



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 2017

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

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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 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 2017, together with the comparative figures for the year ended 31 March 2016:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	3	105,445	122,494
Cost of sales		(54,826)	(68,102)
Gross profit		50,619	54,392
Other income	5	2,101	2,747
Other operating expenses, net	6	(10,316)	(14,655)
Administrative expenses		(14,871)	(15,281)
Finance costs	7	(140)	(285)
Profit before tax		27,393	26,918
Income tax expense	8	(4,743)	(4,537)
Profit for the year	9	22,650	22,381
Other comprehensive (expense) income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of long service payment obligations		44	32
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(63)	(40)
Other comprehensive expense for the year		(19)	(8)
Total comprehensive income for the year		22,631	22,373
Earnings per share (HK\$)			
Basic	11	0.1863	0.1865
Diluted		0.1824	0.1826

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
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Non-current assets			
Plant and equipment		2,604	3,827
Deferred tax asset		765	514
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		3,369	4,341
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Current assets			
Inventories		4,789	6,381
Trade and other receivables	12	20,545	21,539
Amounts due from related companies		2,380	1,206
Tax recoverable		—	804
Pledged bank deposits		28,744	29,972
Bank balances and cash		32,391	16,908
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		88,849	76,810
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Current liabilities			
Trade and other payables	13	6,872	6,151
Amounts due to related companies		104	2,273
Tax payables		42	—
Bank borrowings		1,340	18,600
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		8,358	27,024
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Net current assets		80,491	49,786
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	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
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Total assets less current liabilities		83,860	54,127
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Non-current liability			
Long service payment obligations		—	—
<hr/>			
Net assets		83,860	54,127
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Capital and reserves			
Share capital	<i>14</i>	12,800	12,001
Reserves		71,060	42,126
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Total equity		83,860	54,127
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

Telecom Service One Holdings Limited (the “Company”) is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 August 2012 and its shares are listed on the 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, P.O. Box 1350, Grand Cayman KY1-1108, the 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, 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 sales of consumer electronic devices related product.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currencies for certain subsidiaries are Renminbi (“RMB”), New Taiwan dollars (“NT\$”), Macau Patacas (“MOP”) and United States dollars (“US\$”). For the purpose of presenting the consolidated 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**

The principal accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

3. REVENUE

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

	2017 HK\$'000	2016 HK\$'000
Repairing service income	92,673	106,022
Sales of accessories	12,772	16,472
	105,445	122,494

4. SEGMENT INFORMATION

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

Geographical information

During the years ended 31 March 2017 and 2016, the Group's operations were located in Hong Kong, the PRC and Macau.

During the year ended 31 March 2017, 97% (2016: 97%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2017, 93% (2016: 92%) 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 are as follows:

	2017 HK\$'000	2016 HK\$'000
Customer I	23,591	N/A*
Customer II	N/A*	20,522

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

5. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Management fee income (<i>Note i</i>)	523	808
Consignment goods handling income (<i>Note ii</i>)	453	508
Bank interest income	840	931
Others	285	500
	2,101	2,747

Notes:

- (i) The amount represents management fee 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.

6. OTHER OPERATING EXPENSES, NET

	2017	2016
	HK\$'000	HK\$'000
Reimbursement of expenses for service centres	352	740
Logistic service income	5	9
Miscellaneous income charges	118	173
	475	922
Less: Other operating expenses of service centres	(10,791)	(15,577)
Other operating expenses, net	(10,316)	(14,655)

7. FINANCE COSTS

	2017	2016
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdraft	140	285

8. Income tax expense

	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax		
— current year	4,915	4,776
— under (over)-provision in prior years	79	(126)
	4,994	4,650
Macau Complementary Income Tax		
— over-provision in prior years	—	(36)
Deferred tax		
— current year	(251)	(77)
Total income tax expense for the year	4,743	4,537

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.

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

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. No provision for Macau taxation has been made for the Macau subsidiary for the year ended 31 March 2017 since the assessable profits are wholly absorbed by tax losses brought forward. No provision for Macau taxation has been made for the year ended 31 March 2016 as there were no assessable profits.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK\$'000	HK\$'000
Profit before tax	27,393	26,918
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	4,495	4,385
Tax effect of income not taxable for tax purpose	(66)	(107)
Tax effect of expenses not deductible for tax purpose	206	242
Hong Kong Profits Tax concession (<i>note</i>)	(20)	(20)
Under (over)-provision in prior years	79	(162)
Tax effect of tax loss not recognised	54	199
Utilisation of tax loss previously not recognised	(5)	—
	4,743	4,537

Note: A tax concession of 75%, subject to a ceiling of HK\$20,000 per company, was granted to the Group's subsidiary under Hong Kong tax jurisdiction for both years.

9. PROFIT FOR THE YEAR

	2017 HK\$'000	2016 HK\$'000
Profit for the year have been arrived at after charging (crediting):		
Directors' and chief executive's emoluments		
— salaries, allowances and other benefits	684	684
— employer's contributions to retirement benefits schemes	16	16
	700	700
Other staff costs		
— salaries, allowances and other benefits	34,818	41,701
— employer's contributions to retirement benefits schemes	1,693	2,040
— share-based payment expenses	—	585
— long service payment obligations	81	36
	36,592	44,362
Total staff costs	37,292	45,062
Auditor's remuneration	650	600
Depreciation of plant and equipment	1,916	2,816
Exchange loss	2,060	767
Allowance for inventories (included in cost of sales)	41	273
Reversal of allowance for inventories (included in cost of sales)	(14)	(14)
Amount of inventories recognised as an expense	21,277	27,260
Loss on write-off of plant and equipment	24	—
Operating leases rentals in respect of rented premises	8,737	10,209

10. DIVIDENDS

	2017	2016
	HK\$'000	HK\$'000
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Dividends recognised as distribution during the year:		
2016 second interim — HK\$0.05 per share (2016: 2015 final and 2016 interim — HK\$0.15 and HK\$0.05 per share respectively)	6,001	24,002

Subsequent to the end of the reporting period, no dividend was paid or proposed in respect of the year ended 31 March 2017 (2016: a second interim dividend in respect of the year ended 31 March 2016 of HK\$0.05 per share) has been declared by the directors of the Company).

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:

	2017	2016
	HK\$'000	HK\$'000
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Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	22,650	22,381

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	121,608,192	120,008,492
Effect of dilutive potential ordinary shares:		
Warrants	2,536,385	2,583,732
Weighted average number of ordinary shares for the purpose of diluted earnings per share	124,144,577	122,592,224

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for the shares for the years ended 31 March 2017 and 2016.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK\$'000	HK\$'000
Trade receivables	14,485	15,671
Other receivables	5,816	5,691
Prepayments	244	177
	20,545	21,539

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.

	2017	2016
	HK\$'000	HK\$'000
Within 30 days	5,632	7,118
31 to 60 days	8,528	4,569
61 to 90 days	—	3,389
91 to 120 days	215	495
Over 120 days	110	100
	14,485	15,671

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

	2017	2016
	HK\$'000	HK\$'000
31 to 60 days	6,653	3,983
61 to 90 days	—	3,389
91 to 120 days	214	495
Over 120 days	110	100
Total	6,977	7,967

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:

	2017	2016
	HK\$'000	HK\$'000
HK\$	—	62
US\$	8,509	8,397

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK\$'000	HK\$'000
Trade payables	3,883	3,354
Accrued expenses and other payables	2,989	2,797
Total	6,872	6,151

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:

	2017	2016
	HK\$'000	HK\$'000
Within 30 days	2,203	1,713
31 to 60 days	60	85
61 to 90 days	—	21
Over 90 days	1,620	1,535
	3,883	3,354

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:

	2017	2016
	HK\$'000	HK\$'000
US\$	1,384	1,179
JPY	153	153

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2015	120,000,000	12,000
Issue of shares upon exercise of share (<i>Note a</i>)	12,000	1
At 1 April 2016	120,012,000	12,001
Issue of shares upon exercise of warrants (<i>Note b</i>)	7,990,000	799
At 31 March 2017	128,002,000	12,800

Note:

- (a) On 17 July 2015, 12,000 ordinary shares of HK\$0.1 each were issued at a price of HK\$2.59 per share upon the exercise of share options granted on 7 July 2015.
- (b) On 29 September 2016, 12 October 2016, 21 February 2017 and 24 February 2017, 1,000,000, 1,000,000, 3,990,000 and 2,000,000 ordinary shares respectively of HK\$0.1 each were issued at a price of HK\$1.64 per share upon the exercise of warrants granted on 17 February 2014. The total consideration was approximately HK\$13,103,000 and resulted in the net increase in share capital and share premium of approximately HK\$799,000 and HK\$12,371,000 respectively. The warrant reserve has been decreased by approximately HK67,000 and was transferred to share premium account. Details of which are set out in note 15.

All shares issued during the years ended 31 March 2017 and 2016 rank pari passu with the existing shares in all respects.

15. NON-LISTED WARRANTS

On 17 February 2014, the Company and the placing agent entered into a placing agreement in respect of the placement of 12,000,000 warrants of the Company to not less than six independent investors at a price of HK\$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.1 each at a subscription price of HK\$1.64, subject to adjustment upon occurrence of certain events. The placement was completed on 3 March 2014.

Details of the above are set out in the Company's announcements dated 17 February 2014 and 3 March 2014.

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

16. OPERATING LEASES COMMITMENT

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	1,637	2,171
In the second to fifth year inclusive	1,070	—
	2,707	2,171

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 (2016: one to three) years with fixed rentals as at the end of each reporting period.

17. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

On 7 July 2015, the Company granted an aggregate of 1,426,000 (2017: nil) share options to the employees of the Company, to subscribe, in aggregate, for up to 1,426,000 ordinary shares of HK\$0.1 each of the share capital of the Company under the Share Option Scheme.

At 31 March 2017, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 800,000 (2016: 916,000), representing 0.63% (2016: 0.76%) of the ordinary shares in issue at that date.

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

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

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

Category of participant	Date of grant	Outstanding at 1 April 2015	Granted during the year	Cancelled/ Lapsed during the year	Exercised during the year	Outstanding at 31 March 2016	Exercise period	Exercise price per share
Employees	7 July 2015	—	1,426,000	(498,000)	(12,000)	916,000	7 July 2015 to 6 July 2018	HK\$2.59
						Exercisable at the end of the year		
						916,000		
Weighted average exercise price (HK\$)		—	2.59	2.59	2.59	2.59		

Note:

Included in the number of share options lapsed during the year, nil (2016: 400,000) share options represented the non-acceptance of share options by the employees at the date of grant. The 116,000 (2016: 98,000) share options were lapsed upon resignation of respective employees during the year.

In respect of the share options exercised during the year ended 31 March 2016, the weighted average share price at the dates of exercise was HK\$2.54 and the weighted average share price at the dates immediately before the exercise was HK\$2.54. During the year ended 31 March 2017, no share options were exercised.

The estimated fair value of the options on the date of granted was HK\$0.57 per option.

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

Share price at date of grant on 7 July 2015	HK\$2.18
Exercise price	HK\$2.59
Expected volatility	78.48%
Expected life	3 years
Risk-free rate	0.62%
Expected dividend yield	6.38%
Exit rate	10.00%

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

Share-based payment expenses of approximately HK\$585,000 (2017: nil) were recognised by the Group for the year ended 31 March 2016 in relation to share options granted by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Due to keen competition amongst mobile phone manufacturers, new models of mobile phones are being put to the market every 3 to 6 months to stimulate consumers' demand. Strong smartphone sales and the growth in smartphone usage signals continuing opportunity for the Group. During the review period, the Group continued to improve its operational efficiency and service quality to enhance overall its ability to counter business risks and profitability of the Company. Although the competition may be growing, the Group is confident in its ability to maintain market share by leveraging its professional technical team and close relations with customers.

The Group aims to provide timely, professional and quality services to its customers and is committed to continuous improvement. We work co-operatively with our corporate customers to ensure effective quality service.

BUSINESS REVIEW

The Group maintained its market position as one of the leading comprehensive mobile phones repair and refurbishment services providers in Hong Kong and Macau. As at the date of this announcement, the Group has been appointed by 17 corporate customers (as at 31 March 2016: 12) comprising manufacturers of mobile phones and personal electronic products, telecommunications service provider, online video streaming service provider and global services companies as their service provider to provide repair and refurbishment services for their products and to their customers.

Apart from providing repair and refurbishment services for mobile phones and other personal electronic products, the Group started to provide repair service for TV boxes during the year. However, due to the change of operation model and requirement of a mobile phone manufacturer, the Group and the manufacturer has agreed to terminate their Shenzhen service agreement at the end of June 2017. The repair centre in Shenzhen is to be closed accordingly. As the Group continues to seek for other business opportunities, the management considers that the termination of the service agreement will not have any material adverse impact on the financial position and operation of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue comprises repairing service income and income from sales of accessories. Repairing service income for the year ended 31 March 2017 was approximately HK\$92,673,000 (2016: HK\$106,022,000), representing a decrease of approximately 12.6% over the previous year. The decrease in repairing service income was mainly due to the decrease in repair jobs. Revenue from sales of accessories for the year ended 31 March 2017 decreased approximately 22.5% to approximately HK\$12,772,000 as compared to HK\$16,472,000 in previous year. The decrease was mainly due to the decrease in the volume of consignment sales.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year ended 31 March 2017, cost of sales decreased by approximately 19.5% to approximately HK\$54,826,000 from approximately HK\$68,102,000. 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\$21,277,000 (2016: HK\$27,260,000), representing a decrease of approximately 21.9% from that of the previous year. The decrease was because the Group received less work orders which required the Group to purchase spare parts and components and such costs were not reimbursed.

Direct labour cost for the year ended 31 March 2017 was approximately HK\$33,549,000 (2016: HK\$40,836,000), representing a decrease of approximately 17.8%. The decrease was mainly due to the decrease in manpower. The Group ceased to provide management service to a corporate customer for managing their operation team in Hong Kong. The employees of that operation team were employed by the Group and the relevant labour cost was reimbursed by the corporate customer.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year was approximately HK\$50,619,000 (2016: HK\$54,392,000), representing a decrease of approximately 6.9% over the previous year. Gross profit margin increased by approximately 3.6% to approximately 48.0% from approximately 44.4%. Gross profit margin increased was mainly due to less work order which required the Group to purchase spare parts and such costs were not reimbursed.

Other Income

Other income for the year was approximately HK\$2,101,000 (2016: HK\$2,747,000). Other income mainly contributed by management fee income, consignment goods handling income and bank interest income. The decrease was mainly due to the decrease in management fee income from a corporate customer and the cessation in providing customers survey service for that corporate customer.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2017 were approximately HK\$10,316,000 (2016: HK\$14,655,000), representing a decrease of approximately 29.6% over the previous year. The decrease was mainly due to decrease in service centres rental and related expenses for the closure of a service centre of a corporate customer in the third quarter of 2015.

Administrative expenses for the year ended 31 March 2017 was approximately HK\$14,871,000 (2016: HK\$15,281,000), representing a slight decrease of approximately 2.7%. The decrease was mainly due to a one-off business consultation fee paid in previous year.

Income Tax Expenses

Income tax for the year ended 31 March 2017 was approximately HK\$4,743,000 (2016: HK\$4,537,000), representing a slight increase of approximately 4.5%.

Profit for the Year

Profit for the year ended 31 March 2017 was approximately HK\$22,650,000 (2016: HK\$22,381,000), representing an increase of approximately 1.2% as compared to the previous year.

Material Acquisitions or Disposals and Significant Investments

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the year ended 31 March 2017.

Liquidity and Financial Resources

As at 31 March 2017, the Group had current assets of approximately HK\$88,849,000 (2016: HK\$76,810,000) and current liabilities of approximately HK\$8,358,000 (2016: HK\$27,024,000).

As at 31 March 2017, the Group's gearing ratio was approximately 1.7% as compared to 38.6% as at 31 March 2016, which is calculated based on the Group's total borrowings of approximately HK\$1,444,000 (2016: HK\$20,873,000) and the Group's total equity of approximately HK\$83,860,000 (2016: HK\$54,127,000).

At present, the Group generally finances its operations with internally generated cash flows and banking facilities. Net cash generated from operating activities for the year was approximately HK\$24,468,000. Net cash used in investing activities was approximately HK\$1,350,000.

The Group maintained a healthy liquidity position as at 31 March 2017. The Group had cash and cash equivalents of approximately HK\$31,291,000 as at 31 March 2017 (2016: HK\$16,908,000). 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 (the "Share(s)") on the GEM on 30 May 2013 to meet potential needs for business expansion and development. As at 31 March 2017, the Group has bank borrowings of approximately HK\$1,340,000 and the unutilised banking facilities of approximately HK\$40,293,000 available for further drawdown should it have any further capital needs.

Contingent Liabilities

As at 31 March 2017, the Group had no material contingent liabilities (2016: 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 2017, the Group did not have any significant capital commitments (2016: nil).

Dividend

The Board has resolved not to declare any dividend for the year ended 31 March 2017 (2016: HK\$0.05 per share).

Capital Structure

Except for the issue of new shares upon the exercise of certain warrants as disclosed in note 15 to the consolidated financial statements, there was no change in the capital structure during the year ended 31 March 2017.

The capital structure of the Group consists of bank borrowings and bank overdrafts 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, 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 2017, 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 2017, the Group employed 161 (2016: 210) 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

TSO has successfully obtained ISO9001:2015 certification — quality management system in April 2017. It will laid a solid foundation for the continuous expansion and improvement of the Group's businesses going forward. Moreover, the qualification strengthened the relationship with customers and reinforced the corporate governance and compliance management for the Group's further expansion.

Moving forward, the Group continues to strengthen its service quality, enhancing the overall workflow and optimizing the backend support. Apart from continuing focus on its core business in repair and refurbishment services, the Group will be cautiously assessing any new business opportunities.

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2017 and up to the date of this announcement, the Company has maintained the public float required by the GEM 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 2017 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 2017, 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 from 29 August 2017 to 4 September 2017 (both dates inclusive), for the purpose of determining Shareholders who are entitled to attend and vote at the AGM. In order to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at their address as mentioned above for registration not later than 4:00 p.m. on 28 August 2017.

No transfer of shares will be registered during the period mentioned above.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2017, the Company has complied with the Corporate Governance Code (the “CG Code”), as set out in Appendix 15 of 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 year ended 31 March 2017, 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 in force from time to time which 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. Chu Kin Wang Peleus. Mr. Chu Kin Wang Peleus is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the consolidated financial statements and final results for the year ended 31 March 2017.

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

Hong Kong, 26 June 2017

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. Chu Kin Wang Peleus.

This announcement will remain on the "Latest Company Announcements" page on the GEM website at 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 www.tso.cc.

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