosed in the Prospectus is HK$1,380,000.

4. **Sale of mobile phone accessories to New World**

The Company entered into a sale agreement with New World Mobility Limited ("New World") on 6 May 2013, pursuant to which the Company has agreed to sell mobile phone accessories to New World from the Listing Date to 31 March 2015 at cost plus a certain percentage of markup. The price of such mobile phone accessories is determined by the Company and New World with reference to the current market rate of similar products.

New World is owned by Telecom Digital Mobile Limited ("TDM") as to 40% interest. During the Period, TDM has been a wholly-owned subsidiary of SAP, which is wholly-owned by the Cheung Brothers, the significant shareholders of the Company and Directors. New World was an associate of the Cheung Brothers and therefore a connected person of the Company.

The annual aggregate amounts of sales under the abovementioned sale agreement are subject to the annual caps previously disclosed in the announcement of the Company dated 13 December 2013. The amount of sales for the financial year ended 31 March 2014 were approximately 1.1 million.

5. **Consignment of accessories for mobile phones and personal electronic products of certain brands to TDS/TDM**

Since December 2012, TDM has allowed the Company to sell accessories for mobile phones and personal electronic products of certain brands (the "Accessories") at the retail shops of TDM on a consignment basis in consideration of a consignment fee. The Company and TDM entered into a consignment agreement on 13 May 2013, pursuant to which TDM has agreed to allow the Company to sell the Accessories at the retail shops of TDM on a consignment basis. A consignment fee, which is based on a fixed percentage of the sales of consigned goods, shall be paid to TDM for the consignment arrangement. Such consignment fee is determined by the Company and TDM with reference to the current market rate of similar consignment arrangements.

Subsequently on 13 December 2013, as a result of business restructuring, TDM ceased to be involved in the consignment sales of accessories, and TDS has been responsible for such consignment in place of TDM. Accordingly on the same day, the Company entered into a consignment agreement with TDS pursuant to which the Company sells the Accessories at the retail shops of TDS on a consignment basis in consideration of a consignment fee (the "TDS Consignment Agreement"). The consignment fee is determined by the Company and TDS with reference to the current market rate of similar consignment arrangement. The TDS Consignment Agreement has a term effective as at 1 October 2013 and up to 31 March 2015.

During the Period, TDS has been a wholly-owned subsidiary of SAP, which is wholly-owned by the Cheung Brothers, the significant shareholders of the Company and the Directors. TDS was an associate of the Cheung Brothers and therefore a connected person of the Company.

The annual aggregate consignment fees under the abovementioned consignment agreements are subject to the annual caps previously disclosed in the announcement of the Company dated 13 December 2013. The amount of consignment fees for the financial year ended 31 March 2014 was approximately 1.5 million.

Confirmation of Independent Non-Executive Directors

The Directors, including the Independent Non-Executive Directors, have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them (if applicable) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation from Auditor of the Company

The Board of Directors has received an unqualified letter issued by the auditor of the Company in accordance with Hong Kong Standard on Assurance Engagement 3000 and Practice Note 740 issued by the Hong Kong Institute of Certified Public Accountants with respect to the above continuing connected transactions and the letter stated that for the financial year ended 31 March 2014, the above continuing connected transactions:

(i) have been approved by the Board of Directors;

(ii) are, including those which involved provisions of goods or services by the Group, are in accordance with the pricing policies of the Group;

(iii) have been entered into in accordance with the terms of the agreement governing the transactions; and

(iv) have not exceeded the cap amounts announced by the Company.

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

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

On 17 February 2014, the Company entered into a placing agreement with China Everbright Securities (HK) Limited as placing agent, whereby the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum number of 12,000,000 warrants at an issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe for one share in the share capital of the Company at a subscription price of HK$1.64 in a three-year period commencing from the date of issue of the warrants. The 12,000,000 warrants were placed by the placing agent to not fewer than six independent placees on 3 March 2014. The net proceeds of approximately HK$100,000 from the placing of warrants were used by the Company as general working capital. The exercise of the subscription rights attaching to the warrants will benefit the long-term development of the Company by broadening the capital base of the Company and strengthen its financial position.

Save as the above, during the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, China Everbright Capital Limited ("China Everbright"), other than disclosed below, as at 31 March 2014 and the date of this report, 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) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules:

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

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

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 14 to 23. 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 four years financial summary on pages 109 to 110 of this annual report.

AUDITOR

The financial statements for the year ended 31 March 2014 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
Cheung King Shek
Chairman
Hong Kong, 16 June 2014

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 SHAREHOLDERS 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 42 to 108, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 2014, 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
16 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Revenue	8	**94,292**	78,513
Cost of sales		**(52,180)**	(46,158)
Gross profit		**42,112**	32,355
Other income	10	**3,580**	2,467
Other operating expenses, net	11	**(14,257)**	(11,894)
Administrative expenses		**(13,214)**	(19,203)
Finance costs	12	**(84)**	(373)
Profit before tax		**18,137**	3,352
Income tax expense	13	**(3,791)**	(1,940)
Profit for the year	14	**14,346**	1,412
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of long service payment obligations		**228**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(163)**	(52)
Other comprehensive income (expense) for the year		**65**	(52)
Total comprehensive income for the year		**14,411**	1,360
Earnings per share (HK$)	17		
Basic		**0.133**	0.024
Diluted		**0.133**	0.024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	**31 March 2014 HK$'000**	31 March 2013 HK$'000 (Restated)	1 April 2012 HK$'000 (Restated)
Non-current asset				
Plant and equipment	18	**6,437**	9,480	13,189
Current assets				
Inventories	19	**7,255**	4,304	4,199
Trade and other receivables	20	**28,865**	23,933	13,813
Amounts due from related companies	32	**927**	5,243	6,979
Tax recoverable		**—**	104	104
Pledged bank deposits	21	**4,492**	4,102	—
Bank balances and cash	21	**33,882**	5,319	2,631
		75,421	43,005	27,726
Current liabilities				
Trade and other payables	22	**7,264**	8,147	5,762
Amount due to immediate holding company	32	**—**	3,215	7,088
Amounts due to related companies	32	**203**	1,485	1,443
Tax payable		**1,759**	813	1,944
Obligations under finance lease — due within one year	23	**—**	—	762
Bank borrowing	24	**—**	5,000	—
		9,226	18,660	16,999
Net current assets		**66,195**	24,345	10,727
Total assets less current liabilities		**72,632**	33,825	23,916
Non-current liabilities				
Obligations under finance lease — due more than one year	23	**—**	—	2,184
Long service payment obligations	25	**—**	147	147
Deferred tax liabilities	26	**—**	434	701
		—	581	3,032
Net assets		**72,632**	33,244	20,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2014

	Note	**31 March 2014 HK$'000**	31 March 2013 HK$'000 (Restated)	1 April 2012 HK$'000 (Restated)
Capital and reserves				
Share capital	27	**12,000**	60	100
Reserves		**60,632**	33,184	20,784
Total equity		**72,632**	33,244	20,884

The consolidated financial statements on pages 42 to 108 were approved and authorised for issue by the board of directors on 16 June 2014 and are signed on its behalf by:

Cheung King Shek
Director

Cheung King Fung, Sunny
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Statutory reserve HK$'000 *(Note b)*	Warrant reserve HK$'000	Retained profits HK$'000	Total HK$'000
1 April 2012 (as originally stated)	1	—	—	155	133	—	21,636	21,925
Effect of adopting merger accounting for common control combination	99	—	—	—	—	—	(1,140)	(1,041)
At 1 April 2012 (restated)	100	—	—	155	133	—	20,496	20,884
Profit for the year (restated)	—	—	—	—	—	—	1,412	1,412
Exchange differences arising on translation of foreign operations	—	—	—	(52)	—	—	—	(52)
Total comprehensive (expense) income for the year	—	—	—	(52)	—	—	1,412	1,360
Arising from reorganisation	(99)	—	99	—	—	—	—	—
Arising from reorganisation *(Note 27(b))*	29	—	(29)	—	—	—	—	—
Issue of shares *(Note 27 (c))*	30	10,970	—	—	—	—	—	11,000
At 31 March 2013 and 1 April 2013 (restated)	60	10,970	70	103	133	—	21,908	33,244
Profit for the year	—	—	—	—	—	—	14,346	14,346
Remeasurement of long service payment obligations	—	—	—	—	—	—	228	228
Exchange differences arising on translation of foreign operation	—	—	—	(163)	—	—	—	(163)
Total comprehensive (expense) income for the year	—	—	—	(163)	—	—	14,574	14,411
Capitalisation issue *(Note 27(e))*	8,940	(8,940)	—	—	—	—	—	—
Issue of ordinary shares in connection with the listing *(Note 27(f))*	3,000	27,000	—	—	—	—	—	30,000
Share issue expenses	—	(5,123)	—	—	—	—	—	(5,123)
Issue of non-listed warrants	—	—	—	—	—	120	—	120
Transaction costs attributable to issue of non-listed warrants	—	—	—	—	—	(20)	—	(20)
At 31 March 2014	12,000	23,907	70	(60)	133	100	36,482	72,632

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 March 2014

Notes:

a. During the year ended 31 March 2014, Telecom Service One Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") acquired 100% of equity interest in Telecom Service One (Macau) Limited ("TSO Macau") from East-Asia Pacific Limited, the immediate holding company of the Company. The acquisition was accounted for using merger accounting as detailed in note 2 to the consolidated financial statements. Other reserve represents the difference between the issued share capital of TSO Macau and the consideration paid for acquiring it.

   In addition, other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries during the year ended 31 March 2013.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**18,137**	3,352
Adjustments for:		
Depreciation of plant and equipment	**4,115**	4,400
Waiver of an amount due to a related company	**(1,169)**	—
Finance costs	**84**	373
Bank interest income	**(415)**	(5)
Gain on disposal of plant and equipment	**(189)**	(1,325)
Long service payment obligations	**81**	—
Allowance for inventories	**102**	312
Reversal of allowance for inventories	**(102)**	(105)
Operating cash flows before movements in working capital	**20,644**	7,002
Increase in inventories	**(2,951)**	(407)
Increase in trade and other receivables	**(6,975)**	(10,192)
Decrease in amounts due from related companies	**4,317**	3,405
(Decrease) increase in trade and other payables	**(878)**	2,567
Decrease in amounts due to related companies	**(113)**	(42)
Cash generated from operations	**14,044**	2,333
Hong Kong Profits Tax paid	**(3,175)**	(3,338)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**10,869**	(1,005)
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(1,267)**	(5,066)
Placement of pledged bank deposits	**(390)**	(4,102)
Interest received	**415**	5
Proceeds from disposal of plant and equipment	**380**	5,700
Advance to related companies	**—**	(16,484)
Repayment from related companies	**—**	10,701
NET CASH USED IN INVESTING ACTIVITIES	**(862)**	(9,246)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000 (Restated)
FINANCING ACTIVITIES		
Net proceeds from issue of shares	**26,767**	11,000
Net proceeds from issue of non-listed warrants	**100**	—
Repayments of bank loans	**(5,000)**	(15,000)
Repayments to immediate holding company	**(3,216)**	(1,719)
Interest paid	**(84)**	(373)
Advance from related companies	**—**	1,993
New bank loans raised	**—**	20,000
Repayments of obligations under finance leases	**—**	(2,946)
NET CASH FROM FINANCING ACTIVITIES	**18,567**	12,955
NET INCREASE IN CASH AND CASH EQUIVALENTS	**28,574**	2,704
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**5,319**	2,631
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(11)**	(16)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**33,882**	5,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. GENERAL

Telecom Service One Holdings Limited (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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 May 2013. The address of the registered office of the Company is Clifton House, 75 Fort Street, 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 Pacific Limited ("East-Asia"), a company incorporated in the British Virgin Islands ("BVI") and the ultimate parent is Cheung Family Trust.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are set out in note 37.

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

2. BASIS OF PREPARATION

Pursuant to the reorganisation as detailed in the section 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 year 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 year ended 31 March 2013, using the principles of merger accounting as set out in note 4 below.

In addition, on 28 January 2014, one of the subsidiaries of the Group, Telecom Service One Investment Limited ("TSO BVI") acquired 100% of equity interest in Telecom Service One (Macau) Limited ("TSO Macau") from East-Asia, the immediate holding company of the Company. Since the Company, TSO BVI and TSO Macau are ultimately controlled by East-Asia both before and after this acquisition. 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 TSO Macau throughout the two years ended 31 March 2014, using the principles of merger accounting as set out in note 4 below. Details are set out in note 34.

As a result of the above, the consolidated statement of profit or loss and other 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 year 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 2013 and 1 April 2012 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")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle issued in 2012
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (revised 2011)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC*)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

Annual Improvements to HKFRSs 2009–2011 Cycle issued in 2012

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. In the current year, the Group has applied business combination under common control, which has therefore presented a third statement of financial position as at 1 April 2012 without the related notes.

Other than the above effect, the amendments in other HKFRSs under this annual improvement do not result in any impact on these consolidated financial statements.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 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 items of other comprehensive income to be 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's offsetting arrangements. Detailed disclosures are set out in note 35.

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

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(continued)*

The impact of the application of these standards is set out below.

HKFRS 10 Consolidated Financial Statements

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 changes the definition of control such that an investor controls an investee if and only if it has (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 investee to affect the amount of the investor's returns.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

HKFRS 12 Disclosure of Interests in Other Entities

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 application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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

HKFRS 13 Fair Value Measurement *(continued)*

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures, which are set out in note 25.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[4]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

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

HKFRS 9 Financial Instruments *(continued)*

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

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

HKFRS 9 Financial Instruments *(continued)*

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.

Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard.

The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted. The directors of the Company do not anticipate that the application of HKFRS 14 will have a significant impact on the Group's consolidated financial statements as the Group does not have any rate-regulated activities.

Annual Improvements to HKFRSs 2010–2012 Cycle

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

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

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

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

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

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

Annual Improvements to HKFRSs 2010–2012 Cycle *(continued)*

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

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

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

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

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

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

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

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

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

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities *(continued)*

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014 with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments are issued to address the accounting for acquisitions of interest in joint operations, in which (i) the relevant principles on business combinations accounting in HKFRS 3 and other HKFRSs should be applied and (ii) the relevant information that is required in those HKFRSs in relation to business combination should be disclosed. The amendments to HKFRS 11 is effective for annual periods beginning on or after 1 January 2016, with early application permitted.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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

The amendments establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The amendments are effective for annual periods beginning on or after 1 January 2016 with early application permitted. The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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

Amendments to HKAS 19 Defined Benefit Plans — Employee Contributions

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

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

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

The directors of the Company anticipate that the application of the amendments to HKAS 19 will have no material impact to the Group.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset 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 HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

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

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 introduce an exception to the requirements for the discontinuation of hedge accounting in HKAS 39 if specific conditions are met. The amendments to HKAS 39 state that the novation of a hedging instrument is not be considered an expiration or termination if the novation (a) is required by laws or regulations; (b) results in a central counterparty or an entity acting in a similar capacity becoming the new counterparty to each of the parties to the novated derivative and (c) does not result in changes to the terms of the original over-the-counter derivatives other than the changes directly attributable to the novation. For all other novations outside the scope of the exemption, an entity should assess if they meet the derecognition criteria and the conditions for continuation of hedge accounting.

The amendments to HKAS 39 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted and require retrospectively application.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC)-Int 21 Levies

HK(IFRIC)-Int 21 provides guidance on when to recognise a liability for a levy imposed by a government for levies that are accounted for in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and levies where the timing and amount is certain. Under HK(IFRIC)-Int 21, a liability is recognised for a levy when the activity that triggers payment as identified by the relevant legislation occurs. HK(IFRIC)-Int 21 excludes income tax within the scope of HKAS 12 Income Taxes, fines and other penalties.

HK(IFRIC)-Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted and require retrospectively application.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved when the Company:

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

The consolidated statement of profit or loss and other 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; 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 or an amount due from a related company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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.

Warrants

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

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

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, amount due to immediate holding company, amounts due to related companies, obligations under finance lease and bank borrowing 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.

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.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount reported in the consolidated financial statements when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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-generating 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 immediately in profit or loss.

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

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.

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.

Long service payment obligations

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

Defined benefit costs are categorised as follows:

- service cost;
- net interest expense; and
- remeasurement.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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.

Borrowing costs

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's 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.

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

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 2014, the carrying values of plant and equipment of the Group were approximately HK$6,437,000 (2013: HK$9,480,000). 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 2014, the carrying amounts of inventories of the Group were approximately HK$7,255,000 (2013: HK$4,304,000), net of allowance for inventories of approximately HK$681,000 (2013: HK$681,000).

Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. 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 2014, the carrying amounts of trade and other receivables of the Group were approximately HK$28,865,000 (2013: HK$23,933,000). No impairment loss was recognised during both years.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Long service payment obligations

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. An obligation is recognised in respect of the probable future long service payments expected to be made. The Group's long service payment obligations is determined with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes to these assumptions will impact the carrying amount of long service payment obligations and the results and financial position of the Group. As at 31 March 2013, the carrying amount of long service payment obligations of the Group is HK$147,000 (2014: nil).

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 lease, bank borrowing 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

	2014 HK$'000	2013 HK$'000 (Restated)
Financial assets		
Loans and receivables (including bank balances and cash)	**67,848**	31,575
Financial liabilities		
Amortised cost	**6,699**	17,269

(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 immediate holding company, amounts due to related companies, obligations under finance lease and bank borrowing. 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 2014, approximately 26% (2013: 25%) of the Group's sales and approximately 10% (2013: 39%) 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.

7. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Currency risk (continued)

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

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000 (Restated)	**2014 HK$'000**	2013 HK$'000 (Restated)
US$	**17,036**	6,178	**2,778**	488
RMB	**28,835**	3,902	**—**	—
HK$	**1,027**	11	**—**	—
JPY	**—**	—	**153**	153

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2013: 5%) increase or decrease in the functional currencies of the relevant group entities, HK$, RMB, NT$ and MOP, against the relevant foreign currencies. 5% (2013: 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% (2013: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where respective functional currency strengthens 5% (2013: 5%) against the relevant foreign currency. For a 5% (2013: 5%) weakening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the profit and the balances below would be positive.

7. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis *(continued)*

	Effect on profit or loss	
	2014	2013
	HK$'000	HK$'000
Respective functional currency strengthen against:		
US$	**(595)**	(237)
RMB	**(1,204)**	(163)
HK$	**(43)**	—
JPY	**6**	6

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and bank balances for the years ended 31 March 2014 and 2013. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and variable-rate bank borrowing carried at prevailing market rates. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on other financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of (i) prevailing market rates arising from the Group's bank balances denominated in HK$, USD, RMB and NT$ and (ii) Hong Kong Interbank Offered Rate arising from the Group's Hong Kong dollar denominated pledged bank deposits.

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. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2014 would increase/decrease by approximately HK$126,000 (2013: increase/decrease by HK$15,000).

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% (2013: 28%) of the total trade receivables at 31 March 2014 was due from the Group's largest customers.

The Group has concentration of credit risk as 77% (2013: 70%) of the total trade receivables at 31 March 2014 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 100% (2013: 96%) of the total trade receivables as at 31 March 2014.

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 banks choosing to exercise the right. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2014

7. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

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

	On demand or within 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2014			
Non-derivative financial liabilities			
Trade and other payables	**6,496**	**6,496**	**6,496**
Amounts due to related companies	**203**	**203**	**203**
	6,699	**6,699**	**6,699**

	On demand or within 1 year HK$'000 (Restated)	Total undiscounted cash flows HK$'000 (Restated)	Carrying amount HK$'000 (Restated)
At 31 March 2013			
Non-derivative financial liabilities			
Trade and other payables	7,569	7,569	7,569
Amount due to immediate holding company	3,215	3,215	3,215
Amounts due to related companies	1,485	1,485	1,485
Bank borrowing *(note)*	5,013	5,013	5,000
	17,282	17,282	17,269

Note: Bank borrowing 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 amount of this bank borrowing amounted to HK$5,000,000 (2014: nil). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loan 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.

7. FINANCIAL INSTRUMENTS *(continued)*

(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.

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:

	2014 **HK$'000**	2013 HK$'000
Repairing service income	**85,889**	73,476
Sales of accessories	**8,403**	5,037
	94,292	78,513

9. SEGMENT INFORMATION

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

Geographical information

During the year ended 31 March 2014, the Group's operations were located in Hong Kong, Taiwan and the PRC (2013: Hong Kong and Taiwan).

During the year ended 31 March 2014, 99% (2013: 96%) of the Group's revenue was generated in Hong Kong while as at 31 March 2014, 99% (2013: 97%) of the non-current asset was located in Hong Kong. Hence, no geographical information is presented.

In November 2013, the Group closed the service centre located in Taiwan as a result of the reorganisation plan of a corporate customer.

9. SEGMENT INFORMATION *(continued)*

Information about major customers

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

	2014 HK$'000	2013 HK$'000
Customer I	**13,460**	10,588
Customer II	**9,944**	9,999
Customer III	**16,005**	9,882
Customer IV	**11,549**	9,848
Customer V	**N/A***	8,338

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

10. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Gain on disposal of plant and equipment	**189**	1,325
Management fee income *(Note i)*	**333**	185
Consignment goods handling income *(Note ii)*	**895**	400
Bank interest income	**415**	5
Exchange gain, net	**—**	10
Waiver of an amount due to a related company	**1,169**	—
Others	**579**	542
	3,580	2,467

Notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

11. OTHER OPERATING EXPENSES, NET

	2014 HK$'000	2013 HK$'000
Reimbursement of expenses for service centres	**841**	3,994
Service centres management income	**3,357**	2,958
Logistic service income	**281**	266
Miscellaneous income charges	**130**	115
	4,609	7,333
Other operating expenses of service centres	**(18,866)**	(19,227)
Other operating expenses, net	**(14,257)**	(11,894)

12. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on:		
Bank borrowing wholly repayable within five years	**84**	295
Finance lease	**—**	78
	84	373

13. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Hong Kong Profits Tax		
— current year	**4,122**	2,229
— over-provision in prior years	**—**	(22)
	4,122	2,207
Taiwan Profits Tax		
— under-provision in prior years	**103**	—
Deferred tax		
— current year *(note 26)*	**(434)**	(267)
Total income tax expense for the year	**3,791**	1,940

13. INCOME TAX EXPENSE *(continued)*

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. During the year of assessment 2013/14, Hong Kong Profit Tax concession was amounted to HK$10,000 (2012/13: HK$10,000).

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for taxation has been made as there were no assessable profits for the period since date of incorporation during the year to 31 March 2014.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. No provision for Macau taxation has been made as there were no assessable profits for both years.

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

	2014 **HK$'000**	2013 HK$'000
Profit before tax	**18,137**	3,352
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**3,451**	569
Tax effect of income not taxable for tax purpose	**(68)**	—
Tax effect of expenses not deductible for tax purpose	**128**	1,398
Hong Kong Profits Tax concession	**(10)**	(10)
Under (over)-provision in prior years	**103**	(22)
Tax effect of tax loss not recognised	**57**	5
Tax effect of temporary difference not recognised	**130**	—
	3,791	1,940

Details of deferred taxation are set out in note 26.

14. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year is arrived at after charging (crediting):		
Directors' emoluments *(note 15)*		
— salaries, allowances and other benefits	724	648
— contributions to retirement benefits scheme	15	30
	739	678
Other staff costs *(note)*		
— salaries and other allowances	34,889	33,892
— contributions to retirement benefits scheme	1,667	1,629
— severance payment	—	346
— long service payment obligations	81	—
	36,637	35,867
Total staff costs	37,376	36,545
Auditor's remuneration	560	420
Depreciation of plant and equipment	4,115	4,400
Exchange loss	416	—
Allowance for inventories (included in cost of sales)	102	312
Reversal of allowance for inventories (included in cost of sales)	(102)	(105)
Cost of inventories recognised as an expense	19,103	13,427
Operating leases rentals in respect of rented premises	9,186	10,220

Note:

Included in other operating expenses of service centres, salaries and other allowances of approximately HK$386,000 (2013: HK$2,342,000) and retirement benefits scheme contributions of approximately HK$11,000 (2013: HK$78,000) for the year ended 31 March 2014 were incurred for the service centres and wholly reimbursed by the customers. Such amounts were not included in the other staff costs.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eight (2013: four) directors were as follows:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 March 2014				
Executive director				
Mr. Cheung King Fung, Sunny	—	324	15	339
Non-executive directors				
Mr. Cheung King Chuen, Bobby	—	—	—	—
Mr. Cheung King Shan	—	—	—	—
Mr. Cheung King Shek	—	—	—	—
Independent non-executive directors				
Mr. Chu Kin Wang, Peleus (Appointed on 30 April 2013)	100	—	—	100
Mr. Fong Ping (Appointed on 30 April 2013)	100	—	—	100
Mr. Hui Ying Bun (Appointed on 30 April 2013 and resigned on 21 March 2014)	100	—	—	100
Ms. Kwok Yuen Man, Marisa (Appointed on 30 April 2013)	100	—	—	100
Total	400	324	15	739

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions 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

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

None of the directors waived or agreed to waive any emolument paid by the Group during the two years ended 31 March 2014. No emoluments were paid or payable by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 March 2014.

The Group did not appoint a chief executive during the two years ended 31 March 2014.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2013: one) was the director of the Company whose emoluments are included in the disclosures presented above. The emoluments of the remaining five (2013: four) individuals were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries, allowances and other benefits	**2,857**	2,052
Contributions to retirement benefits scheme	**75**	52
	2,932	2,104

Their emoluments were within the following bands:

	2014 **No. of employees**	2013 No. of employees
Nil to HK$1,000,000	**4**	4
HK$1,000,000–HK$1,500,000	**1**	—
	5	4

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 March 2014.

16. DIVIDENDS

No dividend was paid during the year ended 31 March 2014 (2013: nil).

Subsequent to the end of the reporting period, an interim dividend in respect of the year ended 31 March 2014 of HK$0.25 (2013: interim dividend in respect of the year ended 31 March 2013 of nil) per share has been proposed by the directors of the Company and is subject to approval by the directors of the Company in the forthcoming board meeting.

No final dividend was proposed during the year ended 31 March 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

17. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000 (Restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	**14,346**	1,412

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**107,557,808**	59,178,082
Effect of dilutive potential ordinary shares: Warrants	**363,464**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**107,921,272**	59,178,082

The weighted average number of ordinary shares in issue during the year ended 31 March 2013 represented 45,000,000 ordinary shares of the Company were in issue 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 diluted earnings per share was the same as the basic earnings per share as there were no other potential dilutive ordinary shares outstanding during the year ended 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

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							
At 1 April 2012 (restated)	8,202	3,317	1,629	10,132	6,279	2,973	32,532
Exchange realignment	2	—	—	—	—	—	2
Additions	3,664	665	190	—	—	547	5,066
Disposals	—	—	—	(6,930)	—	—	(6,930)
At 31 March 2013 and 1 April 2013 (restated)	11,868	3,982	1,819	3,202	6,279	3,520	30,670
Exchange realignment	(13)	—	—	—	—	(4)	(17)
Additions	1,005	28	71	—	—	163	1,267
Disposals/written off	(2,577)	(42)	—	(3,202)	—	(457)	(6,278)
At 31 March 2014	**10,283**	**3,968**	**1,890**	**—**	**6,279**	**3,222**	**25,642**
ACCUMULATED DEPRECIATION							
At 1 April 2012 (restated)	4,928	1,255	654	4,767	6,230	1,509	19,343
Exchange realignment	2	—	—	—	—	—	2
Provided for the year	2,121	546	240	990	15	488	4,400
Eliminated on disposals	—	—	—	(2,555)	—	—	(2,555)
At 31 March 2013 and 1 April 2013 (restated)	7,051	1,801	894	3,202	6,245	1,997	21,190
Exchange realignment	(9)	—	—	—	—	(4)	(13)
Provided for the year	2,745	613	275	—	14	468	4,115
Eliminated on disposals/ written off	(2,433)	(38)	—	(3,202)	—	(414)	(6,087)
At 31 March 2014	**7,354**	**2,376**	**1,169**	**—**	**6,259**	**2,047**	**19,205**
CARRYING VALUES							
At 31 March 2014	**2,929**	**1,592**	**721**	**—**	**20**	**1,175**	**6,437**
At 31 March 2013	4,817	2,181	925	—	34	1,523	9,480

18. PLANT AND EQUIPMENT *(continued)*

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

Leasehold improvements	Over the shorter of 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

19. INVENTORIES

	2014 HK$'000	2013 HK$'000
Merchandises	**7,255**	4,304

During the two years ended 31 March 2014, certain impaired inventories were sold at a gross profit. As a result, a reversal of write-down of merchandises of approximately HK$102,000 (2013: HK$105,000) has been recognised and included in cost of sales.

20. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000 (Restated)
Trade receivables	**20,858**	12,199
Other receivables	**7,697**	8,253
Prepayments	**310**	3,481
	28,865	23,933

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.

20. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2014 HK$'000	2013 HK$'000
Within 30 days	**7,066**	3,899
31 to 60 days	**11,528**	7,560
61 to 90 days	**4**	301
91 to 120 days	**1,130**	225
Over 120 days	**1,130**	214
	20,858	12,199

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

	2014 HK$'000	2013 HK$'000
31 to 60 days	**6,318**	3,272
61 to 90 days	**4**	301
91 to 120 days	**1,130**	225
Over 120 days	**1,130**	214
Total	**8,582**	4,012

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

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

	2014 HK$'000	2013 HK$'000
US$	**9,920**	5,473

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$200,000 (2013: HK$200,000) and HK$4,292,000 (2013: HK$3,902,000) have been pledged to secure bank overdrafts and letter of credit respectively and are therefore classified as current assets.

Bank balances carried interest at fixed rate of 3.00% (2013: nil) per annum and market rates ranged from 0.01% to 0.17% (2013: 0.01% to 0.17%) per annum. The pledged bank deposits carried interest at fixed rate ranged from 0.25% to 2.00% (2013: 2.40%) per annum and variable rate of 0.02% (2013: 0.01%) per annum.

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

	2014	2013
	HK$'000	HK$'000
		(Restated)
HK$	**1,027**	11
US$	**7,116**	705
RMB	**28,835**	3,902

22. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	HK$'000
		(Restated)
Trade payables	**4,276**	1,817
Accrued expenses and other payables	**2,988**	6,330
Total	**7,264**	8,147

The average credit period on purchases of goods ranged from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within credit timeframe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

22. TRADE AND OTHER PAYABLES *(continued)*

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

	2014	2013
	HK$'000	HK$'000
Within 30 days	**2,490**	1,102
31 to 90 days	**364**	172
Over 90 days	**1,422**	543
	4,276	1,817

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

	2014	2013
	HK$'000	HK$'000
US$	**2,778**	488
JPY	**153**	153

23. OBLIGATIONS UNDER FINANCE LEASE

During the year ended 31 March 2013, a motor vehicle of the Group was held under finance lease with interest fixed at 8% at the contract date for an original lease term of 5 years.

The finance lease was early terminated upon the disposal of the respective motor vehicle in December 2012.

24. BANK BORROWING

	2014	2013
	HK$'000	HK$'000
Unsecured revolving term loan	**—**	5,000
Carrying amount repayable within one year*	**—**	5,000

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

24. BANK BORROWING *(continued)*

As at 31 March 2013, the bank borrowing carried interest at 3% plus Hong Kong Interbank Offered Rates ("HIBOR") per annum, which was repayable by 28 September 2013 or on demand.

During the year ended 31 March 2014, the bank borrowing was fully repaid in July 2013.

As at 31 March 2014, the Group has undrawn banking facilities of HK$9,100,000 (2013: HK$25,200,000).

25. LONG SERVICE PAYMENT OBLIGATIONS

The Group made provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance, as further in note 4. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK$390,000 per employee. The provision represented the management's best estimate of the Group's liability at the end of each reporting period.

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

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

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out as at 31 March 2014 by Asset Appraisal Limited. The present value of the defined benefit obligation, and the related service cost, were measured using the projected unit credit method.

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

	2014 HK$'000	2013 HK$'000
At 1 April	**147**	147
Charged to profit or loss	**81**	—
Actuarial gains recognised in other comprehensive income	**(228)**	—
At 31 March	**—**	147

25. LONG SERVICE PAYMENT OBLIGATIONS *(continued)*

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

	2014 **HK$'000**	2013 HK$'000
At 1 April	**147**	147
Current service cost	**81**	—
Remeasurement gains:		
Actuarial gains recognised in other comprehensive income	**(228)**	—
At 31 March	**—**	147

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

	2014 **HK$'000**	2013 HK$'000
Current service cost	**81**	—
Components of defined benefit costs recognised in profit or loss (included in staff costs)	**81**	—

Remeasurement on the net defined benefit liability

	2014 **HK$'000**	2013 HK$'000
Actuarial gains arising from changes in financial assumptions	**(228)**	—
Components of defined benefit costs recognised in other comprehensive income	**(228)**	—

25. LONG SERVICE PAYMENT OBLIGATIONS *(continued)*

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

	2014 **HK$'000**	2013 HK$'000
Net actuarial gains during the year	**(228)**	—
Cumulative amount of actuarial gains at the end of the year	**(228)**	—

At 31 March 2014 and 2013, the amount is calculated based on the principal assumptions stated as below:

	2014	2013
Annual salary increment	**10.71%**	8.45%
Annual turnover rate	**19.24% to 41.10%**	13.6% to 28.6%
MPF return rate	**4.4%**	4.0%
Discount rate	**0.2% to 2.6%**	0.1% to 1.4%

26. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK$'000
At 1 April 2012	701
Credited to profit or loss *(note 13)*	(267)
At 31 March 2013 and 1 April 2013	434
Credited to profit or loss *(note 13)*	(434)
At 31 March 2014	—

26. DEFERRED TAX LIABILITIES *(continued)*

At 31 March 2014, the Group had unused tax losses of approximately HK$583,000 (2013: HK$252,000) available for offset against future profits. At 31 March 2014, no deferred tax assets has been recognised in respect of such tax losses of approximately HK$583,000 (2013: HK$252,000) due to the unpredictability of future profit streams. At 31 March 2014, tax losses of approximately HK$199,000 (2013: HK$204,000) may be carried forward to 2020 and the remaining tax losses of approximately HK$384,000 (2013: HK$48,000) may be carried forward to 2023.

At 31 March 2014, the Group had deductible temporary differences of approximately HK$787,000 (2013: nil). No deferred tax asset has been recognised in respect of such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

27. SHARE CAPITAL

	Notes	**Number of shares**	**Share capital** HK$'000
Ordinary shares of HK$0.1 each			
Authorised:			
At date of incorporation and at 31 March 2013	(a)	3,800,000	380
Increase during the year	(d)	996,200,000	99,620
At 31 March 2014		1,000,000,000	100,000
Issued and fully paid:			
At date of incorporation	(a)	1	—
Issued in consideration for the acquisition of the issued share capital of TSO BVI	(b)	299,999	30
Subscription of shares by East-Asia	(c)	300,000	30
At 31 March 2013		600,000	60
Issue of shares upon capitalisation issue	(e)	89,400,000	8,940
Issue of shares upon placing	(f)	30,000,000	3,000
At 31 March 2014		120,000,000	12,000

Notes:

(a) On 3 August 2012, the Company was incorporated in Cayman Islands as an exempted company with limited liability 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.

27. SHARE CAPITAL *(continued)*

Notes: (continued)

(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 of HK$0.1 each.

(e) Pursuant to the written resolutions passed by the shareholders of the Company on 2 May 2013, the directors of the Company were authorised to capitalise a sum of HK$8,940,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 89,400,000 shares for allotment and issue to the then shareholders of the Company as at 2 May 2013 in proportion to their then respective shareholdings in the Company.

(f) In connection with the Company's placing and listing, the Company issued 30,000,000 ordinary shares of HK$0.1 each at a price of HK$1.0 each for a total consideration (before expenses) of HK$30,000,000. Dealing of the Company's shares on the GEM of the Stock Exchange commenced on 30 May 2013.

All shares issued during the years ended 31 March 2014 and 2013 rank pari passu with existing shares in all respects.

28. NON-LISTED WARRANTS

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

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

29. 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:

	2014	2013
	HK$'000	HK$'000
Within one year	**6,525**	4,971
In the second to fifth year inclusive	**318**	1,438
	6,843	6,409

29. OPERATING LEASES COMMITMENT *(continued)*

The Group as lessee *(continued)*

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 (2013: one to three) years with fixed rentals as at the end of each reporting period.

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2013, an amount of HK$1,908,000 (2014: nil) included in amounts due to related companies and an amount of HK$3,875,000 (2014: nil) included in amount due to immediate holding company was set off with an equivalent amount included in amounts due from related companies.

31. 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 employers and employees are subject to a cap of HK$1,000 per month and HK$1,250 per month from June 2012 onwards.

During the year ended 31 March 2014, the total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$1,559,000 (2013: HK$1,509,000) 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 2014, the total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$104,000 (2013: HK$150,000) represents contributions payable to the plan by the Group in respect of the year.

PRC

As stipulated by the rules and regulations in the PRC, the Group maintains defined contribution retirement plans for its employees of the subsidiary in the PRC. The Group contributes to a state-managed retirement plan at a range from 21.1% to 28.1% (2013: nil) of the basic salary of its employees, and has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The state-managed retirement plan is responsible for the entire pension obligations payable to retired employees. During the year ended 31 March 2014 , the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK$19,000 for the period from date of commencement to 31 March 2014 (2013: nil).

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option schemes of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution of the Company passed on 2 May 2013 for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses, providing additional incentives to the qualifying grantees, and promoting the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, consultants, business partners or other eligible person as stated in the Scheme, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue during any 12-month period, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

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

No share options are granted since the adoption of the Scheme and during the years ended 31 March 2014 and 2013.

33. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of company	Nature of transactions	*Notes*	2014 HK$'000	2013 HK$'000
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	725	783
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	2,369	2,301
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	492	492
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	923	923
Telecom Digital Services Limited	Licensing fee paid thereto	(i) & (iii)	26	44
	Consignment fee paid thereto	(i) & (iii)	720	—
Radiotex International Limited	Purchases of goods thereto	(i) & (iii)	1,343	1,189
	Received repairing service income therefrom	(i) & (iii)	—	36
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	9,944	9,999
	Telecommunication service fee paid thereto	(i) & (iii)	33	89
Telecom Digital Mobile Limited	Purchases of goods thereto	(i) & (iii)	1	21
	Consignment fee paid thereto	(i) & (iii)	823	590
New World Mobility Limited	Sales of goods therefrom	(i) & (iii)	1,058	963
Telecom (Macau) Limited	Received repairing service income therefrom	(i) & (iv)	36	41
Non-recurring in nature:				
Telecom Digital Services Limited	Proceed of sales of motor vehicle therefrom	(i) & (iii)	—	2,500

33. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(a) *(continued)*

Details of amounts due from related companies are as follows:

				Maximum amount outstanding during the year ended 31 March	
	Notes	**2014 HK$'000**	2013 HK$'000 (Restated)	**2014 HK$'000**	2013 HK$'000
Related companies					
Telecom Digital Mobile Limited	(iii), (v) & (vi)	**—**	716	**719**	772
Telecom Digital Data Limited	(iii) & (v)	**411**	4,124	**4,124**	6,343
Radiotex International Limited	(iii) & (v)	**—**	—	**—**	590
Telecom Digital Services Limited	(iii) & (v)	**509**	3	**635**	3
Telecom (Macau) Limited	(iv) & (v)	**2**	2	**19**	15
New World Mobility Limited	(iii) & (v)	**5**	385	**945**	385
TSN (Macau) Limited	(iii) & (vi)	**—**	13	**13**	13
		927	5,243		

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

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

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

(b) The amount due to immediate 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 2014.

33. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(c) The amounts due to related companies are unsecured, interest-free and repayable on demand.

(d) Banking facilities

During the year ended 31 March 2014, the Group's banking facilities of HK$9,100,000 (2013: HK$30,000,000) 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 2014, the unutilised banking facilities guaranteed by related parties were HK$9,100,000 (2013: HK$25,000,000).

(e) Obligations under finance lease

During the year ended 31 March 2013, the Group's obligations under finance lease 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 the disposal of respective asset during the year.

(f) Operating leases commitment

At the end of the reporting period, the Group had commitments for future minimum lease payments to certain related companies of approximately HK$3,512,000 (2013: HK$1,892,000) and approximately HK$138,000 (2013: nil) under non-cancellable operating leases which fall due within one year and in the second to fifth year inclusive respectively.

(g) Compensation of key management personnel

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

	2014 HK$'000	2013 HK$'000
Short-term benefits	**1,737**	1,625
Post-employment benefits	**30**	43
	1,767	1,668

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.

34. BUSINESS COMBINATION UNDER COMMON CONTROL

In January 2014, one of the subsidiaries of the Group, TSO BVI acquired 100% of equity interest in TSO Macau from East-Asia, the immediate holding company of the Company at a consideration of HK$1. The acquisition was completed on 28 January 2014. Since the Company, TSO BVI and TSO Macau are ultimately controlled by East-Asia both before and after this acquisition. The acquisition was accounted for using the merger accounting.

No adjustment was made to the net assets and net results of TSO Macau as a result of the common control combination to achieve consistency of accounting policies.

Summary of the effects as a result of the common control combination

Statements of adjustments for business combinations under common control occurred during the year ended 31 March 2014 on the Group's financial position as at 31 March 2014 and 2013 and 1 April 2012 and the results for the year ended 31 March 2014 and 2013 are summarised as follows:

For the year ended 31 March 2014	**The Group (Excluding TSO Macau) HK$'000**	**TSO Macau HK$'000**	**The Group (Including TSO Macau) HK$'000**
Revenue	94,292	—	94,292
Cost of sales	(52,180)	—	(52,180)
Gross profit	42,112	—	42,112
Other income	2,411	1,169	3,580
Other operating expenses, net	(14,257)	—	(14,257)
Administrative expenses	(13,213)	(1)	(13,214)
Finance costs	(84)	—	(84)
Profit before tax	16,969	1,168	18,137
Income tax expense	(3,791)	—	(3,791)
Profit for the year	13,178	1,168	14,346
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of long service payment obligations	228	—	228
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(167)	4	(163)
Other comprehensive income for the year	61	4	65
Total comprehensive income for the year	13,239	1,172	14,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

34. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

For the year ended 31 March 2013

	The Group (Excluding TSO Macau) HK$'000	TSO Macau HK$'000	The Group (Including TSO Macau) HK$'000
Revenue	78,513	—	78,513
Cost of sales	(46,158)	—	(46,158)
Gross profit	32,355	—	32,355
Other income	2,467	—	2,467
Other operating expenses, net	(11,894)	—	(11,894)
Administrative expenses	(19,106)	(97)	(19,203)
Finance costs	(373)	—	(373)
Profit (loss) before tax	3,449	(97)	3,352
Income tax expense	(1,940)	—	(1,940)
Profit (loss) for the year	1,509	(97)	1,412
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(18)	(34)	(52)
Other comprehensive expense for the year	(18)	(34)	(52)
Total comprehensive income (loss) for the year	1,491	(131)	1,360

34. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

As at 31 March 2014

	The Group (Excluding TSO Macau) HK$'000	TSO Macau HK$'000	Merger adjustment HK$'000	The Group (Including TSO Macau) HK$'000
Non-current assets				
Investment in a subsidiary	—	—	—	—
Plant and equipment	6,437	—	—	6,437
	6,437	—		6,437
Current assets				
Inventories	7,255	—	—	7,255
Trade and other receivables	28,864	1	—	28,865
Amounts due from related companies	927	—	—	927
Pledged bank deposits	4,492	—	—	4,492
Bank balances and cash	33,804	78	—	33,882
	75,342	79		75,421
Current liabilities				
Trade and other payables	7,264	—	—	7,264
Amounts due to related companies	124	79	—	203
Tax payable	1,759	—	—	1,759
	9,147	79		9,226
Net current assets	66,195	—		66,195
Net assets	72,632	—		72,632
Capital and reserves				
Share capital	12,000	99	(99)	12,000
Reserves	60,632	(99)	99	60,632
Total equity	72,632	—		72,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

34. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

As at 31 March 2013

	The Group (Excluding TSO Macau) HK$'000	TSO Macau HK$'000	Merger adjustment HK$'000	The Group (Including TSO Macau) HK$'000
Non-current asset				
Plant and equipment	9,480	—	—	9,480
Current assets				
Inventories	4,304	—	—	4,304
Trade and other receivables	23,932	1	—	23,933
Amounts due from related companies	1,783	3,460	—	5,243
Tax recoverable	104	—	—	104
Pledged bank deposits	4,102	—	—	4,102
Bank balances and cash	5,240	79	—	5,319
	39,465	3,540		43,005
Current liabilities				
Trade and other payables	8,135	12	—	8,147
Amount due to immediate holding company	—	3,215	—	3,215
Amounts due to related companies	—	1,485	—	1,485
Tax payable	813	—	—	813
Bank borrowing	5,000	—	—	5,000
	13,948	4,712		18,660
Net current assets (liabilities)	25,517	(1,172)		24,345
Total assets less current liabilities	34,997	(1,172)		33,825
Non-current liabilities				
Long service payment obligations	147	—	—	147
Deferred tax liabilities	434	—	—	434
	581	—		581
Net assets (liabilities)	34,416	(1,172)		33,244
Capital and reserves				
Share capital	60	99	(99)	60
Reserves	34,356	(1,271)	99	33,184
Total equity	34,416	(1,172)		33,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

34. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

As at 1 April 2012

	The Group (Excluding TSO Macau) HK$'000	TSO Macau HK$'000	Merger adjustment HK$'000	The Group (Including TSO Macau) HK$'000
Non-current asset				
Plant and equipment	13,189	—	—	13,189
Current assets				
Inventories	4,104	95	—	4,199
Trade and other receivables	13,812	1	—	13,813
Amounts due from related companies	3,520	3,459	—	6,979
Tax recoverable	104	—	—	104
Bank balances and cash	2,562	69	—	2,631
	24,102	3,624		27,726
Current liabilities				
Trade and other payables	5,753	9	—	5,762
Amount due to immediate holding company	3,875	3,213	—	7,088
Amounts due to related companies	—	1,443	—	1,443
Tax payable	1,944	—	—	1,944
Obligations under finance lease — due within one year	762	—	—	762
	12,334	4,665		16,999
Net current assets (liabilities)	11,768	(1,041)		10,727
Total assets less current liabilities	24,957	(1,041)		23,916
Non-current liabilities				
Obligations under finance lease — due more than one year	2,184	—	—	2,184
Long service payment obligations	147	—	—	147
Deferred tax liabilities	701	—	—	701
	3,032	—		3,032
Net assets (liabilities)	21,925	(1,041)		20,884
Capital and reserves				
Share capital	1	99	—	100
Reserves	21,924	(1,140)	—	20,784
Total equity	21,925	(1,041)		20,884

34. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

The effects of adopting merger accounting for common control combination on the Group's basic and diluted earnings per share for the current and prior year:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2014 HK$	2013 HK$	**2014 HK$**	2013 HK$
Reported figures before adjustments	**0.122**	0.025	**0.122**	0.025
Adjustments arising on common control combination	**0.011**	(0.001)	**0.011**	(0.001)
Restated figures after adjustments	**0.133**	0.024	**0.133**	0.024

35. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's consolidated statement of financial position.

As at 31 March 2013, the Group had a legally enforceable right to set off the amounts due from related companies, amount due to immediate holding company and amounts due to related companies and the Group intended to settle these balances on a net basis.

No financial assets nor financial liabilities was offset as at 31 March 2014.

As at 31 March 2013

Description	Gross amounts of recognised financial assets (liabilities) HK$'000	Gross amounts of recognised financial (assets) liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position HK$'000
Amounts due from related companies	11,026	(5,783)	5,243
Amount due to immediate holding company	(7,090)	3,875	(3,215)
Amounts due to related companies	(3,393)	1,908	(1,485)

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2014 HK$'000**	2013 HK$'000
Non-current asset			
Investment in a subsidiary		**21,563**	21,563
Current assets			
Other receivables and prepayments		**129**	3,339
Amount due from a subsidiary	(a)	**23,785**	1,958
Bank balances and cash		**118**	—
		24,032	5,297
Current liability			
Other payables		**—**	2,737
Net current assets		**24,032**	2,560
Net assets		**45,595**	24,123
Capital and reserves			
Share capital		**12,000**	60
Reserves	(b)	**33,595**	24,063
Total equity		**45,595**	24,123

Notes:

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes: (continued)

(b) Reserves

	Share premium HK$'000	**Other reserve** HK$'000 *(Note)*	**Warrant reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 3 August 2012 (date of incorporation)	—	—	—	—	—
Loss for the year and total comprehensive expense for the year	—	—	—	(8,440)	(8,440)
Issue of shares *(Note 27(c))*	10,970	—	—	—	10,970
Arising from Reorganisation	—	21,533	—	—	21,533
At 31 March 2013 and 1 April 2013	10,970	21,533	—	(8,440)	24,063
Loss for the year and total comprehensive expense for the year	—	—	—	(3,505)	(3,505)
Capitalisation issue *(Note 27(e))*	(8,940)	—	—	—	(8,940)
Issue of ordinary shares in connection with the listing *(Note 27(f))*	27,000	—	—	—	27,000
Share issue expenses	(5,123)	—	—	—	(5,123)
Issue of non-listed warrants	—	—	120	—	120
Transaction costs attributable to issue of non-listed warrants	—	—	(20)	—	(20)
At 31 March 2014	23,907	21,533	100	(11,945)	33,595

Note:

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

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at 31 March 2014 and 2013, particulars of the Company's subsidiaries 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				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
TSO BVI	BVI	US$1,000	100%	—	100%	—	Investment holding
Telecom Service One Limited	Hong Kong	HK$1,000	—	100%	—	100%	Provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories
TSO TW	Taiwan	NT$500,000	—	100%	—	100%	Provision of mobile phone repair services
深圳市電訊首科電子維修有限公司 *(Note)*	PRC	HK$2,000,000	—	100%	—	—	Provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories
TSO Macau	Macau	MOP100,000	—	100%	—	—	Inactive

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

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

FINANCIAL SUMMARY

	Year ended 31 March			
	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	
RESULTS				
Revenue	**94,292**	78,513	69,597	37,905
Cost of sales	**(52,180)**	(46,158)	(38,942)	(24,390)
Gross profit	**42,112**	32,355	30,655	13,515
Other income	**3,580**	2,467	936	679
Other operating expenses, net	**(14,257)**	(11,894)	(7,627)	(3,402)
Administrative expenses	**(13,214)**	(19,203)	(7,172)	(6,610)
Finance costs	**(84)**	(373)	(106)	—
Profit before tax	**18,137**	3,352	16,686	4,182
Income tax expense	**(3,791)**	(1,940)	(2,645)	—
Profit for the year	**14,346**	1,412	14,041	4,182
Other comprehensive income (expense)				
Items that will not be reclassified to profit or loss:				
Remeasurement of long service payment obligations	**228**	—	—	—
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	**(163)**	(52)	(65)	394
Other comprehensive income (expense) for the year	**65**	(52)	(65)	394
Total comprehensive income for the year	**14,411**	1,360	13,976	4,576
Earnings per share (HK$)				
Basic	**0.133**	0.024	0.31	0.09
Diluted	**0.133**	0.024	0.31	0.09

FINANCIAL SUMMARY (continued)

	As at 31 March			
	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	
ASSETS AND LIABILITIES				
Total assets	**81,858**	52,485	40,915	24,301
Total liabilities	**(9,226)**	(19,241)	(20,031)	(16,387)
	72,632	33,244	20,884	7,914
Equity attributable to owners of the Company	**72,632**	33,244	20,884	7,914