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Telecom Service One Holdings Limited

電訊首科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3997)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

The board of Directors (the “Board”) of Telecom Service One Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4	44,324	65,992
Cost of sales		(27,603)	(36,318)
Gross profit		16,721	29,674
Other income	6	2,591	3,870
Other operating expenses, net	7	(4,388)	(8,418)
Administrative expenses		(12,126)	(14,023)
Finance costs	8	(5)	—
Profit before tax		2,793	11,103
Income tax expense	9	(286)	(1,701)
Profit for the year	10	2,507	9,402

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of long service payment obligations		174	(75)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		—	(10)
Release of exchange translation reserve upon deregistration of a subsidiary		<u>144</u>	<u>—</u>
Other comprehensive income (expense) for the year		<u>318</u>	<u>(85)</u>
Total comprehensive income for the year		<u>2,825</u>	<u>9,317</u>
Earnings per share (HK\$)			
Basic	12	<u>0.0195</u>	<u>0.0733</u>
Diluted		<u>0.0195</u>	<u>0.0731</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		441	651
Right-of-use assets		1,889	—
Deferred tax asset		352	586
Rental deposit	<i>13</i>	<u>118</u>	<u>—</u>
		<u>2,800</u>	<u>1,237</u>
Current assets			
Inventories		965	1,294
Trade and other receivables	<i>13</i>	6,868	12,921
Amounts due from related companies		655	428
Tax recoverable		1,338	3,637
Pledged bank deposit		201	201
Bank balances and cash		<u>90,037</u>	<u>86,749</u>
		<u>100,064</u>	<u>105,230</u>
Current liabilities			
Trade and other payables	<i>14</i>	4,697	5,277
Lease liabilities		696	—
Amount due to a related company		<u>40</u>	<u>104</u>
		<u>5,433</u>	<u>5,381</u>
Net current assets		<u>94,631</u>	<u>99,849</u>
Total assets less current liabilities		<u>97,431</u>	<u>101,086</u>
Non-current liabilities			
Lease liabilities		1,196	—
Long service payment obligations		<u>24</u>	<u>—</u>
		<u>1,220</u>	<u>—</u>
Net assets		<u>96,211</u>	<u>101,086</u>
Capital and reserves			
Share capital	<i>15</i>	12,834	12,834
Reserves		<u>83,377</u>	<u>88,252</u>
Total equity		<u><u>96,211</u></u>	<u><u>101,086</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 August 2012 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 3997). The address of the registered office of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the principal place of business of the Company is at Unit 2, 2/F, Shun Fat Industrial Building, No. 17 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

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

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories and provision of supportive services.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certificated Public Accountants.

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained

largely unchanged. The Group has applied HKFRS 16 *Leases* modified retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to account for the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	<i>HK\$'000</i>
Operating lease commitment disclosed as at 31 March 2019	328
Less: Short-term leases and other leases with remaining lease term ended on or before 31 March 2020	<u>(328)</u>
Lease liabilities recognised as at 1 April 2019	<u><u>—</u></u>

2.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 to determine whether an arrangement contains a lease; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 3	<i>Definition of a Business</i> ⁴
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁵
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS 16	<i>COVID-19 Related Rent Concessions</i> ⁶
Conceptual Framework for Financial Reporting 2018	<i>Revised Conceptual Framework for Financial Reporting</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date not yet been determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

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

3. BASIS OF CONSOLIDATION

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

Control is achieved where the Group has:

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

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

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

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

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

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

4. REVENUE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
— Repairing service income	42,299	64,125
— Sales of accessories and provision of supportive services	<u>2,025</u>	<u>1,867</u>
	<u>44,324</u>	<u>65,992</u>

Disaggregation of revenue by geographical region

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Geographical region of revenue recognition		
Hong Kong	44,324	65,564
Macau	<u>—</u>	<u>428</u>
At a point in time	<u>44,324</u>	<u>65,992</u>

5. SEGMENT INFORMATION

The Group is engaged in a single segment, the provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories and provision of supportive services. 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 as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

During the years ended 31 March 2020 and 2019, the Group's operations were located in Hong Kong and Macau.

During the year ended 31 March 2020, 100% (2019: 99%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2020, 100% (2019: 100%) of the non-current assets, based on the geographical location of the assets, was located in Hong Kong. Hence, no geographical information is presented.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer I	13,901	17,621
Customer II	6,386	9,087
Customer III	<u>4,527</u>	<u>N/A*</u>

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

6. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Management fee income (Note i)	20	123
Consignment goods handling income (Note ii)	276	321
Bank interest income	2,002	2,334
Storage income (Note iii)	186	997
Others	<u>107</u>	<u>95</u>
	<u>2,591</u>	<u>3,870</u>

Notes:

- (i) The amount represents management income received from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong.
- (ii) The amount represents fee income received for handling consignment goods for certain manufacturers of mobile phones at the Group's service centres.
- (iii) The amount represents storage income received from manufacturer of mobile phones for the provision of management service of damaged mobile phones in Hong Kong.

7. OTHER OPERATING EXPENSES, NET

	2020 HK\$'000	2019 HK\$'000
Miscellaneous income charges	93	111
Less: Other operating expenses of service centres	<u>(4,481)</u>	<u>(8,529)</u>
Other operating expenses, net	<u><u>(4,388)</u></u>	<u><u>(8,418)</u></u>

8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	<u><u>5</u></u>	<u><u>—</u></u>

9. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax		
— Current year	35	1,317
— Underprovision in prior years	<u>17</u>	<u>161</u>
	52	1,478
Deferred tax	<u>234</u>	<u>223</u>
	<u><u>286</u></u>	<u><u>1,701</u></u>

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

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

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

10. PROFIT FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments		
— salaries, allowances and other benefits	810	684
— employer's contributions to retirement benefits schemes	21	16
	<u>831</u>	<u>700</u>
Other staff costs		
— salaries, allowances and other benefits	18,320	26,531
— employer's contributions to retirement benefits schemes	809	1,216
— long service payment obligations	267	37
	<u>19,396</u>	<u>27,784</u>
Total staff costs	<u>20,227</u>	<u>28,484</u>
Auditor's remuneration	650	710
Depreciation of plant and equipment	368	851
Depreciation of right-of-use assets	57	—
Exchange loss	1,984	2,018
Reversal of allowance for inventories (included in cost of sales)	(16)	(320)
Allowance for inventories (included in cost of sales)	237	—
Amount of inventories recognised as an expense	11,322	11,909
Loss on write-off of plant and equipment	61	296
Operating leases rentals in respect of rented premises	<u>N/A</u>	<u>7,471</u>

11. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Dividends recognised as distribution during the year:		
2017/18 fourth interim dividend of HK\$0.05 per share	—	6,411
2018/19 first interim dividend of HK\$0.02 per share	—	2,565
2018/19 second interim dividend of HK\$0.01 per share	—	1,283
2018/19 third interim dividend of HK\$0.01 per share	—	1,283
2018/19 fourth interim dividend of HK\$0.03 per share	3,850	—
2019/20 first interim dividend of HK\$0.01 per share	1,283	—
2019/20 second interim dividend of HK\$0.01 per share	1,283	—
2019/20 third interim dividend of HK\$0.01 per share	<u>1,284</u>	<u>—</u>
	<u>7,700</u>	<u>11,542</u>

Subsequent to the end of the reporting period, the fourth interim dividend of HK\$0.02 per share in respect of the year ended 31 March 2020 has been declared by the directors of the Company.

12. 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:

	2020 HK\$'000	2019 HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	<u>2,507</u>	<u>9,402</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	128,342,000	128,265,507
Effect of dilutive potential ordinary shares:		
Share options	<u>—</u>	<u>393,270</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>128,342,000</u>	<u>128,658,777</u>

For the year ended 31 March 2020, the computation of diluted earnings per share does not assume the exercise of the Company's remaining share options granted on 6 July 2017 as the exercise price of those share options was higher than the average market price for the shares before the date of lapse of share options.

For the year ended 31 March 2019, the computation of diluted earnings per share does not assume the exercise of the Company's remaining share options granted on 7 July 2015 as the exercise price of those share options was higher than the average market price.

13. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	3,583	7,657
Other receivables	43	245
Rental and other deposits	3,060	4,855
Prepayments	<u>300</u>	<u>164</u>
	6,986	12,921
Less: Rental deposit classified as non-current assets	<u>(118)</u>	<u>—</u>
Current portion included in trade and other receivables	<u>6,868</u>	<u>12,921</u>

The Group does not hold any collateral over these balances.

As at 31 March 2020, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$3,583,000 (2019: HK\$7,657,000).

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

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

	2020 HK\$'000	2019 <i>HK\$'000</i>
Within 30 days	1,358	3,317
31 to 60 days	1,250	4,107
61 to 90 days	842	6
91 to 120 days	133	193
Over 120 days	<u>—</u>	<u>34</u>
	<u>3,583</u>	<u>7,657</u>

The Group performs ongoing credit evaluations of its customers and 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.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are assessed by using a provision matrix based on the credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the ECL rates.

The directors of the Company consider the ECL of trade receivables is insignificant, therefore no loss allowance on trade receivables was recognised as at 31 March 2020 and 2019.

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:

	2020 HK\$'000	2019 <i>HK\$'000</i>
US\$	<u>3,822</u>	<u>5,277</u>

14. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	2,301	2,738
Accrued expenses and other payables	<u>2,396</u>	<u>2,539</u>
Total	<u><u>4,697</u></u>	<u><u>5,277</u></u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	646	1,022
31 to 60 days	29	107
61 to 90 days	—	—
Over 90 days	<u>1,626</u>	<u>1,609</u>
	<u><u>2,301</u></u>	<u><u>2,738</u></u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
US\$	679	1,037
Japanese Yen	<u>153</u>	<u>153</u>

15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2018	128,202,000	12,820
Issue of shares upon exercise of share options (<i>Note</i>)	<u>140,000</u>	<u>14</u>
At 31 March 2019, 1 April 2019 and 31 March 2020	<u>128,342,000</u>	<u>12,834</u>

Note: On 15 June 2018, 18 July 2018, 26 September 2018, 16 November 2018 and 18 March 2019, 20,000, 20,000, 40,000, 40,000 and 20,000 ordinary shares respectively of HK\$0.1 each were issued at a price of HK\$1.78 per share upon the exercise of share options granted on 6 July 2017. The total consideration was approximately HK\$249,000 and resulted in the net increase in share capital and share premium of approximately HK\$14,000 and HK\$241,000 respectively. The share options reserve has been decreased by approximately HK\$6,000 and was transferred to share premium account.

All shares issued during the years ended 31 March 2020 and 2019 rank pari passu with the existing shares in all respects.

16. OPERATING LEASES COMMITMENT

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK\$'000
Within one year	<u>328</u>

The Group leased certain of its office premises and service centres under operating lease arrangements. Leases were negotiated for a term of one year with fixed rentals as at the end of each reporting period.

17. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of the Company passed on 2 May 2013 for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses, providing additional incentives to the qualifying grantees, and promoting the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company.

Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, consultants, business partners or other eligible person as stated in the Share Option Scheme, to subscribe for shares in the Company.

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

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

As at 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 780,000 (2020: nil), representing approximately 0.61% (2020: nil) of the ordinary shares in issue at that date.

During the year ended 31 March 2020, all the remaining share options have been lapsed upon the expiry of option period.

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

Category of participant	Date of grant	Number of share options				Outstanding at 31 March 2020	Exercisable period	Exercise price per option
		Outstanding at 1 April 2019	Granted during the year	Lapsed during the year	Exercised during the year			
Employees	6 July 2017	780,000	—	(780,000)	—	—	6 July 2017 to 5 July 2019	HK\$1.78
Exercisable at the end of the year						—		
Weighted average exercise price (HK\$)		1.78	—	1.78	—	—		

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

Category of participant	Date of grant	Number of share options				Outstanding at 31 March 2019	Exercisable period	Exercise price per option
		Outstanding at 1 April 2018	Granted during the year	Lapsed during the year	Exercised during the year			
Employees	7 July 2015	740,000	—	(740,000)	—	—	7 July 2015 to 6 July 2018	HK\$2.59
Employees	6 July 2017	1,380,000	—	(460,000)	(140,000)	780,000	6 July 2017 to 5 July 2019	HK\$1.78
Total		2,120,000	—	(1,200,000)	(140,000)	780,000		
Exercisable at the end of the year						780,000		
Weighted average exercise price (HK\$)		2.06	—	2.28	1.78	1.78		

In respect of the share option exercised during the year ended 31 March 2019, the weighted average share price at the date of exercise is HK\$2.95 (2020: nil).

No share option was granted by the Company during the year ended 31 March 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Even though smartphone shipments experienced decline in recent years, the market capacity of the repair industry remains large. While smartphone technology has greatly improved, the durability of smartphone devices remains unchanged due to high mobile phone usage, with common mobile phone problems including smashed screens, damaged speakers, broken casing and malfunctioning power ports.

The market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is intensely competitive. However, increasing smartphone usage together with the commercial launch of 5G services during April 2020 should provide ample business opportunities for the Group. Backed by a professional and experienced technical team, the Group believes that, by continuing to enhance operational efficiency and service quality, it could deliver timely, professional and quality services to customers which will allow it to stand out amidst the keen market competition.

Business Review

The Group has been providing repair and refurbishment services for mobile phones and consumer electronic devices in Hong Kong for the past decade. Its customer base includes corporate customers, telecommunications services providers and global services companies. For the year ended 31 March 2020, the Group recorded a drop in revenue and net profit of approximately 32.8% and approximately 73.3% respectively, resulting from a decline in demand for repair services that was beyond its control. The business performance was inevitably affected by the social unrest in Hong Kong during the second half of 2019 as well as the COVID-19 pandemic in 2020. Apart from maintaining its core business, the Group also strived to provide value-added services to attract more customers and expand market share. During the year, the Group launched a mobile phone screen protection programme through which participating customers can enjoy screen replacement or repair services free of charge during the maintenance period. The programme has been well-received by customers in view of the heavy use and rising retail prices of mobile phones.

Financial Review

Revenue

The Group's revenue comprises repairing service income and income from sales of accessories and provision of supportive services. Repairing service income for the year ended 31 March 2020 was approximately HK\$42,299,000 (2019: HK\$64,125,000), representing a decrease of approximately 34.0% over the previous year. The decrease in repairing service income was mainly due to a decrease in repair jobs. Revenue from sales of accessories and provision of supportive services for the year ended 31 March 2020 increased approximately 8.5% to approximately HK\$2,025,000 as compared which approximately HK\$1,867,000 in the previous year. The increase was mainly due to the net revenue generated from the new mobile phone screen protection programme.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year ended 31 March 2020, cost of sales decreased by approximately 24.0% to approximately HK\$27,603,000 from approximately HK\$36,318,000. The decrease in cost of sales was attributable to the decrease in both parts cost and labour cost. The Group's cost of inventories sold was approximately HK\$11,322,000 (2019: HK\$11,909,000), representing a decrease of approximately 4.9% from that of the previous year. The decrease was mainly due to the Group having received fewer work orders.

Direct labour cost for the year ended 31 March 2020 was approximately HK\$16,281,000 (2019: HK\$24,409,000), representing a decrease of approximately 33.3%. The decrease was mainly due to a reduction in manpower.

Other Income

Other income for the year was approximately HK\$2,591,000 (2019: HK\$3,870,000). Other income mainly comprised of management fee income, consignment goods handling income, storage income and bank interest income. The decrease was mainly due to the decrease in bank interest income and storage income for less products stored in the Group's warehouse.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2020 were approximately HK\$4,388,000 (2019: HK\$8,418,000), representing a decrease of approximately 47.9% over the previous year. The decrease was mainly due to decrease in rental expenses for reorganisation of repair centres for corporate customers.

Administrative expenses for the year ended 31 March 2020 was approximately HK\$12,126,000 (2019: HK\$14,023,000), representing a decrease of approximately 13.5%. The decrease was mainly due to decrease in rental expense for relocation of office.

Income Tax Expense

Income tax for the year ended 31 March 2020 was approximately HK\$286,000 (2019: HK\$1,701,000), representing a decrease of approximately 83.2%.

Profit for the Year

Profit for the year ended 31 March 2020 was approximately HK\$2,507,000 (2019: HK\$9,402,000), representing a decrease of approximately 73.3% as compared to the previous year.

Material Acquisitions or Disposals and Significant Investments

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the year ended 31 March 2020.

Liquidity and Financial Resources

As at 31 March 2020, the Group had current assets of approximately HK\$100,064,000 (2019: HK\$105,230,000) and current liabilities of approximately HK\$5,433,000 (2019: HK\$5,381,000).

As at 31 March 2020, the Group's gearing ratio was approximately 0.1% as compared to approximately 0.1% as at 31 March 2019, which is calculated based on the Group's total borrowings of approximately HK\$40,000 (2019: HK\$104,000) and the Group's total equity of approximately HK\$96,211,000 (2019: HK\$101,086,000).

At present, the Group generally finances its operations with internally generated cash flows and banking facilities. Net cash generated from operating activities for the year was approximately HK\$9,120,000. Net cash from investing activities was approximately HK\$1,783,000.

The Group maintained a healthy liquidity position as at 31 March 2020. The Group had cash and cash equivalents of approximately HK\$90,037,000 as at 31 March 2020 (2019: HK\$86,749,000). Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the placing and listing (the "Listing") of the issued ordinary shares of the Company on GEM on 30 May 2013 to meet potential needs for business expansion and development. As at 31 March 2020, the Group had no bank borrowings and unutilised banking facilities of approximately HK\$200,000 available for further drawdown should it have any further capital needs.

Contingent Liabilities

As at 31 March 2020, the Group had no material contingent liabilities (2019: nil).

Foreign Currency Risk

The Group's business is in Hong Kong and transactions are denominated in HK\$ and US\$. 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 may consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

As at 31 March 2020, the Group did not have any significant capital commitments (2019: nil).

Capital Structure

There was no change in the capital structure during the year ended 31 March 2020.

The capital structure of the Group consists of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves. The management reviews the capital structure regularly. As part of the review, they consider the cost of capital and the risks associated with

each class of capital. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

Significant Investments Held

Except for investments in subsidiaries, during the year ended 31 March 2020, the Group did not hold any significant investment in equity interest in any other company and did not own any property.

Employees and Remuneration Policies

As at 31 March 2020, the Group employed 68 (2019: 85) full-time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

Outlook

Looking ahead, the COVID-19 pandemic dealt a heavy blow to the city following months of social unrest which has put additional pressure on the Hong Kong economy. The Group will continue to enhance its service quality and explore opportunities to deliver different kinds of value-added services. In view of the positive feedback for the mobile phone screen protection programme, the Group will widen the scope and expand the protection programme to cover other mobile phone components.

Besides delivering value-added services, the Group will continue to examine new investment opportunities that could expand sources of income. The Group will adhere to its diversification strategy, which aims at better identifying new services and revenue streams to respond to the rapidly-changing business environment, so as to create synergies with its core business.

As it is expected that the market will face challenges and uncertainties in the short term, the management team will adopt a prudent and proactive approach, closely monitor market conditions and adjust the Group's operation strategies. The Group will review and allocate its resources cautiously as well as explore various investment and development opportunities in order to bring greater and sustainable returns for shareholders in the future.

Use of Proceeds

The net proceeds from the Listing were approximately HK\$14.9 million, which was based on the final placing price of HK\$1.00 per share and the actual expenses on the Listing. As disclosed in the prospectus of the Company dated 23 May 2013 (the "Prospectus"), approximately HK\$13.4 million will be used for the acquisition of a commercial property in Hong Kong for use as a customer service centre. The balance of approximately HK\$1.5 million will be reserved as general working capital.

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

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

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the directors of the Company, during the year ended 31 March 2020 and up to the date of this announcement, the Company has maintained the public float required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or an entity connected with a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 March 2020 or at any time during that year.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Fourth Interim Dividend

On 24 June 2020, the Board declared a fourth interim dividend of HK\$0.02 per share for the year ended 31 March 2020. The fourth interim dividend will be payable in cash to the shareholders whose names appear on the register of members of the Company on Tuesday, 14 July 2020.

The fourth interim dividend is expected to be paid on or about Monday, 20 July 2020.

Annual General Meeting

An Annual General Meeting (the "AGM") of the Company will be convened to be held on Wednesday, 30 September 2020. The notice of the AGM will be published on the websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in August 2020.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

- (a) from Monday, 13 July 2020 to Tuesday, 14 July 2020 (both days inclusive), for the purpose of determining the Company's shareholders' entitlement to the fourth interim dividend. In order to qualify for the fourth interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 10 July 2020; and
- (b) from Thursday, 24 September 2020 to Wednesday, 30 September 2020 (both days inclusive), for the purpose of determining shareholders of the Company who are entitled to attend and vote at the AGM. In order to attend and vote at the AGM, all transfers of shares of the Company 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 their address as mentioned above for registration not later than 4:00 p.m. on Wednesday, 23 September 2020.

No transfer of shares will be registered during the periods mentioned in paragraphs (a) and (b) above.

Corporate Governance Practices

During the year ended 31 March 2020, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code"), except the deviation as disclosed below:

- According to the Code Provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 March 2020, the chief executive officer of the Company has provided and will continue to provide all members of the Board with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision C.1.2.

Review of Results

The audit committee of the Company (the "Audit Committee") was established on 2 May 2013 with written terms of reference in compliance with the CG Code. The terms of reference of Audit Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee, among other things, are to make recommendations to the Board on the appointment, reappointment and removal of external auditor; to monitor integrity of the Company's financial statements and reports and accounts, and review significant financial reporting judgments contained in

them; to oversee the financial reporting system, risk management and internal control systems of the Company; and to review arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee comprises three independent non-executive directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi. Mr. Tso Ka Yi is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matter. The consolidated financial statements and final results of the Group for the year ended 31 March 2020 have been reviewed by the Audit Committee and have been audited by Group's auditor, Messrs SHINEWING (HK) CPA Limited.

By Order of the Board
Telecom Service One Holdings Limited
Cheung King Shek
Chairman

Hong Kong, 24 June 2020

As at the date of this announcement, the chairman and non-executive director is Mr. Cheung King Shek; the chief executive officer and executive director is Mr. Cheung King Fung Sunny; non-executive directors are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and independent non-executive directors are Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi.

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