



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: 8145)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and 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.

This announcement, for which 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 (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

FINAL RESULTS

The board of Directors (the “Board”) of 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 2014, together with the comparative figures for the year ended 31 March 2013:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000 (Restated)
Revenue	3	94,292	78,513
Cost of sales		<u>(52,180)</u>	<u>(46,158)</u>
Gross profit		42,112	32,355
Other income	5	3,580	2,467
Other operating expenses, net	6	(14,257)	(11,894)
Administrative expenses		(13,214)	(19,203)
Finance costs	7	<u>(84)</u>	<u>(373)</u>
Profit before tax		18,137	3,352
Income tax expense	8	<u>(3,791)</u>	<u>(1,940)</u>
Profit for the year	9	<u>14,346</u>	<u>1,412</u>
Other comprehensive income (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of long service payment obligations		228	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(163)</u>	<u>(52)</u>
Other comprehensive income (expense) for the year		<u>65</u>	<u>(52)</u>
Total comprehensive income for the year		<u>14,411</u>	<u>1,360</u>
Earnings per share (HK\$)	11		
Basic		<u>0.133</u>	<u>0.024</u>
Diluted		<u>0.133</u>	<u>0.024</u>

Consolidated Statement of Financial Position

At 31 March 2014

		31 March 2014 HK\$'000	31 March 2013 HK\$'000 (Restated)	1 April 2012 HK\$'000 (Restated)
	Notes			
Non-current asset				
Plant and equipment		<u>6,437</u>	<u>9,480</u>	<u>13,189</u>
Current assets				
Inventories		7,255	4,304	4,199
Trade and other receivables	12	28,865	23,933	13,813
Amounts due from related companies		927	5,243	6,979
Tax recoverable		—	104	104
Pledged bank deposits		4,492	4,102	—
Bank balances and cash		<u>33,882</u>	<u>5,319</u>	<u>2,631</u>
		<u>75,421</u>	<u>43,005</u>	<u>27,726</u>
Current liabilities				
Trade and other payables	13	7,264	8,147	5,762
Amount due to immediate holding company		—	3,215	7,088
Amounts due to related companies		203	1,485	1,443
Tax payable		1,759	813	1,944
Obligations under finance lease				
— due within one year		—	—	762
Bank borrowing		<u>—</u>	<u>5,000</u>	<u>—</u>
		<u>9,226</u>	<u>18,660</u>	<u>16,999</u>
Net current assets		<u>66,195</u>	<u>24,345</u>	<u>10,727</u>
Total assets less current liabilities		<u>72,632</u>	<u>33,825</u>	<u>23,916</u>
Non-current liabilities				
Obligations under finance lease				
— due more than one year		—	—	2,184
Long service payment obligations		—	147	147
Deferred tax liabilities		<u>—</u>	<u>434</u>	<u>701</u>
		<u>—</u>	<u>581</u>	<u>3,032</u>
Net assets		<u>72,632</u>	<u>33,244</u>	<u>20,884</u>
Capital and reserves				
Share capital	14	12,000	60	100
Reserves		<u>60,632</u>	<u>33,184</u>	<u>20,784</u>
Total equity		<u>72,632</u>	<u>33,244</u>	<u>20,884</u>

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 provision of mobile phones and consumer electronic devices repair service and sale of mobile phone accessories.

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.

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 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. 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	<u>8,403</u>	<u>5,037</u>
	<u>94,292</u>	<u>78,513</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 year ended 31 March 2014, the Group's operations were located in Hong Kong, Taiwan and the People's Republic of China (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.

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
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	<u>N/A*</u>	<u>8,338</u>

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

5. OTHER INCOME

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

6. OTHER OPERATING EXPENSES, NET

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
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	<u>130</u>	<u>115</u>
	4,609	7,333
Other operating expenses of service centres	<u>(18,866)</u>	<u>(19,227)</u>
Other operating expenses, net	<u>(14,257)</u>	<u>(11,894)</u>

7. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
Bank borrowing wholly repayable within five years	84	295
Finance lease	<u>—</u>	<u>78</u>
	<u>84</u>	<u>373</u>

8. INCOME TAX EXPENSE

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

9. PROFIT FOR THE YEAR

2014	2013
HK\$'000	HK\$'000

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

Directors' emoluments

— salaries, allowances and other benefits	724	648
— contributions to retirement benefits scheme	15	30
	739	678

Other staff costs

— 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

10. 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).

11. 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 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	<u>14,346</u>	<u>1,412</u>
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	<u>363,464</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>107,921,272</u>	<u>59,178,082</u>

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 14.

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.

12. TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Trade receivables	20,858	12,199
Other receivables	7,697	8,253
Prepayments	<u>310</u>	<u>3,481</u>
	<u>28,865</u>	<u>23,933</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.

	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	<u>1,130</u>	<u>214</u>
	<u>20,858</u>	<u>12,199</u>

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	<u>1,130</u>	<u>214</u>
Total	<u>8,582</u>	<u>4,012</u>

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\$	<u>9,920</u>	<u>5,473</u>

13. TRADE AND OTHER PAYABLES

	2014 HK\$'000	2013 HK\$'000 (Restated)
Trade payables	4,276	1,817
Accrued expenses and other payables	<u>2,988</u>	<u>6,330</u>
Total	<u><u>7,264</u></u>	<u><u>8,147</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 is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014 HK\$'000	2013 HK\$'000
Within 30 days	2,490	1,102
31 to 90 days	364	172
Over 90 days	<u>1,422</u>	<u>543</u>
	<u><u>4,276</u></u>	<u><u>1,817</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:

	2014 HK\$'000	2013 HK\$'000
US\$	2,778	488
JPY	<u>153</u>	<u>153</u>

14. SHARE CAPITAL

	<i>Notes</i>	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)	<u>996,200,000</u>	<u>99,620</u>
At 31 March 2014		<u><u>1,000,000,000</u></u>	<u><u>100,000</u></u>
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)	<u>300,000</u>	<u>30</u>
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)	<u>30,000,000</u>	<u>3,000</u>
At 31 March 2014		<u><u>120,000,000</u></u>	<u><u>12,000</u></u>

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.
- (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.

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.

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:

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

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.

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\$14.1 million), representing an increase of 35.4% 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.

PURCHASE, SALE OR REDEMPTION

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 from the date of listing of shares of the Company on GEM of the Stock Exchange (i.e. 30 May 2013) to 31 March 2014 (the “Period”), neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

CLOSURE OF REGISTER OF MEMBERS

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

- (a) from 2 to 3 July 2014 (both dates inclusive) to ascertain the shareholders entitled to the abovementioned interim dividend. 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.
- (b) from 7 to 11 August 2014 (both dates inclusive) to ascertain the shareholders entitled to attend and vote at the forthcoming annual general meeting of the Company. In order to attend and vote at the forthcoming 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.

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

CORPORATE GOVERNANCE PRACTICES

During the Period, the Company has complied with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, 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 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.

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.

REVIEW OF RESULTS

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 2014.

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

Hong Kong, 16 June 2014

As at the date of this announcement, the Chairman and Non-Executive Director of the Company is Mr. Cheung King Shek; Executive Director of the Company is Mr. Cheung King Fung Sunny; Non-Executive Directors of the Company are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and Independent Non-Executive Directors of the Company are Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus.

This announcement will remain on the "Latest Company Announcements" page on the GEM website at <http://www.hkgem.com> for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at <http://www.tso.cc>.