



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 2016

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 2016, together with the comparative figures for the year ended 31 March 2015:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	122,494	126,415
Cost of sales		<u>(68,102)</u>	<u>(67,265)</u>
Gross profit		54,392	59,150
Other income	5	2,747	2,308
Other operating expenses, net	6	(14,655)	(15,250)
Administrative expenses		(15,281)	(16,315)
Finance costs	7	<u>(285)</u>	<u>(170)</u>
Profit before tax		26,918	29,723
Income tax expense	8	<u>(4,537)</u>	<u>(5,243)</u>
Profit for the year	9	<u>22,381</u>	<u>24,480</u>
Other comprehensive (expense) income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of long service payment obligations		32	28
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(40)</u>	<u>—</u>
Other comprehensive (expense) income for the year		<u>(8)</u>	<u>28</u>
Total comprehensive income for the year		<u>22,373</u>	<u>24,508</u>
Earnings per share (HK\$)	11		
Basic		<u>0.186</u>	<u>0.204</u>
Diluted		<u>0.183</u>	<u>0.203</u>

Consolidated Statement of Financial Position

At 31 March 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		3,827	4,424
Deferred tax asset		514	437
		<u>4,341</u>	<u>4,861</u>
Current assets			
Inventories		6,381	4,295
Trade and other receivables	<i>12</i>	21,539	28,179
Amounts due from related companies		1,206	1,154
Tax recoverable		804	—
Pledged bank deposits		29,972	30,220
Bank balances and cash		16,908	14,265
		<u>76,810</u>	<u>78,113</u>
Current liabilities			
Trade and other payables	<i>13</i>	6,151	9,967
Amounts due to related companies		2,273	79
Tax payables		—	1,703
Bank overdrafts		—	349
Bank borrowings		18,600	15,736
		<u>27,024</u>	<u>27,834</u>
Net current assets		<u>49,786</u>	<u>50,279</u>
Total assets less current liabilities		<u>54,127</u>	<u>55,140</u>
Non-current liability			
Long service payment obligations		—	—
Net assets		<u>54,127</u>	<u>55,140</u>
Capital and reserves			
Share capital	<i>14</i>	12,001	12,000
Reserves		42,126	43,140
Total equity		<u>54,127</u>	<u>55,140</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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 (“East-Asia”), a company incorporated in the British Virgin Islands (“BVI”) and the ultimate parent is Cheung Family Trust.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are provision of mobile phones and consumer electronic devices repair service and sales of consumer electronic devices related products.

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Repairing service income	106,022	115,281
Sales of accessories	<u>16,472</u>	<u>11,134</u>
	<u>122,494</u>	<u>126,415</u>

4. SEGMENT INFORMATION

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

Geographical information

During the years ended 31 March 2016 and 2015, the Group's operations were located in Hong Kong, the PRC and Macau.

During the year ended 31 March 2016, 97% (2015: 99%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2016, 92% (2015: 94%) 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer I	N/A*	24,392
Customer II	<u>20,522</u>	<u>17,264</u>

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

5. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Management fee income (<i>Note i</i>)	808	470
Consignment goods handling income (<i>Note ii</i>)	508	545
Bank interest income	931	776
Others	<u>500</u>	<u>517</u>
	<u><u>2,747</u></u>	<u><u>2,308</u></u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Reimbursement of expenses for service centres	740	716
Service centres management income	—	218
Logistic service income	9	267
Miscellaneous income charges	<u>173</u>	<u>1,006</u>
	922	2,207
Other operating expenses of service centres	<u>(15,577)</u>	<u>(17,457)</u>
Other operating expenses, net	<u><u>(14,655)</u></u>	<u><u>(15,250)</u></u>

7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on:		
Bank borrowings	285	139
Discounted bills	<u>—</u>	<u>31</u>
	<u><u>285</u></u>	<u><u>170</u></u>

8. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong Profits Tax		
— current year	4,776	5,686
— over-provision in prior years	<u>(126)</u>	<u>(92)</u>
	4,650	5,594
Macau Complementary Income Tax		
— (over) under-provision in prior years	(36)	86
Deferred tax		
— current year	<u>(77)</u>	<u>(437)</u>
Total income tax expense for the year	<u><u>4,537</u></u>	<u><u>5,243</u></u>

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. During the year of assessment 2015/16, Hong Kong Profit Tax concession was amounted to HK\$20,000 (2014/15: HK\$20,000).

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for both years. No provision for Taiwan profits tax has been made as Telecom Service One Taiwan Limited (“TSO TW”) did not have any assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for taxation has been made as there were no assessable profits for 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 as there were no assessable profits for both years.

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:

	2016	2015
	HK\$'000	HK\$'000
Profit before tax	<u>26,918</u>	<u>29,723</u>
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	4,385	5,034
Tax effect of income not taxable for tax purpose	(107)	(64)
Tax effect of expenses not deductible for tax purpose	242	46
Hong Kong Profits Tax concession	(20)	(20)
Over-provision in prior years	(162)	(6)
Tax effect of tax loss not recognised	<u>199</u>	<u>253</u>
	<u>4,537</u>	<u>5,243</u>

9. PROFIT FOR THE YEAR

	2016	2015
	HK\$'000	HK\$'000
Profit for the year is arrived at after charging (crediting):		
Directors' and chief executive's emoluments		
— salaries, allowances and other benefits	684	4,624
— employer's contributions to retirement benefits scheme	<u>16</u>	<u>22</u>
	<u>700</u>	<u>4,646</u>
Other staff costs (<i>Note</i>)		
— salaries, allowances and other benefits	41,701	42,597
— employer's contributions to retirement benefits scheme	2,040	1,997
— share-based payment expenses	585	—
— long service payment obligations	<u>36</u>	<u>28</u>
	<u>44,362</u>	<u>44,622</u>
Total staff costs	<u>45,062</u>	<u>49,268</u>
Auditor's remuneration	600	600
Depreciation of plant and equipment	2,816	3,822
Exchange loss	767	107
Allowance for inventories (included in cost of sales)	273	1,404
Reversal of allowance for inventories (included in cost of sales)	(14)	(111)
Amount of inventories recognised as an expense	27,260	25,547
Operating leases rentals in respect of rented premises	<u>10,209</u>	<u>9,169</u>

Note: For the year ended 31 March 2016, included in other operating expenses of service centres, salaries and other allowances of nil (2015: HK\$49,000) and employer's contributions to retirement benefits scheme of nil (2015: HK\$1,000) were incurred for the service centres and wholly reimbursed by the customers. Such amounts were not included in other staff costs.

10. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividends recognised as distribution during the year: 2015 final and 2016 interim, paid — HK\$0.15 and HK\$0.05 per share respectively (2015: 2014 interim and 2015 interim, paid — HK\$0.25 and HK\$0.10 per share respectively)	<u>24,002</u>	<u>42,000</u>

Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 March 2016 of HK\$0.05 (2015: final dividend in respect of the year ended 31 March 2015 of HK\$0.15) 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:

	2016 <i>HK\$'000</i>	2015 <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>22,381</u>	<u>24,480</u>
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,008,492	120,000,000
Effect of dilutive potential ordinary shares:		
Warrants	<u>2,583,732</u>	<u>754,286</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>122,592,224</u>	<u>120,754,286</u>

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 year ended 31 March 2016.

12. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	15,671	20,519
Other receivables	5,691	7,201
Prepayments	<u>177</u>	<u>459</u>
	<u>21,539</u>	<u>28,179</u>

The Group does not hold any collateral over these balances.

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	7,118	5,962
31 to 60 days	4,569	12,441
61 to 90 days	3,389	9
91 to 120 days	495	1,063
Over 120 days	<u>100</u>	<u>1,044</u>
	<u>15,671</u>	<u>20,519</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
31 to 60 days	3,983	9,541
61 to 90 days	3,389	9
91 to 120 days	495	1,063
Over 120 days	<u>100</u>	<u>1,044</u>
Total	<u>7,967</u>	<u>11,657</u>

The Group has not recognised any impairment loss as there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	62	39
US\$	8,397	9,778

13. TRADE AND OTHER PAYABLES

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,354	3,565
Accrued expenses and other payables	2,797	6,402
Total	6,151	9,967

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:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	1,713	1,852
31 to 60 days	85	226
61 to 90 days	21	—
Over 90 days	1,535	1,487
	3,354	3,565

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:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	1,179	1,594
JPY	153	153

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2014, 31 March 2015 and 31 March 2016	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2014 and 31 March 2015	120,000,000	12,000
Issue of shares upon exercise of share options (<i>Note</i>)	<u>12,000</u>	<u>1</u>
At 31 March 2016	<u>120,012,000</u>	<u>12,001</u>

Note: On 17 July 2015, 12,000 ordinary share 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.

All shares issued during the years ended 31 March 2016 and 2015 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.

At 31 March 2016, there were 12,000,000 (2015: 12,000,000) warrants outstanding which can be exercised at any time on or before 3 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	2,171	2,994
In the second to fifth year inclusive	<u>—</u>	<u>1,532</u>
	<u><u>2,171</u></u>	<u><u>4,526</u></u>

The Group leases certain of its office premises and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three (2015: 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 (2015: nil) share options to the employees 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 2016, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 916,000, representing 0.76% of the ordinary shares in issue at that date.

Movements of the Company's share options held by employees during the year are:

Category of participant	Date of grant	Outstanding at 1 April 2015	Granted during the year	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, 400,000 share options represented the non-acceptance of share options by the employees at the date of grant. The remaining 98,000 share options were lapsed upon resignation of respective employees.

In respect of the share options exercised during the year ended 31 March 2016, the weighted average share price at the date of exercise was HK\$2.54 (2015: nil).

During the year ended 31 March 2016, the estimated fair value of the options granted on that date was HK\$0.57 per option.

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

Share price at date of grant	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	<u>10.00%</u>

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 (2015: 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

Nowadays, customers are not only looking for quality products but also quality services. Customer satisfaction drives successful businesses. High-performing businesses have developed principles and strategies for achieving customer satisfaction. Service providers are required to continually monitor and examine the experiences, opinions, and suggestions of their customers. Improving service quality to meet customers' standards is an ongoing part of doing business.

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 services.

Business Review

The Group is one of the leading mobile phones repair service providers in Hong Kong, with an operating history since 1999. The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products as well as sale of related accessories. The Group has been appointed by corporate customers comprising manufacturers of mobile phones and personal electronic products and global services companies as their service provider to provide repair and refurbishment services for their products and to their customers.

Apart from the revenue from retail sales and distribution business, revenue from sales of accessories also contributed a considerable result to the Group. Revenue from sales of accessories increased by approximately 47.9% as compared to the year ended 31 March 2015.

Financial Review

Revenue

The Group's revenue for the year ended 31 March 2016 was approximately HK\$122,494,000 (2015: HK\$126,415,000), representing a decrease of 3.1% over the previous year. The decrease in the Group's revenue was mainly due to the decrease in repair jobs.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and inventories cost. During the year ended 31 March 2016, cost of sales slight increased by 1.2% to HK\$68,102,000 from approximately HK\$67,265,000. The Group's cost of inventories sold was approximately HK\$27,260,000 (2015: HK\$25,547,000), representing an increase of 6.7% from that of the previous year. Direct labour cost for the year ended 31 March 2016 was approximately HK\$40,836,000 (2015: HK\$41,704,000).

Gross Profit and Gross Profit Margin

The Group's gross profit for the year was approximately HK\$54,392,000 (2015: HK\$59,150,000), representing a decrease of 8.0% over the previous year. Gross profit margin slightly decreased by 2.4% to 44.4% from 46.8%.

Other Income

Other income for the year was approximately HK\$2,747,000 (2015: HK\$2,308,000). Other income mainly contributed by management fee income, consignment goods handling income and bank interest income. Both the bank interest income and management fee income had recorded an increase during the year.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2016 were approximately HK\$14,655,000 (2015: HK\$15,250,000), representing a decrease of 3.9% over the previous year. The decrease was mainly due to the following:

- (i) Decrease in closure management fee income and an one-off rental compensation from a corporate customer for the closure of a service centre in 2014/15;
- (ii) An one-off performance bonus paid by a corporate customer in 2014/15;
- (iii) Decrease in normal operating expenses due to the closure of the service centre in Hong Kong for that corporate customer; and
- (iv) Decrease in rental expenses due to relocation of the service centre in Shenzhen.

Administrative expenses for the year ended 31 March 2016 was approximately HK\$15,281,000 (2015: HK\$16,315,000). The decrease was mainly due to the decrease in remuneration of employees.

Profit for the year

Profit for the year ended 31 March 2016 was approximately HK\$22,381,000 (2015: HK\$24,480,000), representing a decrease of 8.6% from 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 2016.

Liquidity and Financial Resources

As at 31 March 2016, the Group had current assets of approximately HK\$76,810,000 (2015: HK\$78,113,000) and current liabilities of approximately HK\$27,024,000 (2015: HK\$27,834,000).

As at 31 March 2016, the Group's gearing ratio was 38.6% as compared to 29.3% as at 31 March 2015, which is calculated based on the Group's total borrowings of approximately HK\$20,873,000 (2015: HK\$16,164,000) and the Group's total equity of approximately HK\$54,127,000 (2015: HK\$55,140,000).

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\$25,436,000. Net cash used in investing activities was approximately HK\$1,039,000.

The Group maintained a healthy liquidity position as at 31 March 2016. The Group had cash and cash equivalents of HK\$16,908,000 as at 31 March 2016 (2015: HK\$13,916,000). 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 GEM on 30 May 2013 (the "Listing Date") to meet potential needs for business expansion and development. As at 31 March 2016, the Group has bank borrowings of approximately HK\$18,600,000 and the unutilised banking facilities of HK\$19,100,000 available for further drawdown should it have any further capital needs.

Contingent Liabilities

As at 31 March 2016, the Group had no material contingent liabilities (2015: 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 2016, the Group did not have any significant capital commitments (2015: Nil).

Dividends

The first interim dividend of HK\$0.05 per share was paid on 30 November 2015. At a meeting held on 22 June 2016, the Board declared a second interim dividend of HK\$0.05 per share for the year ended 31 March 2016. The second interim dividend will be paid to Shareholders on record as at 12 July 2016. It is expected that the second interim dividend will be paid on or about 18 July 2016.

Capital Structure

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 17 to the consolidated financial statements, there was no change in the capital structure during the year ended 31 March 2016.

The capital structure of the Group consists of bank borrowings net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves. The management 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 2016, 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 2016, the Group employed 210 (2015: 245) 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

As the Group has already laid a very solid foundation in terms of its operation, it will continue to work more on controlling cost and expenses. Moving forward, the Group will continue to strengthen its service quality through staff training, especially on products and customer services skill, 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 cautiously assess any new business opportunities.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 March 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

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

- (a) from 11 to 12 July 2016 (both dates inclusive), for the purpose of determining Shareholders' entitlement to the second interim dividend. In order to qualify for the second 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 8 July 2016; and

- (b) from 28 to 29 July 2016 (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 27 July 2016.

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 2016, the Company has complied with the Corporate Governance Code (the "CG Code", formerly contained in Appendix 15 of the GEM Listing Rules until 31 December 2015), 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 2016, 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 2016.

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

Hong Kong, 22 June 2016

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.