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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 2022

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 2022, together with the comparative figures for the year ended 31 March 2021:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	4	34,757	38,350
Cost of sales		(21,322)	(23,025)
Gross profit		13,435	15,325
Other income and gains	6	3,511	9,341
Other operating expenses, net	7	(2,158)	(6,155)
Administrative expenses		(13,168)	(8,661)
Loss on changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(2,019)	—
Finance cost	8	(67)	(48)
(Loss) profit before tax		(466)	9,802
Income tax expense	9	(541)	(229)
(Loss) profit for the year	10	(1,007)	9,573
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of long service payment obligations		242	264
Total comprehensive (expense) income for the year		(765)	9,837
(Loss) earnings per share (HK\$)			
Basic and diluted	12	(0.0078)	0.0746

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		34,181	437
Right-of-use assets		4,031	1,212
Investment properties		24,883	—
Deferred tax asset		276	312
Rental deposit	13	498	118
		<u>63,869</u>	<u>2,079</u>
Current assets			
Inventories		2,043	674
Financial assets at FVTPL		15,972	—
Trade and other receivables	13	9,577	7,267
Amounts due from related companies		128	173
Tax recoverable		770	—
Pledged bank deposits		201	201
Bank balances and cash		4,487	89,728
		<u>33,178</u>	<u>98,043</u>
Current liabilities			
Trade and other payables	14	4,887	2,921
Lease liabilities		2,953	680
Tax payable		—	134
Amount due to a related company		35	—
		<u>7,875</u>	<u>3,735</u>
Net current assets		<u>25,303</u>	94,308
Total assets less current liabilities		<u>89,172</u>	96,387
Non-current liabilities			
Lease liabilities		1,489	552
Other payables	14	189	—
Deferred tax liability		81	—
Long service payment obligations		98	54
		<u>1,857</u>	606
Net assets		<u><u>87,315</u></u>	<u><u>95,781</u></u>
Capital and reserves			
Share capital	15	12,834	12,834
Reserves		74,481	82,947
Total equity		<u><u>87,315</u></u>	<u><u>95,781</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL

The 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 Main Board of The Stock Exchange of Hong Kong Limited (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. The principal place of business of the Company is at Flat C, 3/F, Sunshine Kowloon Bay Cargo Centre, 59 Tai Yip Street, Kowloon Bay, Kowloon, Hong Kong.

The directors of the Company consider the immediate holding company is East-Asia Pacific Limited, which is incorporated in the British Virgin Islands (the “BVI”) and indirectly 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. 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”) which are effective for the Group’s financial year beginning 1 April 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of 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 periods 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 ²
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative information ²
Amendments to HKFRS 3	Reference to Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
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 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

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

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after date to be determined.

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:

	2022 <i>HK\$'000</i>	2021 <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	34,503	34,105
— Sales of accessories and provision of supportive services	254	4,245
	<u>34,757</u>	<u>38,350</u>
Disaggregation of revenue by geographical region		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Geographical region of revenue recognition		
Hong Kong	<u>34,757</u>	<u>38,350</u>
At a point in time	<u>34,757</u>	<u>38,350</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 2022 and 2021, the Group's operations were located in Hong Kong.

During the year ended 31 March 2022, 100% (2021: 100%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2022, 100% (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer I	12,507	9,254
Customer II	9,453	8,680

6. OTHER INCOME AND GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Management fee income (<i>Note i</i>)	758	12
Rental income (net of direct outgoings: nil)	370	—
Storage income (<i>Note ii</i>)	266	152
Bank interest income	46	942
Interest income from financial assets at FVTPL	1,848	—
Dividend income from financial assets at FVTPL	96	—
Government grants (<i>Note iii</i>)	51	3,908
Consignment goods handling income (<i>Note iv</i>)	—	226
Gain on disposal of financial assets at FVTPL	46	—
Gain on lease modification	18	—
Exchange gain, net	12	2,537
Written off of trade payables (<i>Note v</i>)	—	1,421
Others	—	143
	<u>3,511</u>	<u>9,341</u>

Notes:

- (i) The amount represents management income received from manufacturers of mobile phones for the provision of management service such as inventory management, redemption, verification service and software upgrade to one of their operation teams in Hong Kong.
- (ii) The amount represents storage income for damaged mobile phones in Hong Kong.
- (iii) During the year ended 31 March 2022, the Group recognised government grants of HK\$51,000 (2021: HK\$3,908,000) in respect of COVID-19-related subsidies, out of which nil (2021: 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 were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.
- (iv) The amount represented fee income received for handling consignment goods for certain manufacturers of mobile phones at the Group's service centres.
- (v) During the year ended 31 March 2021, the Group recognised written off of trade payables of HK\$1,421,000 (2022: nil) which were past due over seven years.

7. OTHER OPERATING EXPENSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Miscellaneous income charges	405	29
<i>Less:</i> Other operating expenses of service centres	<u>(2,563)</u>	<u>(6,184)</u>
Other operating expenses, net	<u><u>(2,158)</u></u>	<u><u>(6,155)</u></u>

8. FINANCE COST

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	<u><u>67</u></u>	<u><u>48</u></u>

9. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax		
— current year	6	189
— Underprovision in prior years	418	—
	<u>424</u>	<u>189</u>
Deferred tax	117	40
	<u>541</u>	<u>229</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 ended 31 March 2021, Hong Kong Profits Tax had been relieved by HK\$904,000 (2022: nil) as a result of tax losses brought forward from previous year.

10. (LOSS) PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments		
— salaries, allowances and other benefits	2,340	2,232
— employer's contributions to retirement benefits schemes	54	66
	<u>2,394</u>	<u>2,298</u>
Other staff costs		
— salaries, allowances and other benefits	15,962	17,882
— employer's contributions to retirement benefits schemes	676	768
— long service payment obligations	286	294
	<u>16,924</u>	<u>18,944</u>
Total staff costs	<u>19,318</u>	21,242
Auditor's remuneration	650	650
Depreciation of property, plant and equipment	1,887	192
Depreciation of right-of-use assets	2,438	677
Depreciation of investment properties	654	—
Reversal of allowance for inventories (included in cost of sales)	(36)	(5)
Allowance for inventories (included in cost of sales)	20	161
Amount of inventories recognised as an expense	<u>6,634</u>	<u>7,240</u>

11. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
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
2020/21 fourth interim dividend of HK\$0.02 per share	2,567	—
2021/22 first interim dividend of HK\$0.02 per share	2,567	—
2021/22 second interim dividend of HK\$0.02 per share	2,567	—
	<u>7,701</u>	<u>10,267</u>

Subsequent to the end of the reporting period, the Board has resolved not to declare any interim dividend for the year ended 31 March 2022.

12. (LOSS) EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share for the year attributable to the owners of the Company	<u>(1,007)</u>	<u>9,573</u>

Number of shares

	2022	2021
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>128,342,000</u>	<u>128,342,000</u>

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the both years.

13. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	6,824	4,196
Other receivables	175	65
Rental and other deposits	2,939	3,002
Prepayments	<u>137</u>	<u>122</u>
	10,075	7,385
<i>Less:</i> Rental deposit classified as non-current assets	<u>(498)</u>	<u>(118)</u>
Current portion included in trade and other receivables	<u>9,577</u>	<u>7,267</u>

The Group does not hold any collateral over these balances.

As at 31 March 2022, the gross amount of trade receivables arising from contracts with customers amounted to HK\$6,824,000 (2021: HK\$4,196,000).

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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	3,527	2,120
31 to 60 days	3,183	1,976
61 to 90 days	—	—
91 to 120 days	95	65
Over 120 days	19	35
	<u>6,824</u>	<u>4,196</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 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 2022 and 2021.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
US\$	<u>4,917</u>	<u>5,464</u>

14. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	2,440	536
Accrued expenses and other payables	<u>2,636</u>	<u>2,385</u>
Total	5,076	2,921
Less: Other payables classified as non-current liabilities	<u>(189)</u>	<u>—</u>
Current portion included in trade and other payables	<u><u>4,887</u></u>	<u><u>2,921</u></u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	2,338	377
31 to 60 days	10	2
61 to 90 days	—	—
Over 90 days	<u>92</u>	<u>157</u>
	<u><u>2,440</u></u>	<u><u>536</u></u>

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
US\$	<u><u>292</u></u>	<u><u>451</u></u>

15. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u><u>128,342,000</u></u>	<u><u>12,834</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Smartphone shipments displayed an overall positive growth in 2021 despite a challenging second half of the year, and according to IDC data, the smartphone shipments grew by 5.7% in 2021 on an annual basis. The supply chain and component shortages as well as the logistic challenges have impacted the smartphone market in the year, however, with the significant pent-up demand in almost all regions and the increasing consumer interest in 5G and new form factors like foldables and the ease up of supply constraints, it is expected to drive the market toward healthy growth in 2022, according to IDC forecast.

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

BUSINESS REVIEW

With the challenging pandemic-stricken operating environment in Hong Kong, especially in the first quarter of 2022, the Group recorded loss for the year ended 31 March 2022. In response to the difficult business environment, the Group has been closely monitoring the impact of the Group's business development.

In October 2021 and January 2022, the Group successfully gained two new service contracts from two existing customers to provide extra operation support and repair and refurbishment services for mobile phones. Apart from the expansion of warehouse facilities, the Group has also taken up a new repair centre in Mongkok to cope with the increased services demand.

In August 2021, the Group acquired properties in Mongkok. Almost half of the properties have been occupying by the Group as its repair centre and the remaining portion leased to a third party. The acquisition benefits the Group to reduce its rental expenses and to generate rental income.

FINANCIAL REVIEW

Revenue

The Group's revenue comprises repairing service income and income from sales of accessories and provision of supportive services. The two new service contracts concluded during the year led to the increase in repairing service income for the year ended 31 March 2022 at approximately HK\$34,503,000 (2021: HK\$34,105,000), representing a slight increase of approximately 1.2% over the previous year. Revenue from sales of accessories and provision of supportive services for the year ended 31 March 2022 decreased approximately 94.0% to approximately HK\$254,000 as compared with approximately HK\$4,245,000 in the previous year. The substantial decrease was mainly due to a mobile phones manufacturer terminated its mobile phone screen protection programme in February 2021.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year ended 31 March 2022, cost of sales decreased by approximately 7.4% to approximately HK\$21,322,000 from approximately HK\$23,025,000. 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\$6,634,000 (2021: HK\$7,240,000), representing a decrease of approximately 8.4% from that of the previous year.

Direct labour cost for the year ended 31 March 2022 was approximately HK\$14,688,000 (2021: HK\$15,785,000), representing a decrease of approximately 6.9%. The decrease was mainly due to streamline manpower resources. Subsequent to the expansion of warehouse facilities and opening of new repair centre, labour cost is forecasted to be increased in the coming year.

Other Income and Gains

Other income and gains for the year was approximately HK\$3,511,000 (2021: HK\$9,341,000). Other income mainly comprised of management fee income, rental income, storage income, bank interest income and interest income generated from investment in financial assets. The difference was mainly due to an exchange gain on RMB fixed deposit, written off of a trade payables which was past due over seven years and government grants from the COVID-19 related subsidies received in previous year offset with the interest income from investment in financial assets of the year.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2022 were approximately HK\$2,158,000 (2021: HK\$6,155,000), representing a decrease of approximately 64.9% over the previous year. The decrease was mainly caused by the decrease in direct cost incurred for mobile phone screen protection programme. One of the mobile phones manufacturer terminated its mobile phone screen protection programme in February 2021.

Administrative expenses for the year ended 31 March 2022 was approximately HK\$13,168,000 (2021: HK\$8,661,000), representing an increase of approximately 52.0%. The increase was mainly due to the expenses incurred for the expansion of warehouse facilities.

Income Tax Expense

Income tax for the year ended 31 March 2022 was approximately HK\$541,000 (2021: HK\$229,000), representing an increase of approximately 136.2%. The lower tax expense in previous year was mainly caused by the non-taxable bank interest income and government grants together with the utilisation of tax losses brought forwarded from previous years.

Loss for the Year

Loss for the year ended 31 March 2022 was approximately HK\$1,007,000 (2021: profit HK\$9,573,000), representing a decrease of approximately 110.5% as compared to the previous year. Apart from the decrease in revenue from sales of accessories and other income, more administrative expenses were incurred for the expansion of warehouse facilities. In addition, a fair value loss on investment in financial assets of approximately HK\$2,019,000 was recognised as at 31 March 2022 (2021: nil).

INVESTMENTS IN FINANCIAL ASSETS

As at 31 March 2022, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$15,972,000 (2021: nil), representing approximately 16.4% of the total assets of the Group as at 31 March 2022.

Securities Investment

The underlying shares price of three unlisted equity linked fixed coupon notes (“FCN”) closed below the strike price on 4 February 2022, 8 February 2022 and 4 March 2022, the Group was obligated to take delivery of 23,016 shares of the underlying HKEX shares at the strike price according to the terms of the FCN. The Group’s securities investment at fair value through profit or loss amounted to approximately HK\$8,548,000 (2021: nil). Details of the listed equity securities were as follows:

Stock name (stock code) (Note 1)	Number of shares held	Approximate percentage held to the total issued share capital in the investment company	Investment cost/ Cost of acquisition HK\$’000	Dividend income for the year ended 31 March 2022 HK\$’000	Fair value loss for the year ended 31 March 2022 HK\$’000	Fair value as at 31 March 2022 HK\$’000	Approximate percentage of total assets of the Group as at 31 March 2022
HKEX (388) (Note 2)	23,016	0.0018%	9,991	96	1,443	8,548	8.8%

FCN Investment

As at 31 March 2022, the Group’s investment in FCN at fair value through profit or loss amounted to approximately HK\$7,424,000 (2021: nil). The FCN are linked with securities listed on Main Board of the Stock Exchange. The Group acquired the FCN through on-market purchases with financial institutions in Hong Kong. The Group will from time to time monitor the movement of prices in securities and may adjust its investment portfolio as and when appropriate.

The following table sets out the investment of FCN held by the Group as at the end of the year:

Issuer (Note 2)	Linked equity (Note 1 & 2)	Tenor (months)	Interest rate	Investment cost HK\$’000	Fair value as at 31 March 2022 HK\$’000	Percentage to the Group’s total assets as of 31 March 2022 HK\$’000	Realised income during the year HK\$’000	Unrealised loss during the year
J.P. Morgan	- HKEX - Link REIT	6	8%	8,000	7,424	7.6%	58	576

Note 1:

Stock short name	Stock code	Company name
HKEX	00388 HK	Hong Kong Exchanges and Clearing Limited
Link REIT	00823 HK	Link Real Estate Investment Trust

Note 2:

The Group's significant investments (i.e. investment with carrying amount exceeding 5% of the total assets of the Group) held as at 31 March 2022 are as follows:

J.P. Morgan Structured Products B.V. (“J.P. Morgan”)

On 14 February 2022, the Company, through its wholly-owned subsidiary, invested in a FCN issued by J.P. Morgan in the principal amounts of HK\$8,000,000. The FCN was linked to shares in HKEX (stock code: 00388 HK) and Link REIT (stock code: 00823 HK) with a coupon rate of 8% per annum. The Group received a total interest income of approximately HK\$58,000 during the year under review. Details of the purchase have been set out in the announcement of the Company dated 14 February 2022.

The structure of the FCN is to receive the fixed coupon on the/each scheduled coupon payment date until the relevant note is redeemed due to (i) knock-out event (if applicable) or early termination event occurred or (ii) at maturity. If the FCN is held to the maturity date and the price(s) of the single underlying share or a basket of underlying shares is/are below the strike price(s), the Group is obligated to take delivery of the laggard underlying shares at the strike price.

Information of HKEX:

HKEX is a company incorporated in Hong Kong with limited liability and its shares are listed on the main board of the Stock Exchange (stock code: 00388 HK). HKEX is a recognised exchange controller under the Securities and Futures Ordinance. HKEX operates the only recognised stock and futures markets in Hong Kong through its wholly-owned subsidiaries and is the frontline regulator of listed issuers in Hong Kong. In collaboration with the Shanghai and Shenzhen stock exchanges, HKEX operates Stock Connect, which gives investors in the Hong Kong and Mainland securities markets access to each other's markets. HKEX also operates recognised clearing houses in Hong Kong and provides integrated clearing and settlement services as well as depository and nominee services to their participants. HKEX also provides market data through its data dissemination entity. For the year ended 31 December 2021, the audited consolidated profit attributable to owners of HKEX was approximately HK\$12,498 million.

Information of Link REIT:

Link REIT is the first Real Estate Investment Trust listed in Hong Kong (stock code: 00823 HK) which has now developed into a leading real estate investor and asset manager in the world. Link REIT has been 100% held by public and institutional investors and has no controlling unitholder. Link REIT invest and manage a diversified portfolio comprising retail facilities, car parks, offices and logistics centres. For the year ended 31 March 2022, the audited consolidated profit before transactions with unitholders of Link REIT was approximately HK\$6,907 million.

The Group's Investment Strategy for These Investments

The Company's investment objective is to generate stable additional interest income. Our strategy of these investment is to make investments in the prospects of primarily reputable sizeable issuers on recognisable stock exchange for creating values for Shareholders, with the risks involved balanced and moderated by the diversity of the portfolio and the corporate governance and disclosures of such issuers.

The Group takes into account the following criteria for investment decision: (i) potential return on investment in terms of capital appreciation and dividend payment; (ii) risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the Group had current assets of approximately HK\$33,178,000 (2021: HK\$98,043,000) and current liabilities of approximately HK\$7,875,000 (2021: HK\$3,735,000).

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\$1,633,000. Net cash used in investing activities was approximately HK\$77,128,000.

The Group maintained a healthy liquidity position as at 31 March 2022. The Group had cash and cash equivalents of approximately HK\$4,487,000 as at 31 March 2022 (2021: HK\$89,728,000). As at 31 March 2022, the Group had no outstanding bank borrowings.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group has no material contingent liabilities (2021: 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 continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

DIVIDEND

	Year ended 31 March			
	2022		2021	
	<i>HK\$</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$'000</i>
	<i>per share</i>	<i>(audited)</i>	<i>per share</i>	<i>(audited)</i>
Dividends recognised as distribution during the year:				
2019/20 fourth interim dividend	–	–	0.02	2,567
2020/21 first interim dividend	–	–	0.02	2,567
2020/21 second interim dividend	–	–	0.03	3,850
2020/21 third interim dividend	–	–	0.01	1,283
2020/21 fourth interim dividend	0.02	2,567	–	–
2021/22 first interim dividend	0.02	2,567	–	–
2021/22 second interim dividend	0.02	2,567	–	–
		7,701		10,267

At a meeting held on 24 June 2022, the Board has resolved not to declare any interim dividend for the year ended 31 March 2022 (2021: HK\$0.02 per share).

CAPITAL COMMITMENTS

As at 31 March 2022, the Group did not have any significant capital commitments (2021: nil).

CAPITAL STRUCTURE

There was no change in the capital structure during the year ended 31 March 2022.

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.

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, the Group acquired properties for commercial use amounted to HK\$56,739,000 (2021: nil). The Group had no material acquisitions or disposals of subsidiaries or associated companies during the year (2021: nil). Save as disclosed in the paragraph headed “Investment in Financial Assets” above, the Group did not have any significant investment held as at 31 March 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed 75 (2021: 59) 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

Going forward, the Group will continue to focus on growing its core business by improving service quality and optimizing operating costs in order to maintain its market position and competitive advantage. The Group will also actively utilise its available resources to explore other business or investment opportunities and look for possible sources of income in order to diversify business and to maximise return to the Group and the Shareholders.

It is expected the Hong Kong economy will recover gradually from the COVID-19 pandemic situation, and the Group is optimistic about the future prospect of the economy. The Group will continue to keep itself in a better position to face any challenging market condition and lay a solid foundation for future growth opportunities.

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”), the Group will apply such net proceeds as follows:

Use	Planned use of proceeds as stated in the Prospectus <i>HK\$ million</i>	Actual use of proceeds <i>HK\$ million</i>
Acquisition of a commercial property in Hong Kong for use as a customer service centre	13.4	13.4
General working capital	1.5	1.5
	<u>14.9</u>	<u>14.9</u>

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. During the year, the net proceeds of HK\$13.4 million has been used for the acquisition of commercial properties. The proceeds were applied in accordance with the actual development of the market. As at 31 March 2022, all the net proceeds from the listing has been used in the manner as stated in the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2022 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 2022 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 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

On 24 June 2022, the Board resolved not to declare the interim dividend for the year ended 31 March 2022.

Annual General Meeting

An Annual General Meeting (the "AGM") of the Company will be convened to be held on Thursday, 18 August 2022. The notice of the AGM will be published on the websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in July 2022.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 15 August 2022 to Thursday, 18 August 2022 (both days 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 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 their address as mentioned above for registration not later than 4:00 p.m. on Friday, 12 August 2022.

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

Corporate Governance Practices

During the year ended 31 March 2022, 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 2022, 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 2022 have been reviewed by the Audit Committee and have been audited by Group’s auditor, Messrs SHINEWING (HK) CPA Limited.

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

Hong Kong, 24 June 2022

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.