

The logo for Telecom Service One (TSO) features the letters 'TSO' in a bold, blue, sans-serif font. The letters are filled with horizontal white stripes, giving it a digital or signal-like appearance.

Telecom Service One

**Telecom Service One Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 3997**

Interim Report

**2020/21**

# THE FINANCIAL STATEMENTS

## INTERIM RESULTS

The board of Directors (the “Board”) of Telecom Service One Holdings Limited (the “Company”) announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2020 (the “Period”), together with the corresponding comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Revenue	4	21,298	24,426
Cost of sales		(12,261)	(13,607)
Gross profit		9,037	10,819
Other income	6	4,639	1,391
Other operating expenses, net	7	(4,053)	(2,070)
Administrative expenses		(4,274)	(6,437)
Finance costs	8	(27)	—
Profit before tax		5,322	3,703
Income tax expense	9	(206)	(440)
Profit and total comprehensive income for the period	10	5,116	3,263
Earnings per share (HK\$)			
Basic	12	0.0399	0.0254
Diluted		0.0399	0.0254

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	<b>30 September 2020 HK\$'000 (unaudited)</b>	<b>31 March 2020 HK\$'000 (audited)</b>
Non-current assets			
Plant and equipment	13	328	441
Right-of-use assets	14	1,551	1,889
Deferred tax asset		352	352
Rental deposit		118	118
		<b>2,349</b>	2,800
Current assets			
Inventories		949	965
Trade and other receivables	15	7,977	6,868
Amounts due from related companies	18(a)	546	655
Tax recoverable		1,132	1,338
Pledged bank deposits		201	201
Bank balances and cash		91,873	90,037
		<b>102,678</b>	100,064
Current liabilities			
Trade and other payables	16	7,191	4,697
Lease liabilities		685	696
Amount due to a related company	18(a)	54	40
		<b>7,930</b>	5,433
Net current assets		<b>94,748</b>	94,631
Total assets less current liabilities		<b>97,097</b>	97,431
Non-current liabilities			
Lease liabilities		880	1,196
Long service payment obligations		24	24
		<b>904</b>	1,220
Net assets		<b>96,193</b>	96,211
Capital and reserves			
Share capital	17	12,834	12,834
Reserves		83,359	83,377
Total equity		<b>96,193</b>	96,211

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	12,834	36,900	70	(170)	33	51,419	101,086
Profit and total comprehensive income for the period	—	—	—	—	—	3,263	3,263
Effect of share option — Lapse	—	—	—	—	(33)	33	—
Dividends <sup>Note 11</sup>	—	—	—	—	—	(5,133)	(5,133)
At 30 September 2019 (unaudited)	12,834	36,900	70	(170)	—	49,582	99,216
At 1 April 2020 (audited)	<b>12,834</b>	<b>36,900</b>	<b>70</b>	<b>(26)</b>	—	<b>46,433</b>	<b>96,211</b>
Profit and total comprehensive income for the period	—	—	—	—	—	<b>5,116</b>	<b>5,116</b>
Dividends <sup>Note 11</sup>	—	—	—	—	—	<b>(5,134)</b>	<b>(5,134)</b>
At 30 September 2020 (unaudited)	<b>12,834</b>	<b>36,900</b>	<b>70</b>	<b>(26)</b>	—	<b>46,415</b>	<b>96,193</b>

*Note:* During the year ended 31 March 2014, the Company acquired 100% of equity interest in Telecom Service One (Macau) Limited (“TSO Macau”) from East-Asia Pacific Limited (“East-Asia”), the immediate holding company of the Company which was incorporated in the British Virgin Islands (“BVI”). The acquisition was accounted for using merger accounting. Other reserve represents the difference between the issued share capital of TSO Macau and the consideration paid for acquiring it.

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Profit before tax	5,322	3,703
Adjustments for:		
Depreciation of plant and equipment	113	188
Depreciation of right-of-use assets	338	—
Bank interest income	(558)	(1,045)
Loss on write-off of inventories	—	7
Finance costs	27	—
Operating cash flows before movements in working capital	5,242	2,853
Decrease/(increase) in inventories	16	(66)
(Increase)/decrease in trade and other receivables	(1,109)	3,384
Decrease in amounts due from related companies	109	184
Decrease in trade and other payables	(73)	(1,243)
Increase/(decrease) in amount due to a related company	14	(18)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>4,199</b>	5,094
INVESTING ACTIVITIES		
Purchase of plant and equipment	—	(61)
Interest received	558	1,045
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>558</b>	984
FINANCING ACTIVITIES		
Dividends paid	(2,567)	(3,850)
Repayments of lease liabilities	(327)	—
Interest paid on lease liabilities	(27)	—
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2,921)</b>	(3,850)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,836</b>	2,228
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>	<b>90,037</b>	86,749
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balance and cash</b>	<b>91,873</b>	88,977

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 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 GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 May 2013. On 27 March 2018, its shares have been transferred from GEM to the Main Board of the Stock Exchange (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 (the “Directors”) consider the immediate holding company is East-Asia 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 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 condensed 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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical costs basis and presented in HK\$, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 March 2020.

#### Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS16	<i>Covid-19-Related Rent Concessions</i>
Conceptual Framework for Financial Reporting 2018	<i>Revised Conceptual Framework for Financial Reporting</i>

The application of the new and amendments to HKFRSs and an interpretation in the Period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 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 periods is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
<b>Disaggregated major products or services lines</b>		
— Repairing service income	17,897	23,817
— Sales of accessories	3,401	609
	<b>21,298</b>	<b>24,426</b>

### 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 of Directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 5. SEGMENT INFORMATION (CONTINUED)

#### Geographical information

During the Period and the corresponding period in 2019, the Group's operations were located in Hong Kong and Macau.

During the Period, 100% (2019: 100%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong and 100% (2019: 100%) of the non-current assets, based on the geographical location of the assets, were located in Hong Kong. Hence, no geographical information is presented.

#### Information about major customers

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Customer I	4,557	8,921
Customer II	3,815	2,948
Customer III	2,818	2,448

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 6. OTHER INCOME

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Management fee income <i>Note (i)</i>	13	11
Consignment goods handling income <i>Note (ii)</i>	130	156
Bank interest income	558	1,045
Storage income <i>Note (iii)</i>	116	132
Exchange gain	1,211	—
Government subsidies <i>Note (iv)</i>	2,591	—
Others	20	47
	<b>4,639</b>	<b>1,391</b>

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 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 manufacturers of mobile phones for the provision of management service of damaged mobile phones in Hong Kong.
- (iv) The Group recognised government subsidies of approximately HK\$2,591,000 in respect of Coronavirus Disease 2019 related subsidies, including those are related to Employment Support Scheme under Anti-Epidemic Fund. There are no unfulfilled conditions or other contingencies attached to these grants.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 7. OTHER OPERATING EXPENSES, NET

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Miscellaneous income charges	19	59
Less: Other operating expenses of service centres	(4,072)	(2,129)
Other operating expenses, net	(4,053)	(2,070)

### 8. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on lease liabilities	27	—

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong Profits Tax		
— current period	206	454
Deferred tax		
— current period	—	(14)
Total income tax expense for the period	206	440

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 each period.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 10. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit for the period is arrived at after charging:		
Depreciation of plant and equipment	113	188
Depreciation of right-of-use assets	338	—
Loss on write-off of inventories	—	7
Amount of inventories recognised as an expense	4,700	5,838
Exchange loss, net	—	1,569
Lease expenses for short-term lease	915	1,714

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 11. DIVIDENDS

	Six months ended 30 September			
	2020		2019	
	HK\$ per share	HK\$'000 (unaudited)	HK\$ per share	HK\$'000 (unaudited)
Dividends recognised as distribution during the periods:				
2018/19 fourth interim dividend	—	—	0.03	3,850
2019/20 first interim dividend	—	—	0.01	1,283
2019/20 fourth interim dividend	<b>0.02</b>	<b>2,567</b>	—	—
2020/21 first interim dividend	<b>0.02</b>	<b>2,567</b>	—	—
		<b>5,134</b>		5,133

At a meeting held on 20 November 2020, the Board declared the second interim dividend of HK\$0.03 per share for the six months ended 30 September 2020 (2019: HK\$0.01 per share).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 12. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	5,116	3,263
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of diluted earnings per share	128,342,000	128,342,000

The dilutive earnings per share was the same as the basic earnings per share as there were no other potential dilutive ordinary shares outstanding during the Period.

For the period ended 30 September 2019, the computation of diluted earnings per share did not assume the exercise of the Company's remaining share options granted on 6 July 2017 as the exercise price of those options was higher than the average market price for the shares before the date of lapse of share options.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 13. PLANT AND EQUIPMENT

During the Period, the Group has no acquisition of plant and equipment (2019: HK\$61,000).

In addition, the Group did not write off any plant and equipment during the Period (2019: nil).

### 14. RIGHT-OF-USE ASSETS

During the Period, the Group has no acquisition of right-of-use assets (2019: HK\$1,946,000).

### 15. TRADE AND OTHER RECEIVABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Trade receivables	4,064	3,583
Other receivables	685	43
Rental and other deposits	3,015	3,060
Prepayments	331	300
	<b>8,095</b>	6,986
Less: Rental deposit classified as non-current assets	<b>(118)</b>	(118)
Current portion included in trade and other receivables	<b>7,977</b>	6,868

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 30 days	1,961	1,358
31 to 60 days	1,229	1,250
61 to 90 days	861	842
91 to 120 days	13	133
	<b>4,064</b>	3,583

### 16. TRADE AND OTHER PAYABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Trade payables	2,134	2,301
Accrued expenses and other payables	2,490	2,396
Dividend payable	2,567	—
	<b>7,191</b>	4,697

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 16. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 30 days	469	646
31 to 60 days	38	29
Over 90 days	1,627	1,626
	<b>2,134</b>	2,301

### 17. SHARE CAPITAL

	30 September 2020 Number of shares '000 HK\$'000 (unaudited)		31 March 2020 Number of shares '000 Share capital HK\$'000 (audited)	
<b>Ordinary shares of HK\$0.1 each</b>				
<b>Authorised</b>				
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	1,000,000	100,000	1,000,000	100,000
<b>Issued and fully paid</b>				
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	128,342	12,834	128,342	12,834

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 18. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Save as disclose elsewhere in this report, the Group had the following material transactions and balances with related parties during the periods:

Name of company	Nature of transaction	Notes	Six months ended 30 September	
			2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	265	475
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	915	1,476
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	—	42
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	—	196
Telecom Digital Services Limited	Consignment fee paid thereto	(i) & (iii)	2,493	262
	Received repairing service income therefrom	(i) & (iii)	214	—
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	632	833
Distribution One Limited	Received repairing service income therefrom	(i) & (iii)	148	218

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (a) Save as disclose elsewhere in this report, the Group had the following material transactions and balances with related parties during the periods: (Continued)

Details of amounts due from related companies are as follows:

	Notes	30 September 2020		Maximum amount outstanding during the period/year ended	
		31 March 2020	30 September 2020	31 March 2020	30 September 2020
		HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (unaudited)
Telecom Digital Data Limited	(iii) & (iv)	102	111	396	111
Telecom Digital Services Limited	(iii) & (iv)	530	1,066	530	1,066
Distribution One Limited	(iii) & (iv)	23	69	159	69
Mango Mall Limited	(iii)	—	1	—	1
		655	546		

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the related parties.
- (ii) The rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the related parties.
- (iii) The controlling shareholders of the Company have beneficial interests in the related parties.
- (iv) The amounts were arisen from normal sales and purchase transactions. The amounts are unsecured, interest-free and expected to be settled according to their respective credit terms which are similar to those with third parties.

The amount due to a related company was arisen from normal sales and purchase transactions. The amount was unsecured, interest-free and repayable on demand. The directors of the Company have beneficial interests in this related company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Compensation of key management personnel

The remuneration of key management personnel during the periods was as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Short-term benefits	2,450	1,811
Post-employment benefits	75	45
	<b>2,525</b>	1,856

The remuneration of the key management personnel is determined by the Board having regard to the performance of individuals and market trends.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended 30 September 2020*

### 19. SHARE OPTION SCHEME

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 the Company may grant options to eligible employees, including Directors 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, 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.

During the period ended 30 September 2019, a total of 780,000 share options granted on 6 July 2017 have been lapsed on 6 July 2019 upon the expiry of option period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2020

### 19. SHARE OPTION SCHEME (CONTINUED)

The following table discloses movements of the Company's share options held by employees during the period ended 30 September 2019:

Category of participant	Date of grant	Exercise price	Exercise period	Outstanding	Granted during the Period	Lapsed during the Period	Exercised during the Period	Outstanding
				as at 1 April 2019				as at 30 September 2019
Employees	6 July 2017	HK\$1.78	6 July 2017 – 5 July 2019	780,000	—	(780,000)	—	—
Weighted average exercise price (HK\$)				1.78	—	1.78	—	—

No share option was granted during the six months ended 30 September 2020 (2019: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, and it acts as their service provider to conduct repair and refurbishment services for their products and to their customers.

During the period, Hong Kong experienced one of its worst economic setbacks due to the COVID-19 outbreak. Anti-epidemic measures such as social distancing and mandatory suspension of business at public premises resulted in a challenging operating environment. During six month ended 30 September 2020, the Group recorded revenue of approximately HK\$21,298,000, representing a decrease of approximately 12.8% as compared to the corresponding period of last year. However, with the support from the Government's subsidies, the net profit increased 56.8% from approximately HK\$3,263,000 to approximately HK\$5,116,000.

## FINANCIAL REVIEW

### Revenue

The Group's revenue comprises repairing service income and income from sale of accessories and provision of supportive services. The Group's revenue for the Period was approximately HK\$21,298,000 (2019: HK\$24,426,000), representing a decrease of approximately 12.8% over the corresponding period of the previous year.

Repairing service income for the Period was approximately HK\$17,897,000 (2019: HK\$23,817,000), representing a decrease of approximately 24.9% over the corresponding period of the previous year. The decrease in repair service income was primarily as a result of the decrease in job orders. Revenue from sales of accessories and provision of supportive services for the Period increased approximately 458.5% to approximately HK\$3,401,000 as compared to HK\$609,000 in previous year. The increase was mainly due to increase in net revenue generated from the mobile phone screen protection program. The program was launched in July 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the Period, cost of sales decreased to approximately HK\$12,261,000 (2019: HK\$13,607,000), representing a decrease of approximately 9.9%. The decrease in cost of sales was attributable to the decrease in both parts cost and direct labour cost. The Group's parts cost for the Period was approximately HK\$4,700,000 (2019: HK\$5,661,000), representing a decrease of approximately 17.0%. The decrease was mainly due to the decrease in repair jobs.

Direct labour cost for the Period remained stable was approximately HK\$7,561,000 (2019: HK\$7,769,000).

### Gross Profit and Gross Profit Margin

The gross profit for the Period was approximately HK\$9,037,000 (2019: HK\$10,819,000), representing a decrease of approximately 16.5% over the corresponding period of previous year. Gross profit margin slightly decreased by 4.3% to 42.4% from 44.3%.

### Other Income

Other income for the Period was approximately HK\$4,639,000 (2019: HK\$1,391,000), representing an increase of approximately 233.5%. The increase was mainly attributable to the subsidies from Government and an exchange gain attributable to the effect of the appreciation of the Renminbi against the Hong Kong dollar on a fixed deposit.

### Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the Period were approximately HK\$4,053,000 (2019: HK\$2,070,000), representing an increase of approximately 95.8% over the corresponding period of the previous year. The increase was mainly due to the increase in commission paid for mobile phone screen protection program. The Group paid approximately HK\$2,484,000 commission for such program during the Period (2019: HK\$218,000).

Administrative expenses for the Period were approximately HK\$4,274,000 (2019: HK\$6,437,000), representing a decrease of approximately 33.6% over the corresponding period of the previous year. The decrease was mainly due to decrease in office rental.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Profit for the Period

The profit for the Period approximately HK\$5,116,000 (2019: HK\$3,263,000), representing an increase of approximately 56.8% from the corresponding period of the previous year. The increase was mainly due to increase in other income and partly netted off by increase in commission paid for mobile phone screen protection program and decrease in office rental.

### MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the Period (2019: nil).

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had current assets of approximately HK\$102,678,000 (31 March 2020: HK\$100,064,000) and current liabilities of approximately HK\$7,930,000 (31 March 2020: HK\$5,433,000).

At present, the Group generally finances its operations with internally generated cash flows and banking facilities. Net cash generated from operating activities for the Period was approximately HK\$4,199,000. Net cash from investing activities was approximately HK\$558,000.

The Group maintained a healthy liquidity position as at 30 September 2020. As at 30 September 2020, the Group had bank balances and cash of approximately HK\$91,873,000 (31 March 2020: HK\$90,037,000) and pledged bank deposits of approximately HK\$201,000 (31 March 2020: HK\$201,000). 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 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 30 September 2020, the Group has no outstanding bank borrowing and the unutilised banking facilities of approximately HK\$200,000 available for further drawdown should it have any further capital needs.

### CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities (31 March 2020: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **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 continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **CAPITAL COMMITMENT**

As at 30 September 2020, the Group did not have any significant capital commitment (31 March 2020: nil).

### **INTERIM DIVIDEND**

At a meeting held on 20 November 2020, the Board declared the second interim dividend of HK\$0.03 per share for the six months ended 30 September 2020 (2019: HK\$0.01 per share).

### **CAPITAL STRUCTURE**

There was no change in the capital structure during the Period.

The capital structure of the Group consists of bank overdrafts, bank borrowings net 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, issue 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, the Group did not hold any significant investment in equity interest in any other company and did not own any properties during the Period (31 March 2020: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed 81 (31 March 2020: 68) 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

The COVID-19 pandemic has severely affected all walks of life and while it is hard to predict the extent of COVID-19 related disruptions, the local economy and market environment will remain highly challenging and uncertain for the remaining year.

Precautions taken to stay home during the pandemic had expedited the emergence of "new normal" in response to dynamic shifts in people's daily work, study and entertainment, which continued to drive the growth of e-learning, work-from-home and play-from-home, further enabling the use of mobile phones and electronic devices. Moving forward, the Group will embrace the "new normal" as well as capture potential opportunities arising from the change in consumer behavior by leveraging its leading industry position and high quality services.

Despite the economic downturn, the Group will continue to explore investment opportunities in order to achieve business diversification. While actively examining potential opportunities that could generate synergies with its core business and bring new revenue sources, it will always operate in a prudent and judicious manner with detailed planning and evaluation.

### USE OF PROCEEDS

The net proceeds from the placing and 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 and placing of shares of the Company. As disclosed in the prospectus of the Company (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.

Up to the date of this report, 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. The Directors will also 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.

## **OTHER INFORMATION**

### **SECOND INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board declared the payment of the second interim dividend of HK\$0.03 per share for the Period. The second interim dividend will be payable in cash to shareholders whose names appear on the register of members of the Company on Friday, 11 December 2020.

For the purpose of determining shareholders' entitlement to the second interim dividend, the register of members of the Company will be closed from Thursday, 10 December 2020 to Friday, 11 December 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the second 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 Wednesday, 9 December 2020.

The second interim dividend is expected to be paid on or about Monday, 21 December 2020.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## OTHER INFORMATION (CONTINUED)

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

As at 30 September 2020, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

#### (i) The Company

##### *Long Position*

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue <sup>Note A</sup>
Mr. Cheung King Shek <sup>Note B</sup>	Beneficial owner	6,528,000	5.09%
	Beneficiary of a trust <sup>Note C</sup>	66,000,000	51.43%
Mr. Cheung King Shan <sup>Note B</sup>	Beneficial owner	6,484,000	5.05%
	Beneficiary of a trust <sup>Note C</sup>	66,000,000	51.43%
Mr. Cheung King Chuen Bobby <sup>Note B</sup>	Beneficial owner	6,748,000	5.26%
	Beneficiary of a trust <sup>Note C</sup>	66,000,000	51.43%
Mr. Cheung King Fung Sunny <sup>Note B</sup>	Beneficial owner	7,362,000	5.74%
	Beneficiary of a trust <sup>Note C</sup>	66,000,000	51.43%

## OTHER INFORMATION (CONTINUED)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

#### (ii) Associated corporations

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

#### Long Position

Name of associated corporations	Capacity	Number of shares/ Amount of share capital	Approximate percentage of interests
Amazing Gain Limited	Beneficiary of a trust <i>Note C</i>	100	100%
East-Asia Pacific Limited	Beneficiary of a trust <i>Note C</i>	6	100%
Telecom Service Limited	Beneficiary of a trust <i>Note C</i>	2,000,000	100%
H.K. Magnetronic Company Limited	Beneficiary of a trust <i>Note C</i>	50,000	100%
Oceanic Rich Limited	Beneficiary of a trust <i>Note C</i>	10,000	100%
Glossy Investment Limited	Beneficiary of a trust <i>Note C</i>	10,000	100%
Glossy Enterprises Limited	Beneficiary of a trust <i>Note C</i>	10,000	100%
Yiutai Industrial Company Limited	Beneficiary of a trust <i>Note C</i>	1,000	100%
Txtcom Limited	Beneficiary of a trust <i>Note C</i>	100	100%
Telecom Properties Investment Limited	Beneficiary of a trust <i>Note C</i>	24	100%
Telecom Digital Limited (incorporated in Macau)	Beneficiary of a trust <i>Note C</i>	MOP100,000	100%
Hellomoto Limited	Beneficiary of a trust <i>Note C</i>	1,000	100%
Marina Trading Inc.	Beneficiary of a trust <i>Note C</i>	1	100%
Telecom Digital Limited	Beneficiary of a trust <i>Note C</i>	2	100%
Silicon Creation Limited	Beneficiary of a trust <i>Note C</i>	100	100%
Kung Wing Enterprises Limited	Beneficiary of a trust <i>Note C</i>	1,000,000	100%
Joyful Ocean Investments Limited	Beneficiary of a trust <i>Note C</i>	1	100%
東莞恭榮房地產管理服務有限公司	Beneficiary of a trust <i>Note C</i>	US\$1,500,000	100%

## OTHER INFORMATION (CONTINUED)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

#### (ii) Associated corporations (Continued)

*Note A:* The calculation is based on 128,342,000 shares of the Company in issue as at 30 September 2020.

*Note B:* Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the "Cheung Brothers").

*Note C:* The 66,000,000 shares representing approximately 51.43% of the Company's shares in issue are held by East-Asia. East-Asia is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares/share capital in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at 30 September 2020, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") 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 Scheme was adopted by the shareholders of the Company on 2 May 2013 which will remain in force for a period of 10 years from the effective date of the Scheme.

During the Period, the Company has no share option under the Scheme lapsed or was granted, exercised or cancelled and there were no outstanding share options under the Scheme as at 30 September 2020.

## OTHER INFORMATION (CONTINUED)

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the Period was the Company, its holding companies, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

### MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors who were in office during the Period, all of them have confirmed that they have complied with the required standard of dealings during the Period.

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

As at 30 September 2020, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

#### Long Position

Name of substantial shareholders	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the Company's Shares in issue <small>Note A</small>
East-Asia Pacific Limited <small>Note C</small>	Beneficial owner	66,000,000	51.43%
Amazing Gain Limited <small>Note C</small>	Interest in a controlled corporation	66,000,000	51.43%
J. Safra Sarasin Trust Company (Singapore) Limited <small>Note C</small>	Trustee (other than a bare trustee)	66,000,000	51.43%
Ms. Tang Fung Yin Anita <small>Note D</small>	Interest of spouse	72,484,000	56.48%
Ms. Yeung Ho Ki <small>Note D</small>	Interest of spouse	73,362,000	57.16%

## **OTHER INFORMATION (CONTINUED)**

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)**

*Note D:* Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 72,484,000 shares and 73,362,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at 30 September 2020, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 30 September 2020, none of the Directors nor their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the Period except the deviation mentioned in the following paragraph.

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 chief executive officer of the Company has provided and will continue to provide to 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.

## OTHER INFORMATION (CONTINUED)

### 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 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 Group’s unaudited interim results for the Period.

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

Hong Kong, 20 November 2020

*As at the date of this report, 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 report shall prevail over the Chinese text in case of inconsistencies.*