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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 2023

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 (the “**Group**”) for the year ended 31 March 2023, together with the comparative figures for the year ended 31 March 2022:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	4	51,381	34,757
Cost of sales		(39,996)	(21,322)
Gross profit		11,385	13,435
Other income and gains	6	3,973	3,511
Other operating expenses, net	7	(4,185)	(2,158)
Administrative expenses		(13,569)	(13,168)
Impairment losses on property, plant and equipment		(2,399)	–
Impairment losses on investment properties		(2,098)	–
Loss on changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(432)	(2,019)
Finance cost	8	(33)	(67)
Loss before tax		(7,358)	(466)
Income tax credit (expense)	9	243	(541)
Loss for the year	10	(7,115)	(1,007)
Other comprehensive (expense) income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of long service payment obligations		(167)	242
Total comprehensive expense for the year		(7,282)	(765)
Loss per share (HK\$)			
Basic and diluted	12	(0.0554)	(0.0078)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		29,922	34,181
Right-of-use assets		1,344	4,031
Investment properties		21,800	24,883
Deferred tax asset		495	276
Rental deposit	13	–	498
		<u>53,561</u>	<u>63,869</u>
Current assets			
Inventories		6,201	2,043
Financial assets at FVTPL		13,984	15,972
Trade and other receivables	13	10,466	9,577
Amounts due from related companies		78	128
Tax recoverable		23	770
Pledged bank deposits		201	201
Bank balances and cash		4,593	4,487
		<u>35,546</u>	<u>33,178</u>
Current liabilities			
Trade and other payables	14	6,937	4,887
Lease liabilities		1,489	2,953
Amount due to a related company		160	35
		<u>8,586</u>	<u>7,875</u>
Net current assets		<u>26,960</u>	<u>25,303</u>
Total assets less current liabilities		<u>80,521</u>	<u>89,172</u>
Non-current liabilities			
Lease liabilities		–	1,489
Other payables	14	189	189
Deferred tax liability		56	81
Long service payment obligations		243	98
		<u>488</u>	<u>1,857</u>
Net assets		<u>80,033</u>	<u>87,315</u>
Capital and reserves			
Share capital	15	12,834	12,834
Reserves		67,199	74,481
Total equity		<u>80,033</u>	<u>87,315</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 Unit 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 supportive 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 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 2022:

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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle

The application of 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 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
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	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024.

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the “four-step materiality process” described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK\$1,344,000 and HK\$1,489,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group is still in the process of assessing the full impact of the application of the amendments.

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:

	2023 <i>HK\$'000</i>	2022 <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	51,207	34,503
– Sales of accessories and provision of supportive services	174	254
	<u>51,381</u>	<u>34,757</u>
Disaggregation of revenue by geographical region		
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Geographical region of revenue recognition		
Hong Kong	<u>51,381</u>	<u>34,757</u>
At a point in time	<u>51,381</u>	<u>34,757</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 2023 and 2022, the Group's operations were located in Hong Kong.

During the year ended 31 March 2023, 100% (2022: 100%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 31 March 2023, 100% (2022: 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.

6. OTHER INCOME AND GAINS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants (<i>Note i</i>)	1,674	51
Management fee income (<i>Note ii</i>)	748	758
Rental income (net of direct outgoings: nil)	560	370
Dividend income from financial assets at FVTPL	301	96
Interest income from financial assets at FVTPL	262	1,848
Gain on disposal of financial assets at FVTPL	222	46
Storage income (<i>Note iii</i>)	202	266
Bank interest income	3	46
Gain on lease modification	–	18
Exchange gain, net	–	12
Others	1	–
	<u>3,973</u>	<u>3,511</u>

Notes:

- (i) During the year ended 31 March 2023, the Group recognised government grants of HK\$1,674,000 (2022: HK\$51,000) in respect of COVID-19-related subsidies, out of which HK\$1,674,000 (2022: nil) 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.
- (ii) The amount represents management income received from manufacturers of mobile phones for the provision of management service such as inventory management, redemption and software upgrade to one of their operation teams in Hong Kong.
- (iii) The amount represents storage income for damaged mobile phones in Hong Kong.

7. OTHER OPERATING EXPENSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Miscellaneous income charges	380	405
Less: Other operating expenses of service centres	<u>(4,565)</u>	<u>(2,563)</u>
Other operating expenses, net	<u>(4,185)</u>	<u>(2,158)</u>

8. FINANCE COST

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	<u>33</u>	<u>67</u>

9. INCOME TAX (CREDIT) EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax		
– current year	–	6
– Underprovision in prior years	<u>1</u>	<u>418</u>
	1	424
Deferred tax	<u>(244)</u>	<u>117</u>
	<u>(243)</u>	<u>541</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.

10. LOSS FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments		
– salaries, allowances and other benefits	2,248	2,340
– employer's contributions to retirement benefits schemes	54	54
	<u>2,302</u>	<u>2,394</u>
Other staff costs		
– salaries, allowances and other benefits	20,597	15,962
– employer's contributions to retirement benefits schemes	984	676
– long service payment obligations	70	286
	<u>21,651</u>	<u>16,924</u>
Total staff costs	<u>23,953</u>	<u>19,318</u>
Auditor's remuneration	650	650
Depreciation of property, plant and equipment	3,269	1,887
Depreciation of right-of-use assets	2,687	2,438
Depreciation of investment properties	985	654
Reversal of allowance for inventories (included in cost of sales)	(8)	(36)
Written off of trade receivables (included in other operating expenses, net)	56	–
Allowance for inventories (included in cost of sales)	143	20
Amount of inventories recognised as an expense	<u>20,046</u>	<u>6,634</u>

11. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
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>–</u>	<u>7,701</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 2023.

12. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share for the year attributable to the owners of the Company	<u>(7,115)</u>	<u>(1,007)</u>
Number of shares		
	2023	2022
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>128,342,000</u>	<u>128,342,000</u>

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

13. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	6,779	6,824
Other receivables	48	175
Rental and other deposits	3,499	2,939
Prepayments	<u>140</u>	<u>137</u>
	10,466	10,075
Less: Rental deposit classified as non-current assets	<u>–</u>	<u>(498)</u>
Current portion included in trade and other receivables	<u>10,466</u>	<u>9,577</u>

The Group does not hold any collateral over these balances.

As at 31 March 2023, the gross amount of trade receivables arising from contracts with customers amounted to HK\$6,779,000 (2022: HK\$6,824,000).

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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	5,116	3,527
31 to 60 days	1,623	3,183
61 to 90 days	–	–
91 to 120 days	40	95
Over 120 days	–	19
	<hr/> 6,779 <hr/>	<hr/> 6,824 <hr/>

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 2023 and 2022.

As at 31 March 2023, the Group writes off trade receivable of approximately HK\$56,000 (2022: nil) which was past due over one year.

The Group entered in a tenancy agreement with related company, of which directors of the Company have beneficial interests in related company, for leasing of property as service centre. As at 31 March 2023, the rental deposit paid to a related company of approximately HK\$418,000 (2022: nil) have been recognised as current rental deposit.

14. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	4,464	2,440
Accrued expenses and other payables	<u>2,662</u>	<u>2,636</u>
Total	7,126	5,076
Less: Other payables classified as non-current liabilities	<u>(189)</u>	<u>(189)</u>
Current portion included in trade and other payables	<u><u>6,937</u></u>	<u><u>4,887</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	4,414	2,338
31 to 60 days	16	10
61 to 90 days	–	–
Over 90 days	<u>34</u>	<u>92</u>
	<u><u>4,464</u></u>	<u><u>2,440</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 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u><u>128,342,000</u></u>	<u><u>12,834</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Due to weak demand and ongoing macroeconomic challenges, the global smartphone market experienced a slow market recovery. Nevertheless, 5G continues to grow and will account for 62% of global smartphones shipments in 2023, and it is expected that the global market will return to growth after short-term challenges as there are significant pent up refresh cycles in developed markets as well as room for smartphone penetration in emerging markets to fuel stable long-term growth. In the long run, it is forecasted that global smartphone shipments will grow at a five-year CAGR of 2.6%, according to IDC forecasts.

The market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is intensely competitive. Leverage on the Group's extensive industry experience, solid relationship with long-term customers and support from professional technical team, we believe that the Group can continue to deliver superior and high-quality services to customers and sustain its market leading position.

BUSINESS REVIEW

The Group has been providing repair and refurbishment services for mobile phones and consumer electronic devices in Hong Kong in the past decade, serving including corporate customers, telecommunication services providers and global services companies.

The Group strived to provide value-added services to attract more customers and expand market share. In October 2021 and January 2022, the Group gained from two existing customers to provide extra operation support and repair and refurbishment services for mobile phones. It boosted the Group's revenue to approximately HK\$51,381,000 (2022: HK\$34,757,000), representing a year-on-year increase of approximately 47.8% as compared to the year ended 31 March 2022. However, due to the thinner gross margin and the increase in impairment losses on property, plant and equipment and investment properties, the Group recorded loss of approximately HK\$7,115,000 for the year. In response to the difficult business environment, the Group has been closely monitoring the impact of the market condition on the Group's business development.

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 led to the increase in repairing service income for the year ended 31 March 2023 at approximately HK\$51,207,000 (2022: HK\$34,503,000), representing a year-on-year increase of approximately 48.4%. Revenue from sales of accessories and provision of supportive services for the year ended 31 March 2023 decreased approximately 31.5% to approximately HK\$174,000 as compared with approximately HK\$254,000 in the previous year.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. For the year ended 31 March 2023, cost of sales increased by approximately 87.6% over the previous year to approximately HK\$39,996,000 from approximately HK\$21,322,000. The increase in cost of sales was attributable to the increase in both parts cost and labour cost.

The Group's cost of inventories sold was approximately HK\$20,046,000 (2022: HK\$6,634,000), representing an increase of approximately 202.2% over the previous year. The increase in parts cost was in line with the increase in revenue.

Direct labour cost for the year ended 31 March 2023 was approximately HK\$19,950,000 (2022: HK\$14,688,000), representing an increase of approximately 35.8%. The increase was mainly due to the increase in manpower for the expansion of warehouse facilities and opening of new repair centre for two new service contracts.

Other Income and Gains

Other income and gains for the year was approximately HK\$3,973,000 (2022: HK\$3,511,000). Other income mainly comprised of management fee income, rental income, storage income, bank interest income together with gain on disposal, dividend and interest income from investment in financial assets. Apart from the above, the Group also recognised a Government grants from Employment Support Scheme of HK\$1,674,000 during the year (2022: HK\$51,000 in respect of COVID-19-related subsidies). Details of the other income and gains are set out in Note 6 to the consolidated financial statements.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the year ended 31 March 2023 were approximately HK\$4,185,000 (2022: HK\$2,158,000), representing an increase of approximately 93.9% over the previous year. The increase was mainly caused by the increase in direct cost, such as rental, building management fee, Government rent and rate depreciation of property, plant and equipment and utilities incurred for the expansion of warehouse facilities and opening of new repair centre.

Administrative expenses for the year ended 31 March 2023 was approximately HK\$13,569,000 (2022: HK\$13,168,000), representing a slight increase of approximately 3.0%. Administrative expenses comprises mainly depreciation, salaries, office rental and other office expenses.

Income Tax

Income tax credit for the year ended 31 March 2023 was approximately HK\$243,000 (2022 income tax expense: HK\$541,000).

Loss for the Year

Loss for the year ended 31 March 2023 was approximately HK\$7,115,000 (2022: HK\$1,007,000). The loss increase was mainly attributable to the combined effect of the following factors, (i) decrease in gross profit to approximately HK\$11,385,000 (2022: HK\$13,435,000); (ii) increase in impairment loss on property, plant and equipment and investment properties in the total amount of approximately HK\$4,497,000 (2022: nil); (iii) decrease in loss on changes in fair value of financial assets at fair value through profit or loss to approximately HK\$432,000 (2022: HK\$2,019,000); and (iv) increase in rental and related expenses for the expansion of warehouse facilities and opening of new repair centre.

INVESTMENTS IN FINANCIAL ASSETS

As at 31 March 2023, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$13,984,000 (2022: HK\$15,972,000), representing approximately 15.7% of the total assets of the Group as at 31 March 2023.

Securities Investment

The underlying shares price of a unlisted equity linked fixed coupon note (“FCN”) closed below the strike price on 31 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. As at 31 March 2023, the Group's securities investment at fair value through profit or loss amounted to approximately HK\$13,984,000 (2022: HK\$8,548,000). 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 2023 HK\$'000	Fair value loss for the year ended 31 March 2023 HK\$'000	Fair value as at 31 March 2023 HK\$'000	Approximate percentage of total assets of the Group as at 31 March 2023
HKEX (388) (Note 2)	40,160	0.0032%	16,111	301	432	13,984	15.7%

FCN Investment

As at 31 March 2023, the Group does not have any outstanding FCN investment (2022: HK\$7,424,000).

Note 1:

Stock short name	Stock code	Company name
HKEX	00388 HK	Hong Kong Exchanges 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 31 March 2023 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 year ended 31 December 2022, the audited consolidated profit attributable to shareholders of HKEX was approximately HK\$10,078 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 31 March 2023, the Group had current assets of approximately HK\$35,546,000 (2022: HK\$33,178,000) and current liabilities of approximately HK\$8,586,000 (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 year was approximately HK\$410,000. Net cash from investing activities was approximately HK\$1,008,000.

The Group maintained a healthy liquidity position as at 31 March 2023. The Group had cash and cash equivalents of approximately HK\$4,593,000 as at 31 March 2023 (2022: HK\$4,487,000). As at 31 March 2023, the Group had no outstanding bank borrowings.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group has no material contingent liabilities (2022: nil).

FOREIGN CURRENCY RISK

The Group's business are in Hong Kong and are denominated in Hong Kong dollars and United States dollars. The Group currently does not has 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.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not has any significant capital commitments (2022: nil).

DIVIDEND

	Year ended 31 March			
	2023		2022	
	HK\$ per share	HK\$'000 (audited)	HK\$ per share	HK\$'000 (audited)
Dividends recognised as distribution during the year:				
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

At a meeting held on 27 June 2023, the Board has resolved not to declare interim dividend for the year ended 31 March 2023 (2022: nil).

CAPITAL STRUCTURE

There was no change in the capital structure during the year ended 31 March 2023.

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 did not make any material acquisition or disposal of subsidiaries or associated companies during the year ended 31 March 2023. For the year ended 31 March 2022, the Group acquired properties for commercial use amounted to HK\$56,739,000.

Save as disclosed in the paragraph headed “Investment in Financial Assets” above and the investment properties held, the Group did not has any significant investment held as at 31 March 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed 91 (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, 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 that Hong Kong’s 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.

CORPORATE GOVERNANCE PRACTICES

Throughout the financial year from 1 April 2022 to 31 March 2023 (the “**Year**”), the Company has consistently adopted and complied with all the applicable code provisions of the section headed “Part 2 – Principles of good corporate governance code provision and recommended best practices” of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**” and the “**CG Code**”, respectively), except the deviation as disclosed below:

- 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 Year, the chief executive officer and chief financial officer of the Group have provided and will continue to provide to all members of the Board with updates on any material changes to the performance, position and prospects of the Company, which is considered with sufficient details to provide the general updates of the Company 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 of CG Code and/or the respective Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. In response to the specific enquires made by the Company on all Directors, they have confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

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 2023 or at any time during that year.

INTERIM DIVIDEND

On 27 June 2023, the Board does not recommend the payment of a interim dividend for the year ended 31 March 2023 (2022: nil).

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the “**AGM**”) will be held on Thursday, 17 August 2023. The notice of the AGM will be despatched to the Shareholders and available on the respective websites of the Company and the Stock Exchange in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

In order to determine the entitlement of Shareholders to attend and vote at the AGM which is scheduled to be held on Thursday, 17 August 2023, the register of members of the Company will be closed from Monday, 14 August 2023 to Thursday, 17 August 2023, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration 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 not later than 4:30 p.m. on Friday, 11 August 2023. Shareholders whose names are recorded in the register of members of the Company on 17 August 2023 are entitled to attend and vote at the 2023 AGM.

AUDIT COMMITTEE’S REVIEW

The Company has established an audit committee of the Board (the “**Audit Committee**”) in accordance with the Listing Rules to fulfill the functions of reviewing and providing supervision over the Company’s financial reporting process, internal control and risk management. The Audit Committee recently comprises three independent non-executive Directors (“**INEDs**”), and one of the INED acts as the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated final results as well as the internal control and risk management of the Group for the year ended 31 March 2023, which have been audited by the Group’s auditor, Messrs. SHINEWING (HK) CPA Limited.

PUBLICATION OF 2022/2023 FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the respective websites of the Company (www.tdhl.cc) and the Stock Exchange (www.hkexnews.hk). The 2022/2023 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the respective websites of the Company and the Stock Exchange above in due course in the manner as required by the Listing Rules.

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

Hong Kong, 27 June 2023

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.