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Telecom Service One Holdings Limited

電訊首科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3997)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

The board of Directors (the “Board”) of Telecom Service One Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2021, together with the comparative figures for the year ended 31 March 2020:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	4	38,350	44,324
Cost of sales		(23,025)	(27,603)
Gross profit		15,325	16,721
Other income	6	9,341	2,591
Other operating expenses, net	7	(6,155)	(4,388)
Administrative expenses		(8,661)	(12,126)
Finance costs	8	(48)	(5)
Profit before tax		9,802	2,793
Income tax expense	9	(229)	(286)
Profit for the year	10	9,573	2,507
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of long service payment obligations		264	174
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Release of exchange translation reserve upon deregistration of a subsidiary		—	144
Other comprehensive income for the year		264	318
Total comprehensive income for the year		9,837	2,825
Earnings per share (HK\$)			
Basic and diluted	12	0.0746	0.0195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		437	441
Right-of-use assets		1,212	1,889
Deferred tax asset		312	352
Rental deposit	<i>13</i>	118	118
		2,079	2,800
Current assets			
Inventories		674	965
Trade and other receivables	<i>13</i>	7,267	6,868
Amounts due from related companies		173	655
Tax recoverable		—	1,338
Pledged bank deposits		201	201
Bank balances and cash		89,728	90,037
		98,043	100,064
Current liabilities			
Trade and other payables	<i>14</i>	2,921	4,697
Lease liabilities		680	696
Tax payable		134	—
Amount due to a related company		—	40
		3,735	5,433
Net current assets		94,308	94,631
Total assets less current liabilities		96,387	97,431
Non-current liabilities			
Lease liabilities		552	1,196
Long service payment obligations		54	24
		606	1,220
Net assets		95,781	96,211
Capital and reserves			
Share capital	<i>15</i>	12,834	12,834
Reserves		82,947	83,377
Total equity		95,781	96,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL

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

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

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

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

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

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to HKFRS 3	Reference to Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Covid-19 — Related Rent Concessions ⁴
Amendments to HKFRS 16	Covid-19 — Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policy ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle ³

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

² Effective for date to be determined.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ Effective for annual periods beginning on or after 1 April 2021.

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

3. BASIS OF CONSOLIDATION

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

Control is achieved where the Group has:

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

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

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

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

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

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

4. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
— Repairing service income	34,105	42,299
— Sales of accessories and provision of supportive services	4,245	2,025
	<u>38,350</u>	<u>44,324</u>
Disaggregation of revenue by geographical region		
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Geographical region of revenue recognition		
Hong Kong	<u>38,350</u>	<u>44,324</u>
At a point in time	<u>38,350</u>	<u>44,324</u>

5. SEGMENT INFORMATION

The Group is engaged in a single segment, the provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories and provision of supportive services. Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

During the years ended 31 March 2021 and 2020, the Group's operations were located in Hong Kong.

During the year ended 31 March 2021, 100% (2020: 100%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2021, 100% (2020: 100%) of the non-current assets, based on the geographical location of the assets, was located in Hong Kong. Hence, no geographical information is presented.

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer I	8,680	13,901
Customer II	9,254	6,386
Customer III	N/A*	4,527

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

6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Management fee income (<i>Note i</i>)	12	20
Consignment goods handling income (<i>Note ii</i>)	226	276
Bank interest income	942	2,002
Exchange gain, net	2,537	—
Storage income (<i>Note iii</i>)	152	186
Government grants (<i>Note iv</i>)	3,908	—
Written off of trade payables (<i>Note v</i>)	1,421	—
Others	143	107
	<u>9,341</u>	<u>2,591</u>

Notes:

- (i) The amount represents management income received from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong.
- (ii) The amount represents fee income received for handling consignment goods for certain manufacturers of mobile phones at the Group's service centres.
- (iii) The amount represents storage income for damaged mobile phones in Hong Kong.
- (iv) During the year 31 March 2021, the Group recognised government grants of approximately HK\$3,908,000 in respect of COVID-19 related subsidies, out of which approximately HK\$3,886,000 were related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.
- (v) During the year ended 31 March 2021, the Group recognised written off of trade payables of approximately HK\$1,421,000 which were past due over seven years.

7. OTHER OPERATING EXPENSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Miscellaneous income charges	29	93
Less: Other operating expenses of service centres	<u>(6,184)</u>	<u>(4,481)</u>
Other operating expenses, net	<u><u>(6,155)</u></u>	<u><u>(4,388)</u></u>

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	<u>48</u>	<u>5</u>

9. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
— current year	189	35
— Underprovision in prior years	<u>—</u>	<u>17</u>
	189	52
Deferred tax	<u>40</u>	<u>234</u>
	<u><u>229</u></u>	<u><u>286</u></u>

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

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

The charge for the year to Hong Kong Profits Tax has been relieved by approximately HK\$904,000 (2020: nil) as a result of tax losses brought forward from previous year.

10. PROFIT FOR THE YEAR

	2021	2020
	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	2,232	810
— employer's contributions to retirement benefits schemes	66	21
	2,298	831
Other staff costs		
— salaries, allowances and other benefits	17,882	18,320
— employer's contributions to retirement benefits schemes	768	809
— long service payment obligations	294	267
	18,944	19,396
Total staff costs	21,242	20,227
Auditor's remuneration	650	650
Depreciation of plant and equipment	192	368
Depreciation of right-of-use assets	677	57
Exchange loss	—	1,984
Reversal of allowance for inventories (included in cost of sales)	(5)	(16)
Allowance for inventories (included in cost of sales)	161	237
Amount of inventories recognised as an expense	7,240	11,322
Loss on write-off of plant and equipment	—	61

11. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2018/19 fourth interim dividend of HK\$0.03 per share	—	3,850
2019/20 first interim dividend of HK\$0.01 per share	—	1,283
2019/20 second interim dividend of HK\$0.01 per share	—	1,283
2019/20 third interim dividend of HK\$0.01 per share	—	1,284
2019/20 fourth interim dividend of HK\$0.02 per share	2,567	—
2020/21 first interim dividend of HK\$0.02 per share	2,567	—
2020/21 second interim dividend of HK\$0.03 per share	3,850	—
2020/21 third interim dividend of HK\$0.01 per share	1,283	—
	<u>10,267</u>	<u>7,700</u>

Subsequent to the end of the reporting period, the fourth interim dividend of HK\$0.02 per share in respect of the year ended 31 March 2021 has been declared by the directors of the Company.

12. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	<u>9,573</u>	<u>2,507</u>
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>128,342,000</u>	<u>128,342,000</u>

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

13. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	4,196	3,583
Other receivables	65	43
Rental and other deposits	3,002	3,060
Prepayments	122	300
	<u>7,385</u>	<u>6,986</u>
<i>Less: Rental deposit classified as non-current assets</i>	<u>(118)</u>	<u>(118)</u>
Current portion included in trade and other receivables	<u><u>7,267</u></u>	<u><u>6,868</u></u>

The Group does not hold any collateral over these balances.

As at 31 March 2021, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$4,196,000 (2020: HK\$3,583,000).

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	2,120	1,358
31 to 60 days	1,976	1,250
61 to 90 days	—	842
91 to 120 days	65	133
Over 120 days	35	—
	<u><u>4,196</u></u>	<u><u>3,583</u></u>

The Group performs ongoing credit evaluations of its customers and credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers.

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

The directors of the Company consider the ECL of trade receivables is insignificant, therefore no loss allowance on trade receivables was recognised as at 31 March 2021 and 2020.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US\$	<u>5,464</u>	<u>3,822</u>

14. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	536	2,301
Accrued expenses and other payables	<u>2,385</u>	<u>2,396</u>
Total	<u>2,921</u>	<u>4,697</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	377	646
31 to 60 days	2	29
61 to 90 days	—	—
Over 90 days	<u>157</u>	<u>1,626</u>
	<u>536</u>	<u>2,301</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US\$	451	679
Japanese Yen	<u>—</u>	<u>153</u>

15. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>128,342,000</u>	<u>12,834</u>

16. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Smartphone shipments returned to positive growth in the fourth quarter of 2020 amid the COVID-19 pandemic and, according to IDC forecast, smartphone shipments will see a 5.5% growth in 2021, a healthy jump from 5.9% decline in last year. Pent-up demand, continued supply push on 5G, aggressive promotions and the popularity of low-to mid-priced phones were factors contributing to the shipment rebound. Alongside increasing smartphone shipment, the consumer electronic device market has also enlarged, a phenomenon favourable to the repairing industry.

However, the market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is intensely competitive. For the Group, backed by a professional technical team and boasting close relationships with customers, it believes through continuously enhancing operational efficiency and service quality, as well as providing value-added service, it will be able to maintain its market share and leadership.

Business Review

The Group has been providing repair and refurbishment services for mobile phones and consumer electronic devices in Hong Kong in the past decade, serving including corporate customers, telecommunication services providers and global services companies. With the effective cost saving strategies and the Government subsidy to enterprises to cope with the challenging pandemic-stricken operating environment, the Group's net profit for the year ended 31 March 2021 increased by approximately 281.9% to approximately HK\$9.57 million.

Apart from maintaining the good health of its core business, the Group also strived to provide value-added services to attract more customers and expand market share. The newly launched mobile phone screen protection programme has been well-received by customers because of the heavy usage and rising retail prices of mobile phones.

Financial Review

Revenue

The Group's revenue comprises repairing service income and income from sales of accessories and provision of supportive services. Repairing service income for the year ended 31 March 2021 was approximately HK\$34,105,000 (2020: HK\$42,299,000), representing a decrease of approximately 19.4% over the previous year. The decrease in repairing service income was mainly due to a decrease in repair jobs. Revenue from sales of accessories and provision of supportive services for the year ended 31 March 2021 increased approximately 109.6% to approximately HK\$4,245,000 as compared with approximately HK\$2,025,000 in the previous year. The increase was mainly due to the net revenue generated from the mobile phone screen protection programme.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year ended 31 March 2021, cost of sales decreased by approximately 16.6% to approximately HK\$23,025,000 from approximately HK\$27,603,000. 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\$7,240,000 (2020: HK\$11,322,000), representing a decrease of approximately 36.1% from that of the previous year. The decrease was in line with the decrease in repair jobs.

Direct labour cost for the year ended 31 March 2021 was approximately HK\$15,785,000 (2020: HK\$16,281,000), representing a decrease of approximately 3.0%. The decrease was mainly due to a reduction in manpower.

Other Income

Other income for the year was approximately HK\$9,341,000 (2020: HK\$2,591,000). Other income mainly comprised of management fee income, consignment goods handling income, storage income, exchange gain and bank interest income. The increase was mainly due to an exchange gain on an approximately RMB28 million fixed deposit and government grants from the COVID-19 relief measures.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2021 were approximately HK\$6,155,000 (2020: HK\$4,388,000), representing an increase of approximately 40.3% over the previous year. The increase was mainly caused by the increase in direct cost incurred for mobile phone screen protection programme.

Administrative expenses for the year ended 31 March 2021 was approximately HK\$8,661,000 (2020: HK\$12,126,000), representing a decrease of approximately 28.6%. The decrease was mainly due to decrease in rental and related expenses for relocation of office.

Income Tax Expense

Income tax for the year ended 31 March 2021 was approximately HK\$229,000 (2020: HK\$286,000), representing a decrease of approximately 19.9%.

Profit for the Year

Profit for the year ended 31 March 2021 was approximately HK\$9,573,000 (2020: HK\$2,507,000), representing an increase of approximately 281.9% as compared to the previous year. The increase was primarily due to effective cost saving, exchange gain on RMB fixed deposit and the receipt of government grants in respect of COVID-19 related subsidies.

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 2021.

Liquidity and Financial Resources

As at 31 March 2021, the Group had current assets of approximately HK\$98,043,000 (2020: HK\$100,064,000) and current liabilities of approximately HK\$3,735,000 (2020: HK\$5,433,000).

As at 31 March 2021, the Group has no borrowings (2020: HK\$40,000). The Group has a current ratio of approximately 26.2 as at 31 March 2021 comparing to that of approximately 18.4 as at 31 March 2020.

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\$6,004,000. Net cash from investing activities was approximately HK\$754,000.

The Group maintained a healthy liquidity position as at 31 March 2021. The Group had cash and cash equivalents of approximately HK\$89,728,000 as at 31 March 2021 (2020: HK\$90,037,000). Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the placing and listing (the “Listing”) of the issued ordinary shares of the Company on GEM on 30 May 2013 to meet potential needs for business expansion and development. As at 31 March 2021, the Group had no bank borrowings and unutilised banking facilities of approximately HK\$201,000 available for further drawdown should it have any further capital needs.

Contingent Liabilities

As at 31 March 2021, the Group has no material contingent liabilities (2020: nil).

Foreign Currency Risk

The Group’s business is in Hong Kong and transactions 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 may consider hedging significant foreign currency exposure should the need arise.

Event After Reporting Period

On 25 May 2021, the Group entered into a provisional sale and purchase agreement with a company, which is indirectly wholly-owned by the Cheung Family Trust (the “Vendor”) and the Group conditionally agreed to purchase and the Vendor conditionally agreed to sell the properties at the consideration of HK\$54,400,000.

On 28 April 2021, 29 April 2021, 4 May 2021 and 11 May 2021, the Group acquired five equity linked fixed coupon notes (“FCNs”) for a total principal amount of HK\$29,000,000. The FCNs are non-guaranteed products, and their returns are linked to (i) a single underlying share or (ii) a basket of underlying shares. The FCNs carry coupon rates at 12% p.a.

Capital Commitments

As at 31 March 2021, the Group did not have any significant capital commitments (2020: nil).

Capital Structure

There was no change in the capital structure during the year ended 31 March 2021.

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

Significant Investments Held

Except for investments in subsidiaries, during the year ended 31 March 2021, 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 2021, the Group employed 59 (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

Looking ahead, the Group will continue to improve service quality and, by integrating external and internal resources, enhance operational efficiency and fortify its core competitiveness. Apart from growing its core business, the Group will also continue to explore other business or investment opportunities, aiming to diversify business. In a healthy liquidity position, the Group recently acquired equity linked fixed coupon notes so as to earn extra income. The fixed coupon notes, it believes, have an attractive coupon rate and the available funds can be used to maximise possible returns for the Company.

To strengthen its income and cash flow, in May 2021, the Group entered into a provisional sale and purchase agreement to purchase properties in Ginza Plaza (the “Properties”) of total gross floor area about 4,357 square feet at a consideration of HK\$54,400,000. Since the Group has had its repair centres at most of the Properties since 2007, acquiring them will help reducing rental expenses of the Group in the long run, saving also time and cost for it to find and renovate new premises, and also secure presence at prime locations. At the same time, with the units of the Properties not used by the Group to be leased out, the Group will earn rental income. The Group will continue to review and explore various investment opportunities so as to bring maximum and sustainable returns to shareholders in the future.

Use of Proceeds

The net proceeds from the Listing were approximately HK\$14.9 million, which was based on the final placing price of HK\$1.00 per share and the actual expenses on the Listing. As disclosed in the prospectus of the Company dated 23 May 2013 (the “Prospectus”), approximately HK\$13.4 million will be used for the acquisition of a commercial property in Hong Kong for use as a customer service centre. The balance of approximately HK\$1.5 million will be reserved as general working capital. As at the date of this announcement, the net proceeds of approximately HK\$13.4 million have not been utilised and are held by the Company in short-term deposits with licensed banks and authorised financial institutions in Hong Kong. Upon completion of the acquisition of the Properties, the net proceeds will be fully utilised.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2021 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 2021 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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Fourth Interim Dividend

On 24 June 2021, the Board declared a fourth interim dividend of HK\$0.02 per share for the year ended 31 March 2021. The fourth interim dividend will be payable in cash to the shareholders of the Company whose names appear on the register of members on Tuesday, 14 September 2021.

The fourth interim dividend is expected to be paid on or about Monday, 20 September 2021.

Annual General Meeting

An Annual General Meeting (the "AGM") of the Company will be convened to be held on Thursday, 29 July 2021. 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 June 2021.

Closure of Register of Members

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

- (a) from Monday, 13 September 2021 to Tuesday, 14 September 2021 (both days 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 Friday, 10 September 2021; and

- (b) from Monday, 26 July 2021 to Thursday, 29 July 2021 (both days inclusive), for the purpose of determining shareholders of the Company who are entitled to attend and vote at the AGM. In order to attend and vote at the AGM, all transfers of shares 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 Friday, 23 July 2021.

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 2021, 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 2021, the chief executive officer of the Company has provided and will continue to provide all members of the Board with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision C.1.2.

Review of Results

The audit committee of the Company (the "Audit Committee") was established on 2 May 2013 with written terms of reference in compliance with the CG Code. The terms of reference of Audit Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee, among other things, are to make recommendations to the Board on the appointment, reappointment and removal of external auditor; to monitor integrity of the Company's financial statements and reports and accounts, and review significant financial reporting judgments contained in them; to oversee the financial reporting system, risk management and internal control systems of the Company; and to review arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters.

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

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matter. The consolidated financial statements and final results of the Group for the year ended 31 March 2021 have been reviewed by the Audit Committee and have been audited by Group's auditor, SHINEWING (HK) CPA Limited.

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

Hong Kong, 24 June 2021

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

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