

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2018

The board of Directors (the “Board”) of the 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 2018, together with the comparative figures for the year ended 31 March 2017:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	3	99,295	105,445
Cost of sales		(49,007)	(54,826)
Gross profit		50,288	50,619
Other income	5	5,110	2,101
Other operating expenses, net	6	(9,968)	(10,316)
Administrative expenses		(15,906)	(14,871)
Finance costs	7	(1)	(140)
Profit before tax		29,523	27,393
Income tax expense	8	(4,253)	(4,743)
Profit for the year	9	25,270	22,650
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of long service payment obligations		(87)	44
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		3	(63)
Other comprehensive expense for the year		(84)	(19)
Total comprehensive income for the year		25,186	22,631
Earnings per share (HK\$)			
Basic	11	0.1972	0.1863
Diluted		0.1970	0.1824

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Plant and equipment		1,799	2,604
Deferred tax asset		809	765
		<u>2,608</u>	<u>3,369</u>
Current assets			
Inventories		1,715	4,789
Trade and other receivables	12	18,952	20,545
Amounts due from related companies		296	2,380
Tax recoverable		409	—
Pledged bank deposits		8,521	28,744
Bank balances and cash		78,170	32,391
		<u>108,063</u>	<u>88,849</u>
Current liabilities			
Trade and other payables	13	7,465	6,872
Amounts due to related companies		53	104
Tax payables		—	42
Bank borrowings		—	1,340
		<u>7,518</u>	<u>8,358</u>
Net current assets		<u>100,545</u>	<u>80,491</u>
Total assets less current liabilities		<u>103,153</u>	<u>83,860</u>
Non-current liability			
Long service payment obligations		91	—
Net assets		<u>103,062</u>	<u>83,860</u>
Capital and reserves			
Share capital	14	12,820	12,800
Reserves		90,242	71,060
Total equity		<u>103,062</u>	<u>83,860</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 the shares of the Company (the “Shares”) are listed on GEM of the Stock Exchange on 30 May 2013. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands and the principal place of business of the Company is at Units 1805–1807, 18/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

On 17 August 2017, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board of the Stock Exchange pursuant to Chapter 9A of the Listing Rules (“Transfer of Listing”). The approval-in-principle granted by the Stock Exchange on 16 March 2018 for the Shares listed on the Main Board of the Stock Exchange and de-listed from GEM. The last day of dealings in the Shares on GEM (stock code: 8145) was 26 March 2018. Dealings in the Shares on the Main Board of the Stock Exchange (stock code: 3997) have commenced at 9:00 a.m. on 27 March 2018.

The directors of the Company consider the immediate holding company is East-Asia Pacific Limited, 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 provision of mobile phones and consumer electronic devices repair service and sale of consumer electronic devices related product.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currencies for certain subsidiaries are Renminbi (“RMB”), 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. BASIS OF PREPARATION

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 statement in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group:

- 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 over the investee to affect the amount of the Group's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

3. REVENUE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Repairing service income	96,852	92,673
Sales of accessories	2,443	12,772
	<u>99,295</u>	<u>105,445</u>

4. SEGMENT INFORMATION

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

Geographical information

During the years ended 31 March 2018 and 2017, the Group's operations were located in Hong Kong, the People's Republic of China ("PRC") and Macau.

During the year ended 31 March 2018, 98% (2017: 97%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2018, 96% (2017: 93%) 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:

	2018 HK\$'000	2017 HK\$'000
Customer I	23,334	23,591
Customer II	22,552	N/A*
Customer III	10,967	N/A*
	<u> </u>	<u> </u>

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

5. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Management fee income (<i>Note i</i>)	363	523
Consignment goods handling income (<i>Note ii</i>)	296	453
Bank interest income	997	840
Exchange gain	2,781	—
Others	673	285
	<u> </u>	<u> </u>
	<u>5,110</u>	<u>2,101</u>

Notes:

- (i) The amount represents management fee income received from manufacturers of mobile phones for the provision of management services 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.

6. OTHER OPERATING EXPENSES, NET

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Reimbursement of expenses for service centres	55	352
Logistic service income	—	5
Miscellaneous income charges	256	118
	<u>311</u>	<u>475</u>
Less: Other operating expenses of service centres	(10,279)	(10,791)
	<u>311</u>	<u>475</u>
Other operating expenses, net	<u>(9,968)</u>	<u>(10,316)</u>

7. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank loans and overdrafts	1	140
	<u>1</u>	<u>140</u>

8. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong Profits Tax		
— current year	4,412	4,915
— (over)under-provision in prior years	(115)	79
	<u>4,297</u>	<u>4,994</u>
Deferred tax		
— current year	(44)	(251)
	<u>(44)</u>	<u>(251)</u>
	<u>4,253</u>	<u>4,743</u>

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.

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for 2017. No provision for taxation has been made for the Taiwan subsidiary for 2017 as there was no assessable profits in 2017 and the Taiwan subsidiary deregistered in December 2016.

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% for both years. No provision for taxation has been made for the PRC subsidiary as there were no assessable profits for both years.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. No provision for Macau taxation has been made for the Macau subsidiary for the years ended 31 March 2018 and 2017 since the assessable profits are wholly absorbed by tax losses brought forward.

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:

	2018 HK\$'000	2017 HK\$'000
Profit before tax	29,523	27,393
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	4,868	4,495
Tax effect of income not taxable for tax purpose	(553)	(66)
Tax effect of expenses not deductible for tax purpose	232	206
Hong Kong Profits Tax concession (<i>note</i>)	(30)	(20)
(Over)under-provision in prior years	(115)	79
Tax effect of tax loss not recognised	77	54
Utilisation of tax loss previously not recognised	(226)	(5)
	4,253	4,743

Note: A tax concession of 75%, subject to a ceiling of \$30,000 per company, was granted to the Group’s subsidiary under Hong Kong tax jurisdiction for the year ended 31 March 2018 (2017: HK\$20,000).

9. PROFIT FOR THE YEAR

2018	2017
HK\$'000	HK\$'000

Profit for the year has been arrived at after charging (crediting):

Directors' and chief executive's emoluments

— salaries, allowances and other benefits	684	684
— employer's contributions to retirement benefits schemes	16	16
	<u>700</u>	<u>700</u>

Other staff costs

— salaries, allowances and other benefits	34,501	34,818
— employer's contributions to retirement benefits schemes	1,577	1,693
— share-based payment expenses	69	—
— long service payment obligations	166	81
	<u>36,313</u>	<u>36,592</u>

Total staff costs

37,013	37,292
--------	--------

Auditor's remuneration

710	650
-----	-----

Depreciation of plant and equipment

1,347	1,916
-------	-------

Exchange loss

—	2,060
---	-------

Allowance for inventories (included in cost of sales)

825	41
-----	----

Reversal of allowance for inventories (included in cost of sales)

—	(14)
---	------

Write-off of inventories

97	—
----	---

Bad debt written off

303	—
-----	---

Amount of inventories recognised as an expense

15,984	21,277
--------	--------

Loss on write-off of plant and equipment

109	24
-----	----

Operating leases rentals in respect of rented premises

8,273	8,737
-------	-------

10. DIVIDENDS

2018	2017
HK\$'000	HK\$'000

Dividends recognised as distribution during the year:

2017 first, second and third interim — HK\$0.01, HK\$0.02 and HK\$0.02 per share respectively (2017: 2016 second interim — HK\$0.05 per share)

6,409	6,001
-------	-------

Subsequent to the end of the reporting period, the fourth interim dividend of HK\$0.05 per share has been declared by the directors of the Company in respect of the year ended 31 March 2018 (2017: nil).

11. EARNINGS PER SHARE

	2018 HK\$'000	2017 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>25,270</u>	<u>22,650</u>
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	128,121,342	121,608,192
Effect of dilutive potential ordinary shares:		
Warrants	—	2,536,385
Share options	<u>167,736</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>128,289,078</u>	<u>124,144,577</u>

The computation of diluted earnings per share does not assumes the exercise of the Company's outstanding share options granted on 7 July 2015 as the exercise price of those share options was higher than the average market price for the shares for both years ended 31 March 2018 and 2017.

12. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	13,324	14,485
Other receivables	347	27
Deposits	5,157	5,789
Prepayments	<u>124</u>	<u>244</u>
	<u>18,952</u>	<u>20,545</u>

The Group does not hold any collateral over these balances.

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

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Within 30 days	6,741	5,632
31 to 60 days	6,237	8,528
61 to 90 days	6	—
91 to 120 days	59	215
Over 120 days	281	110
	13,324	14,485

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Past due for:		
31 to 60 days	4,321	6,653
61 to 90 days	6	—
91 to 120 days	59	214
Over 120 days	281	110
	4,667	6,977
Neither past due nor impaired	8,657	7,508
	13,324	14,485

The Group has not provided for any impairment loss for the above balances 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:

	2018 HK\$'000	2017 <i>HK\$'000</i>
US\$	7,248	8,509

13. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	2,736	3,883
Accrued expenses and other payables	4,729	2,989
	<u>7,465</u>	<u>6,872</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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	1,022	2,203
31 to 60 days	51	60
61 to 90 days	54	—
Over 90 days	1,609	1,620
	<u>2,736</u>	<u>3,883</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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
US\$	670	1,384
Japanese Yen	153	153
RMB	95	—

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2016	120,012,000	12,001
Issue of shares upon exercise of warrants (<i>Note a</i>)	7,990,000	799
At 31 March 2017 and 1 April 2017	128,002,000	12,800
Issue of shares upon exercise of share options (<i>Note b</i>)	200,000	20
At 31 March 2018	128,202,000	12,820

Notes:

- (a) On 29 September 2016, 12 October 2016, 21 February 2017 and 24 February 2017, 1,000,000, 1,000,000, 3,990,000 and 2,000,000 ordinary shares respectively of HK\$0.1 each were issued at a price of HK\$1.64 per share upon the exercise of warrants granted on 17 February 2014. The total consideration was approximately HK\$13,103,000 and resulted in the net increase in share capital and share premium of approximately HK\$799,000 and HK\$12,371,000 respectively. The warrant reserve has been decreased by approximately HK\$67,000 and was transferred to share premium account. Details of which are set out in note 15.
- (b) On 18 July 2017, 18 August 2017 and 16 March 2018, 120,000, 60,000 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\$356,000 and resulted in the net increase in share capital and share premium of approximately HK\$20,000 and HK\$344,000 respectively. The share options reserve has been decreased by approximately HK\$8,000 and was transferred to share premium account.

All shares issued during the years ended 31 March 2018 and 2017 rank pari passu with the existing shares in all respects.

15. 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.

As at 1 April 2016, there are 12,000,000 warrants outstanding which can be exercised at any time on or before 4 March 2017. During the year ended 31 March 2017, 7,990,000 warrants were exercised and the remaining 4,010,000 unexercised warrants were expired and lapsed on 4 March 2017.

16. 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:

	2018 HK\$'000	2017 HK\$'000
Within one year	1,800	1,637
In the second to fifth year inclusive	—	1,070
	1,800	2,707

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 two (2017: one to three) years 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 (the "Shareholders"). 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 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 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 Shareholders.

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

On 6 July 2017, the Company granted an aggregate of 2,560,000 (2017: nil) share options to the employees of the Company, to subscribe, in aggregate, for up to 2,560,000 ordinary shares of HK\$0.1 each of the share capital of the Company under the Share Option Scheme.

As at 31 March 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 2,120,000 (2017: 800,000), representing approximately 1.65% (2017: 0.62%) of the ordinary shares in issue at that date.

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					Exercisable period	Exercise price per option
		Outstanding at 1 April 2017	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2018		
Employees	7 July 2015	800,000	—	(60,000)	—	740,000	7 July 2015 to 6 July 2018	HK\$ 2.59
Employees	6 July 2017	—	1,640,000 (note)	(60,000)	(200,000)	1,380,000	6 July 2017 to 5 July 2019	HK\$1.78
Total		800,000	1,640,000	(120,000)	(200,000)	2,120,000		
Exercisable at the end of the year						2,120,000		
Weighted average exercise price (HK\$)		2.59	1.78	2.19	1.78	2.06		

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					Exercisable period	Exercise price per option
		Outstanding at 1 April 2016	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2017		
Employees	7 July 2015	916,000	—	(116,000)	—	800,000	7 July 2015 to 6 July 2018	HK\$ 2.59
Exercisable at the end of the year						800,000		
Weighted average exercise price (HK\$)		2.59	—	2.59	—	2.59		

Note: The number of share options granted during the year ended 31 March 2018 excluded 920,000 share options that were not accepted by the employees at the date of grant.

In respect of the share option exercised during the year ended 31 March 2018, the weighted average share price at the date of exercise is HK\$2.13 (2017: nil).

Share-based payment expenses of approximately HK\$69,000 were recognised by the Group for the year ended 31 March 2018 in relation to share options granted by the Company. No share option was granted during the year ended 31 March 2017.

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

	Options granted on 6 July 2017
Share price at date of grant on 6 July 2017	HK\$1.75
Exercise price	HK\$1.78
Expected volatility	48.24%
Expected life	2 years
Risk-free rate	0.91%
Expected dividend yield	6.01%
Exit rate	22.81%
Estimated fair value per option	HK\$0.042

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is highly fragmented and competitive. Due to keen competition amongst mobile phone manufacturers, new models of mobile phones are released to the market every three-to-six months to stimulate consumers' demand. Strong smartphone sales and the growth in smartphone usage provide ongoing opportunities for the Group. Although the market is gradually becoming more competitive, through continued improvement in its operational efficiency and service quality, the Group is confident in its ability to maintain market share.

By leveraging its professional technical team and close relationships with customers, as well as its strong experience in the provision of repair and refurbishment services for mobile phones and its commitment to providing value-added and quality services, the Group is able to deliver timely, professional and quality services to its customers, so as to excel amidst the keen competition.

Business Review

The Group has become a well-established repair services provider in Hong Kong since its establishment in 1999. The Group mainly provides repair and refurbishment services for mobile phones and consumer electronic devices as well as the sale of related accessories and products. The Group has been appointed by corporate customers comprising manufacturers of mobile phones and personal electronic products, telecommunications services providers and global services companies as their service provider to provide repair and refurbishment services for their products and to their customers. As at 31 March 2018, the Group has been appointed by 16 corporate customers (as at 31 March 2017: 17). The Group has operated seven service centres in Hong Kong and one service centre in Macau.

During the year, Telecom Service One Limited, a wholly-owned subsidiary of the Company, has successfully obtained ISO 9001:2015 Quality Management System certification. This helps to lay a solid foundation for strengthening the Group's corporate governance and compliance management as well as its service capabilities, thus supporting its further expansion.

Due to the change of operation model and requirement of a mobile phone manufacturer, the Group and the customer have mutually agreed to terminate the Shenzhen services agreement, hence the repair centre in Shenzhen has been closed on 30 June 2017. Accordingly, the Group has no more business activity in the PRC, and most of the revenues during the year have been generated from the provision of repair and refurbishment services in Hong Kong.

Financial Review

Revenue

The Group's revenue comprises repairing service income and income from sales of accessories. Repairing service income for the year ended 31 March 2018 was approximately HK\$96,852,000 (2017: HK\$92,673,000), representing an increase of approximately 4.5% over the previous year. The increase in repairing service income was mainly due to the increase in repair jobs. Revenue from sales of accessories for the year ended 31 March 2018 decreased approximately 80.9% to approximately HK\$2,443,000 as compared to approximately HK\$12,772,000 in the previous year. The decrease was mainly attributable to the decrease in sales orders from a corporate customer.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year ended 31 March 2018, cost of sales decreased by approximately 10.6% to approximately HK\$49,007,000 from approximately HK\$54,826,000. 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\$15,984,000 (2017: HK\$21,277,000), representing a decrease of approximately 24.9% from that of the previous year. The decrease was due to the Group received fewer work orders which required the Group to purchase spare parts and components and such costs were not reimbursed. In addition, cost of accessories also decreased for the down-turn of accessories business.

Direct labour cost for the year ended 31 March 2018 was approximately HK\$33,023,000 (2017: HK\$33,549,000), representing a slight decrease of approximately 1.6%. The decrease was mainly due to the reduction of manpower.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year was approximately HK\$50,288,000 (2017: HK\$50,619,000), representing a slight decrease of 0.7% over the previous year. Gross profit margin increased by approximately 2.6% to approximately 50.6% from approximately 48.0%. The increase in gross profit margin was primarily because of the increase in new work orders (for pre-loading of apps), such new work orders of pre-loading apps did not require the Group to purchase spare parts to perform such work orders.

Other Income

Other income for the year was approximately HK\$5,110,000 (2017: HK\$2,101,000). Other income mainly contributed by management fee income, consignment goods handling income, foreign exchange difference and bank interest income. The increase was mainly due to the foreign exchange gain on the foreign currency deposit, increase in storage charge and a one-off special repair job assigned by a corporate customer.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2018 were approximately HK\$9,968,000 (2017: HK\$10,316,000), representing a decrease of approximately 3.4% over the previous year. The decrease was mainly due to decrease in rental expenses for relocation of a repair centre for a corporate customer in March 2017.

Administrative expenses for the year ended 31 March 2018 was approximately HK\$15,906,000 (2017: HK\$14,871,000), representing an increase of approximately 7.0%. The increase was mainly due to the professional fee incurred for the transfer of listing from GEM to Main Board of the Stock Exchange.

Income Tax Expense

Income tax for the year ended 31 March 2018 was approximately HK\$4,253,000 (2017: HK\$4,743,000), representing a decrease of approximately 10.3%.

Profit for the Year

Profit for the year ended 31 March 2018 was approximately HK\$25,270,000 (2017: HK\$22,650,000), representing an increase of approximately 11.6% 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 2018.

Liquidity and Financial Resources

As at 31 March 2018, the Group had current assets of approximately HK\$108,063,000 (2017: HK\$88,849,000) and current liabilities of approximately HK\$7,518,000 (2017: HK\$8,358,000).

As at 31 March 2018, the Group's gearing ratio was approximately 0.1% as compared to approximately 1.7% as at 31 March 2017, which is calculated based on the Group's total borrowings of approximately HK\$53,000 (2017: HK\$1,444,000) and the Group's total equity of approximately HK\$103,062,000 (2017: HK\$83,860,000).

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\$32,609,000. Net cash from investing activities was approximately HK\$20,568,000.

The Group maintained a healthy liquidity position as at 31 March 2018. The Group had cash and cash equivalents of approximately HK\$78,170,000 as at 31 March 2018 (2017: HK\$31,291,000). 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 the GEM on 30 May 2013 to meet potential needs for business expansion and development. As at 31 March 2018, the Group has no bank borrowings and the unutilised banking facilities of approximately HK\$9,349,000 available for further drawdown should it have any further capital needs.

Contingent Liabilities

As at 31 March 2018, the Group had no material contingent liabilities (2017: nil).

Foreign Currency Risk

The majority of the Group's business are in Hong Kong and are denominated in HK\$ and US\$. 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 2018, the Group did not have any significant capital commitments (2017: nil).

Dividends

At a meeting held on 26 June 2018, the Board declared the fourth interim dividend of HK\$0.05 per share for the year ended 31 March 2018 (2017: nil).

Capital Structure

Except for the issue of new shares upon the exercise of share options as disclosed in note 17 to this announcement, there was no change in the capital structure during the year ended 31 March 2018.

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

Significant Investments Held

Except for investments in subsidiaries, during the year ended 31 March 2018, 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 2018, the Group employed 142 (2017: 161) 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

Followed by the transfer of its listing from GEM to the Main Board of the Stock Exchange on 27 March 2018, the Group will continue its development strategy and remain vigilant towards market risks and uncertainties. The Group will continue streamlining its management procedures, integrating external and internal resources while enhancing its business processes and management model.

Leveraging the enhanced corporate profile and recognition of the Group after the transfer of the listing, the Group will seek to further enhance its service quality and strengthen its market-leading position, so as to capture greater market share and raise its brand recognition. Apart from the above general directions, the Group will also cautiously assess any new business opportunities and evaluate them with prudent consideration, with the aim to drive continuous and sustainable business growth.

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, HK\$13.4 million will be used for the acquisition of a commercial property in Hong Kong for use as a customer service centre. The balance of HK\$1.5 million will be reserved as general working capital.

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

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

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2018 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 or an entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 March 2018 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 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Fourth Interim Dividend

On 26 June 2018, the Board declared a fourth interim dividend of HK\$0.05 per Share for the year ended 31 March 2018. The fourth interim dividend will be payable in cash to the Shareholders whose names appear on the register of members on Friday, 13 July 2018.

The fourth interim dividend is expected to be paid on or about Friday, 20 July 2018.

Annual General Meeting

An Annual General Meeting (the “AGM”) of the Company will be convened to be held on Tuesday, 28 August 2018. 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 July 2018.

Closure of Register of Members

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

- (a) from Thursday, 12 July 2018 to Friday, 13 July 2018 (both dates inclusive), for the purpose of determining Shareholders’ entitlement to the fourth interim dividend. In order to qualify for the fourth interim dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 11 July 2018; and
- (b) from Wednesday, 22 August 2018 to Tuesday, 28 August 2018 (both dates inclusive), for the purpose of determining Shareholders who are entitled to attend and vote at the AGM. In order to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at their address as mentioned above for registration not later than 4:00 p.m. on Tuesday, 21 August 2018.

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 2018, 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 2018, 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 matters, including reviewing the consolidated financial statements and final results for the year ended 31 March 2018.

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

Hong Kong, 26 June 2018

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, BBS, JP, 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.