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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

INTERIM RESULTS

The board of Directors (the “Board”) of Telecom Service One Holdings Limited (the “Company”) announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2022 (the “Period”), together with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
		2022	2021
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue	4	26,593	14,681
Cost of sales		(20,541)	(8,012)
Gross profit		6,052	6,669
Other income and gain	6	2,795	1,731
Other operating expenses, net	7	(2,114)	(1,241)
Administrative expenses		(6,318)	(5,474)
Loss on changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(4,005)	(1,099)
Finance costs	8	(21)	(28)
(Loss) profit before tax		(3,611)	558
Income tax credit (expense)	9	37	(313)
(Loss) profit and total comprehensive (expense) income for the period	10	(3,574)	245
(Loss) earnings per share (<i>HK\$</i>) Basic and diluted	12	(0.0278)	0.0019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

		30 September 2022	31 March 2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	<i>13</i>	32,581	34,181
Right-of-use assets	<i>14</i>	2,687	4,031
Investment properties	<i>15</i>	24,390	24,883
Deferred tax asset		422	276
Rental deposits	<i>17</i>	—	498
		60,080	63,869
Current assets			
Inventories		4,303	2,043
Financial assets at FVTPL	<i>16</i>	11,931	15,972
Trade and other receivables	<i>17</i>	9,605	9,577
Amounts due from related companies	<i>21(a)</i>	78	128
Tax recoverable		754	770
Pledged bank deposits		201	201
Bank balances and cash		6,429	4,487
		33,301	33,178
Current liabilities			
Trade and other payables	<i>18</i>	6,126	4,887
Lease liabilities		2,970	2,953
Amount due to a related company	<i>21(b)</i>	83	35
		9,179	7,875
Net current assets		24,122	25,303
Total assets less current liabilities		84,202	89,172
Non-current liabilities			
Lease liabilities		—	1,489
Other payables	<i>18</i>	189	189
Long service payment obligations		98	98
Deferred tax liability		174	81
		461	1,857
Net assets		83,741	87,315
Capital and reserves			
Share capital	<i>19</i>	12,834	12,834
Reserves		70,907	74,481
Total equity		83,741	87,315

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>Note</i>	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2021 (audited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(26)</u>	<u>46,003</u>	<u>95,781</u>
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>245</u>	<u>245</u>
Dividends <i>Note 11</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,567)</u>	<u>(2,567)</u>
At 30 September 2021 (unaudited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(26)</u>	<u>43,681</u>	<u>93,459</u>
At 1 April 2022 (audited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(26)</u>	<u>37,537</u>	<u>87,315</u>
Loss and total comprehensive expense for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,574)</u>	<u>(3,574)</u>
At 30 September 2022 (unaudited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(26)</u>	<u>33,963</u>	<u>83,741</u>

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
(Loss) profit before tax	(3,611)	558
Adjustments for:		
Depreciation of property, plant and equipment	1,600	293
Depreciation of right-of-use assets	1,344	786
Depreciation of investment properties	493	162
Dividend income from financial assets at FVTPL	(152)	—
Interest income	—	(46)
Interest income from financial assets at FVTPL	(261)	(1,033)
Loss on changes in fair value of financial assets at FVTPL	4,005	1,099
Finance costs	21	28
Gain on disposal of financial assets at FVTPL	(4)	(56)
Government grants	(1,674)	—
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,761	1,791
Increase in inventories	(2,260)	(86)
Decrease (increase) in trade and other receivables	470	(814)
Decrease in amounts due from related companies	50	32
Increase (decrease) in trade and other payables	1,239	(304)
Increase in amount due to a related company	48	21
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	1,308	640
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Interest received	261	1,009
Dividend received	152	—
Proceeds from disposal of financial assets at FVTPL	40	33,068
Acquisition of financial assets at FVTPL	—	(51,012)
Purchase of property, plant and equipment	—	(31,228)
Purchase of investment properties	—	(25,538)
	<hr/>	<hr/>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	453	(73,701)
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	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Government grants received	1,674	—
Repayments of lease liabilities	(1,472)	(326)
Interest paid on lease liabilities	(21)	(28)
Dividends paid	—	(2,567)
	<hr/>	<hr/>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	181	(2,921)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,942	(75,982)
CASH AND CASH EQUIVALENTS AT 1 APRIL	4,487	89,728
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD,		
represented by bank balances and cash	6,429	13,746
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 August 2012 and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 March 2018 (Stock Code: 3997). The address of the registered office of the Company is at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the principal place of business of the Company is at Unit C, 3/F, Sunshine Kowloon Bay Cargo Centre, 59 Tai Yip Street, Kowloon Bay, Kowloon, Hong Kong.

The directors of the Company (the “Directors”) consider the immediate holding company is East-Asia 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 sales of related accessories and provision of supportive services.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 March 2022.

Application of new and amendments to HKFRSs and an interpretation

During the Period, the Group has applied, for the first time, the following amendments to HKFRSs and the Amendments to Reference to the Conceptual Framework issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle

The application of the amendments to HKFRSs and the Amendments to Reference to the Conceptual Framework in the Period has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated major products or services lines		
— Repairing service income	26,508	14,545
— Sales of accessories and provision of supportive services	85	136
	<u>26,593</u>	<u>14,681</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 of Directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

During the Period and the corresponding period in 2021, the Group's operations were located in Hong Kong.

During the Period, 100% (2021: 100%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong and 100% (2021: 100%) of the non-current assets, based on the geographical location of the assets, were located in Hong Kong. Hence, no geographical information is presented.

Information about major customers

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

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Customer I	8,130	3,959
Customer II	4,710	5,581

6. OTHER INCOME AND GAIN

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Management fee income <i>Note (i)</i>	260	43
Bank interest income	—	46
Interest income from financial assets at FVTPL	261	1,033
Dividend income from financial assets at FVTPL	152	—
Storage income <i>Note (ii)</i>	166	36
Exchange gain	—	389
Gain on disposal of financial assets at FVTPL	4	56
Government grants <i>Note (iii)</i>	1,674	—
Rental income (net of direct outgoings: nil)	278	93
Others	—	35
	2,795	1,731

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 their operation teams in Hong Kong.
- (ii) The amount represents storage income for damaged mobile phones in Hong Kong.
- (iii) The amount represents salaries and wage government grants related to Employment Support Scheme granted under Anti-epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from May to July 2022.

7. OTHER OPERATING EXPENSES, NET

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Miscellaneous income charges	26	—
Less: Other operating expenses of service centres	<u>(2,140)</u>	<u>(1,241)</u>
Other operating expenses, net	<u>(2,114)</u>	<u>(1,241)</u>

8. FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on lease liabilities	<u>21</u>	<u>28</u>

9. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
— current period	16	—
Deferred tax		
— current period	<u>(53)</u>	<u>313</u>
Total income tax (credit) expense for the period	<u>(37)</u>	<u>313</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 periods.

10. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
(Loss) profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment	1,600	293
Depreciation of right-of-use assets	1,344	786
Depreciation of investment properties	493	162
Amount of inventories recognised as an expense	11,630	2,128
Lease expenses for short-term lease	—	232
	<u> </u>	<u> </u>

11. DIVIDENDS

	Six months ended 30 September			
	2022 HK\$ per share	HK\$'000 (unaudited)	2021 HK\$ per share	HK\$'000 (unaudited)
Dividends recognised as distribution during the periods:				
2020/21 fourth interim dividend	—	—	0.02	2,567
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At a meeting held on 29 November 2022, the Board declared not to declare interim dividend for the six months ended 30 September 2022 (2021: HK\$0.02 per share).

12. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share for the period attributable to the owners of the Company	(3,574)	245
	<u> </u>	<u> </u>

	Six months ended	
	30 September	
	2022	2021
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	128,342	128,342

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

13. PROPERTY, PLANT AND EQUIPMENT

The Group did not acquire any property, plant and equipment during the Period (2021: HK\$31,228,000).

In addition, the Group did not write off any property, plant and equipment during the Period (2021: nil).

14. RIGHT-OF-USE ASSETS

During the Period, the Group did not recognize any additions to right-of-use assets due to new lease for buildings and premises (2021: HK\$5,821,000).

15. INVESTMENT PROPERTIES

The Group did not acquire any investment property during the Period (2021: HK\$25,538,000).

16. FINANCIAL ASSETS AT FVTPL

Investment	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Financial assets mandatorily measured at FVTPL		
— Equity securities listed in Hong Kong at market value <i>(Note (a))</i>	11,931	8,548
Financial assets designated at FVTPL		
— Unlisted equity linked fixed coupon notes (“FCN”) at market value <i>(Note (b))</i>	—	7,424
	11,931	15,972

Notes:

- (a) The fair values of the listed equity securities were determined based on the quoted market bid prices available on the Stock Exchange.

(b) During the Period and year ended 31 March 2022, the Group acquired FCN from financial institutions in Hong Kong.

- The FCNs are non-guaranteed products, and their returns are linked to a basket of underlying shares.
- The structure of each 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 equity linked fixed coupon notes are held to the maturity date and the price(s) of the single underlying share or a basket of underlying share is/are below the strike price(s), the Group is required to redeem the laggard underlying at the put strike price.
- The maximum risk exposure of the Company is at the time when the Company is obliged to take delivery of the underlying shares at the strike price, and the total amount of the funds for the acquisition of the underlying shares is limited to the principal amount of each equity linked fixed coupon notes.
- The fair values are determined using with the quoted price provided by bank.

The fair values of the FCN as at 31 March 2022 which amounted to HK\$7,424,000 (30 September 2022: nil), are determined based on the quoted price provided by a bank. The FCN have maturity of 6 months.

The FCN are recognised as follows:

	30 September 2022 HK\$'000 (unaudited)
As the beginning of the period	7,424
Gain on change in fair value recognised in profit or loss	576
Redemption-shares delivery	(3)
Transfer to equity securities listed in Hong Kong ^(Note)	(7,997)
	<hr/>
At 30 September 2022	<hr/> <hr/>

Note:

One of the FCN's shares price closed below the strike price on 29 August 2022 and, the Group was obligated to take delivery of 21,328 shares of the underlying Hong Kong Exchanges and Clearing Limited (Stock Code: 0388 HK) shares at the strike price according to the terms of the FCN.

17. TRADE AND OTHER RECEIVABLES

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade receivables	6,134	6,824
Other receivables	140	175
Rental and other deposits	2,938	2,939
Prepayments	393	137
	<u>9,605</u>	<u>10,075</u>
Less: Rental deposits classified as non-current assets	—	(498)
	<u>9,605</u>	<u>9,577</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.

No loss allowance on trade receivables was recognised as at 30 September 2022 and 31 March 2022.

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

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 30 days	4,200	3,527
31 to 60 days	1,641	3,183
61 to 90 days	226	—
91 to 120 days	35	95
Over 120 days	32	19
	<u>6,134</u>	<u>6,824</u>

18. TRADE AND OTHER PAYABLES

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade payables	4,492	2,440
Accrued expenses and other payables	<u>1,823</u>	<u>2,636</u>
Total	6,315	5,076
Less: Other payables classified as non-current liabilities	<u>(189)</u>	<u>(189)</u>
Current portion included in trade and other payable	<u>6,126</u>	<u>4,887</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/year:

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 30 days	4,374	2,338
31 to 60 days	25	10
61 to 90 days	—	—
Over 90 days	<u>93</u>	<u>92</u>
	<u>4,492</u>	<u>2,440</u>

19. SHARE CAPITAL

	30 September 2022		31 March 2022	
	Number of shares '000 (unaudited)	Share capital HK\$'000	Number of shares '000 (audited)	Share capital HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised				
At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022	1,000,000	100,000	1,000,000	100,000
Issued and fully paid				
At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022	128,342	12,834	128,342	12,834

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of the financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- 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.

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)			
Financial assets					
Financial assets at FVTPL					
– Equity securities listed in Hong Kong	11,931	8,548	Level 1	Quoted bid price in an active market	N/A
– FCN	—	7,424	Level 2	Quoted asset value provided by bank ^(Note)	N/A

Note: Quoted asset value provided by bank represents the fair value of the underlying investments.

There were no transfers between Levels 1 and 2 in the period/year.

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of company	Nature of transaction	Notes	Six months ended	
			30 September	
			2022	2021
			HK\$'000	HK\$'000
			(unaudited)	(unaudited)
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	354	153
Oceanic Rich Limited (“ORL”)	Rental expenses paid thereto	(ii) & (iii)	—	232
	Purchase of properties	(iii) & (v)	—	54,400
Telecom Digital Services Limited	Consignment fee paid thereto	(i) & (iii)	1	41
	Received repairing service income therefrom	(i) & (iii)	47	66
	Purchase of goods therefrom	(i) & (iii)	11	—
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	441	523
Distribution One Limited	Received repairing service income therefrom	(i) & (iii)	140	140

Details of amounts due from related companies are as follows:

	Notes	Maximum amount outstanding during the period/year ended			
		30 September	31 March	30 September	31 March
		2022	2022	2022	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(audited)	(unaudited)	(audited)
Telecom Digital Data Limited	(iii) & (iv)	53	76	89	158
Telecom Digital Services Limited	(iii) & (iv)	2	5	95	70
Distribution One Limited	(iii) & (iv)	23	47	47	47
		<u>78</u>	<u>128</u>		

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the related parties.
- (ii) The rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the related parties.
- (iii) The controlling shareholders of the Company have beneficial interests in the related parties.
- (iv) The amounts were arisen from normal sales and purchase transactions. The amounts are unsecured, interest-free and expected to be settled according to their respective credit terms which are similar to those with third parties.
- (v) On 25 May 21, the Group entered into sales and purchase agreements with ORL for acquisition of buildings of which details were set out in announcement dated on 25 June 2021.

(b) The amount due to a related company was arisen from normal sales and purchase transactions. The amount was unsecured, interest-free and repayable on demand. The Directors have beneficial interests in this related company.

(c) During the period ended 30 September 2021, the Group has made lease payments of HK\$232,000 to a related company, where the lease is accounted for as short-term leases (2022: nil).

(d) **Banking facilities**

As at 30 September 2022, the unutilised banking facilities guaranteed by the Company were HK\$200,000 (31 March 2022: HK\$200,000).

As at 30 September 2022, the unutilised banking facilities for investment purpose were US\$3,000,000 (31 March 2022: US\$3,000,000).

(e) **Compensation of key management personnel**

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	2,201	2,246
Post-employment benefits	71	69
	2,272	2,315

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

22. OPERATING LEASE ARRANGEMENT

The Group as lessor

The Group leases out its investment properties during the Period. The lease is rented to a third party under operating leases with leases negotiated for a term of three years (2021: three years) as at 30 September 2022. None of the leases includes contingent rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	30 September 2022 <i>HK\$'000</i> (unaudited)	31 March 2022 <i>HK\$'000</i> (audited)
Within one year	565	565
After one year but within two years	423	565
Over two years	—	141
	988	1,271

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing repair and refurbishment services for mobile phones and other consumer electronic devices as well as sales of related accessories in Hong Kong. Its customer base includes corporate customers, telecommunications services providers and global services companies, and it acts as their service provider to conduct repair and refurbishment services for their products and to their customers.

During the Period, despite the Hong Kong's market environment remained challenging and difficult due to the COVID-19 outbreak, the overall economy of Hong Kong has been gradually recovered following the end of the fifth wave COVID-19 pandemic and the relaxation of certain social distancing measures and the travelling and quarantine restriction. During the six months ended 30 September 2022, the Group's revenue increased by approximately 81.1% to approximately HK\$26,593,000, as compared to the corresponding period of previous year, mainly due to the revenue generated from two new service contracts gained in October 2021 and January 2022 to provide extra operation support and repair and refurbishment services for mobile phones ("Two New Service Contracts"). However, due to the increase in cost of sales and fair value loss on investment in financial assets, the Group recorded a loss of approximately HK\$3,574,000 for the Period, as compared to a profit for the corresponding period of previous year.

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 in last year led to the increase in repairing service income for the Period at approximately HK\$26,508,000 (2021: HK\$14,545,000), representing an increase of approximately 82.2% over the corresponding period of previous year. Revenue from sales of accessories and provision of supportive services for the Period decreased approximately 37.5% to approximately HK\$85,000 as compared with approximately HK\$136,000 in the corresponding period of previous year. The decrease was mainly due to the decreased demand in screen protection programme.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the Period, cost of sales increased by approximately 156.4% to approximately HK\$20,541,000 from approximately HK\$8,012,000. The increase in cost of sales was attributable to the increase in both parts cost and labour cost for the expansion of warehouse facilities and opening of new repair centre for the Two New Service Contracts.

The Group's cost of inventories sold was approximately HK\$11,630,000 (2021: HK\$2,128,000), representing an increase of approximately 446.5% as compared to the corresponding period of the previous year. Direct labour cost for the Period was approximately HK\$8,911,000 (2021: HK\$5,884,000), representing an increase of approximately 51.4% over the corresponding period of previous year.

Other Income and Gains

Other income and gains for the Period was approximately HK\$2,795,000 (2021: HK\$1,731,000). Other income mainly comprised of management fee income, rental income, storage income, Government grants and dividend income and interest income generated from investment in financial assets. The difference was mainly due to the Government grants from the COVID-19 related subsidies of approximately HK\$1,674,000 received during the Period (2021: nil) offset with the decrease in income from investment in financial assets of approximately HK\$413,000 (2021: HK\$1,033,000) and an exchange gain of approximately HK\$389,000 from the corresponding period of previous year. In addition, management fee income, storage income and rental income were also increased during the Period.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the Period were approximately HK\$2,114,000 (2021: HK\$1,241,000), representing an increase of approximately 70.3% over the corresponding period of previous year. The increase was mainly caused by the increase in operating expenses incurred for a new service centre, such as building management fee, Government rent and rates and utilities.

Administrative expenses for the Period was approximately HK\$6,318,000 (2021: HK\$5,474,000), representing an increase of approximately 15.4%. The increase was mainly due to expenses incurred for the expanded warehouse facilities.

Taxation

Income tax credit for the Period was approximately HK\$37,000 (2021: Income tax expense HK\$313,000).

Loss for the Period

Loss for the Period was approximately HK\$3,574,000 (2021: profit HK\$245,000). The loss was mainly caused by a fair value loss on investment in financial assets of approximately HK\$4,005,000 (2021: HK\$1,099,000).

INVESTMENTS IN FINANCIAL ASSETS

As at 30 September 2022, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$11,931,000 (31 March 2022: HK\$15,972,000), representing approximately 12.8% of the total assets of the Group as at 30 September 2022.

Securities Investment

The underlying shares price of an unlisted equity linked fixed coupon note (“FCN”) closed below the strike price on 29 August 2022, the Group was obligated to take delivery of 21,328 shares of the underlying HKEX shares at the strike price according to the terms of the FCN.

The following table sets out the investment held by the Group as at 30 September 2022:

Stock name:	HKEX <i>(Note 1 & 2)</i>
Number of securities held:	44,254
Approximate percentage held to the total issued share capital in the investment company:	0.0035%
Investment cost <i>(HK\$'000)</i> :	17,988
Fair value as at 30 September 2022 <i>(HK\$'000)</i> :	11,931
Approximate percentage of total assets of the Group as at 30 September 2022:	12.8%
Dividend income during the Period <i>(HK\$'000)</i> :	152
Gain on disposal during the Period <i>(HK\$'000)</i> :	4
Fair value loss for the period ended 30 September 2022 <i>(HK\$'000)</i> :	4,005

Note 1:

Stock short name	Stock code	Company name
HKEX	00388 HK	Hong Kong Exchange and Clearing Limited

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 30 September 2022 are as follows:

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 nine months ended 30 September 2022, the unaudited consolidated profit attributable to owners of HKEX was approximately HK\$7,099 million.

The Group's Investment Strategy for These Investments

The Company's investment objective is to generate stable additional interest or dividend 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 30 September 2022, the Group had current assets of approximately HK\$33,301,000 (31 March 2022: HK\$33,178,000) and current liabilities of approximately HK\$9,179,000 (31 March 2022: HK\$7,875,000).

At present, the Group generally finances its operations with internally generated cash flows. Net cash generated from operating activities for the Period was approximately HK\$1,308,000. Net cash generated from investing activities was approximately HK\$453,000.

The Group maintained a healthy liquidity position as at 30 September 2022. The Group had cash and cash equivalents of approximately HK\$6,429,000 as at 30 September 2022 (31 March 2022: HK\$4,487,000). As at 30 September 2022, the Group had no outstanding bank borrowings.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group has no material contingent liabilities (31 March 2022: 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

At a meeting held on 29 November 2022, the Board has resolved not to declare any interim dividend for the six months ended 30 September 2022 (2021: HK\$0.02 per share).

CAPITAL COMMITMENTS

As at 30 September 2022, the Group did not have any significant capital commitments (31 March 2022: nil).

CAPITAL STRUCTURE

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

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

The Group has no material acquisitions or disposal of subsidiaries or associated companies during the Period (31 March 2022: nil). Save as disclosed in the paragraph headed “Investment in Financial Assets” above, the Group did not have any significant investment held as at 30 September 2022.

During the year ended 31 March 2022, the Group acquired properties for commercial use amounted to HK\$56,739,000 (30 September 2022: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed 75 (31 March 2022: 75) 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, although the business environment of the Group remains challenging, with effective controls on the pandemic situation and the further relaxation of COVID-19 restriction measures, it is expected that the economy and market outlook will pick up its growth momentum and continue to see a gradual recovery from the pandemic. The Group will continue to closely monitor the development of the COVID-19 pandemic and react actively to the market situation.

The Group will continue to enhance its competitiveness by improving the service quality and strengthening the efforts on the business development. The Group will also explore suitable potential business and investment opportunities or cooperation to broaden the sources of income and generate better return to the Group and the Shareholders.

OTHER INFORMATION

INTERIM DIVIDEND

On 29 November 2022, the Board resolved not to declare the interim dividend for the six months ended 30 September 2022.

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

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

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

As at 30 September 2022, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(i) The Company

Long Position

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

(ii) **Associated corporations**

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

Long Position

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

Note A: The calculation is based on 128,342,000 shares of the Company in issue as at 30 September 2022.

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

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

Save as disclosed above, as at 30 September 2022, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of attracting and retaining the best quality personnel for the development of the Group’s businesses; providing additional incentives to the qualifying grantees; and promoting the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The Scheme was adopted by the shareholders of the Company on 2 May 2013 which will remain in force for a period of 10 years from the effective date of the Scheme.

During the Period, the Company has no share option under the Scheme lapsed or was granted, exercised or cancelled and there were no outstanding share options under the Scheme as at 30 September 2022.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at 30 September 2022, none of the Directors nor their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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

As at 30 September 2022, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Long Position

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

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

Save as disclosed above, as at 30 September 2022, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

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

According to the Code Provision D.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Period, the chief executive officer of the Company has provided and will continue to provide to all members of the Board with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision D.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 are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee, among other things, are to make recommendations to the Board on the appointment, reappointment and removal of external auditor; to monitor integrity of the Company’s financial statements and reports and accounts, and review significant financial reporting judgments contained in them; to oversee the financial reporting system, risk management and internal control systems of the Company; and to review arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi. Mr. Tso Ka Yi is the chairman of the Audit Committee. The Audit Committee has reviewed the Group’s unaudited interim results for the Period.

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

Hong Kong, 29 November 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.