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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 2024

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 2024 (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 2024

		Six months ended	
		30 September	
		2024	2023
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue	4	23,600	26,998
Cost of sales		(20,258)	(19,410)
		<hr/>	<hr/>
Gross profit		3,342	7,588
Other income and gain	6	3,725	1,745
Other operating expenses, net	7	(2,271)	(2,623)
Administrative expenses		(6,451)	(6,789)
Loss on changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		—	(2,193)
Finance costs	8	(120)	(52)
		<hr/>	<hr/>
Loss before tax		(1,775)	(2,324)
Income tax (expense) credit	9	(23)	29
		<hr/>	<hr/>
Loss and total comprehensive expense for the period	10	(1,798)	(2,295)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share (HK\$)			
Basic and diluted	12	(0.0140)	(0.0179)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		30 September 2024 <i>HK\$'000</i> (unaudited)	31 March 2024 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	<i>13</i>	1,692	2,148
Right-of-use asset	<i>14</i>	2,958	4,438
Investment properties	<i>15</i>	45,396	46,400
Deferred tax asset		757	721
Rental deposits	<i>17</i>	—	539
		50,803	54,246
Current assets			
Inventories		2,625	4,405
Financial assets at FVTPL	<i>16</i>	—	8,984
Trade and other receivables	<i>17</i>	11,883	13,896
Amounts due from related companies	<i>22(a)</i>	46	71
Pledged bank deposits		205	203
Bank balances and cash		12,545	3,811
		27,304	31,370
Current liabilities			
Trade and other payables	<i>18</i>	5,148	7,179
Lease liability		3,159	2,956
Amount due to a related company	<i>22(b)</i>	68	82
Tax payable		153	222
Bank borrowing	<i>20</i>	—	2,200
		8,528	12,639
Net current assets		18,776	18,731
Total assets less current liabilities		69,579	72,977
Non-current liabilities			
Lease liability		—	1,600
Other payables	<i>18</i>	208	208
Long service payment obligations		435	435
		643	2,243
Net assets		68,936	70,734
Capital and reserves			
Share capital	<i>19</i>	12,834	12,834
Reserves		56,102	57,900
Total equity		68,936	70,734

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>Note</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2023 (audited)	12,834	36,900	70	(26)	30,255	80,033
Loss and total comprehensive expense for the period	—	—	—	—	(2,295)	(2,295)
At 30 September 2023 (unaudited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(26)</u>	<u>27,960</u>	<u>77,738</u>
At 1 April 2024 (audited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(26)</u>	<u>20,956</u>	<u>70,734</u>
Loss and total comprehensive expense for the period	—	—	—	—	(1,798)	(1,798)
At 30 September 2024 (unaudited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(26)</u>	<u>19,158</u>	<u>68,936</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 2024

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Loss before tax	(1,775)	(2,324)
Adjustments for:		
Depreciation of property, plant and equipment	514	1,773
Depreciation of right-of-use asset	1,480	1,344
Depreciation of investment properties	1,004	451
Dividend income from financial assets at FVTPL	—	(177)
Bank interest income	(96)	(3)
Loss on changes in fair value of financial assets at FVTPL	—	2,193
Finance costs	120	52
Gain on disposal of financial assets at FVTPL	(1,448)	(49)
Government grants	—	(177)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(201)	3,083
Decrease in inventories	1,780	228
Decrease (increase) in trade and other receivables	2,552	(7,708)
Decrease (increase) in amounts due from related companies	25	(42)
(Decrease) increase in trade and other payables	(2,031)	1,252
Decrease in amount due to a related company	(14)	(84)
	<hr/>	<hr/>
Cash generated from (used in) operations	2,111	(3,271)
Hong Kong Profits Tax paid	(128)	—
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	1,983	(3,271)
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Interest received	96	3
Dividend received	—	177
Proceeds from disposal of financial assets at FVTPL	10,432	300
Purchase of property, plant and equipment	(58)	(790)
Placement of pledge bank deposit	(2)	(1)
	<hr/>	<hr/>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	10,468	(311)
	<hr/>	<hr/>

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Government grants received	—	177
Bank borrowing raised	—	2,200
Repayment of bank borrowing	(2,200)	—
Repayment of lease liability	(1,397)	(1,489)
Interest paid on lease liability	(96)	(3)
Interest paid on bank borrowing	(24)	(49)
	<hr/>	<hr/>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(3,717)	836
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,734	(2,746)
CASH AND CASH EQUIVALENTS AT 1 APRIL	3,811	4,593
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD,		
represented by bank balances and cash	12,545	1,847
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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 2024.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
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
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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	
	2024	2023
	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	23,495	26,932
— Sales of accessories and provision of supportive services	105	66
	<u>23,600</u>	<u>26,998</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 Period and the corresponding period in 2023, the Group's operations were located in Hong Kong.

During the Period, 100% (2023: 100%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong and 100% (2023: 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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer I	5,241	7,265
Customer II	3,829	4,764
Customer III	3,447	3,659
	<u>3,447</u>	<u>3,659</u>

6. OTHER INCOME AND GAIN

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Management fee income ^{Note (i)}	1,295	1,020
Bank interest income	96	3
Dividend income from financial assets at FVTPL	—	177
Storage income ^{Note (ii)}	295	36
Gain on disposal of financial assets at FVTPL	1,448	49
Government grants ^{Note (iii)}	—	177
Rental income (net of direct outgoings: nil)	571	283
Others	20	—
	<u>3,725</u>	<u>1,745</u>

Notes:

- (i) The amount represents management fee income received from manufacturers of mobile phones for the provision of management service such as inventory management, and software upgrade to 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.

7. OTHER OPERATING EXPENSES, NET

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Miscellaneous income charges	649	642
Less: Other operating expenses of service centres	<u>(2,920)</u>	<u>(3,265)</u>
Other operating expenses, net	<u>(2,271)</u>	<u>(2,623)</u>

8. FINANCE COSTS

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on:		
— lease liability	96	3
— bank borrowing	24	49
	<u>120</u>	<u>52</u>

9. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
— current period	59	—
Deferred tax		
— current period	(36)	(29)
	<u>23</u>	<u>(29)</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 FOR THE PERIOD

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period is arrived at after charging:		
Depreciation of property, plant and equipment	514	1,773
Depreciation of right-of-use asset	1,480	1,344
Depreciation of investment properties	1,004	451
Amount of inventories recognised as an expense	6,577	6,476
Lease expenses for short-term lease	968	836
	<u>968</u>	<u>836</u>

11. DIVIDENDS

At a meeting held on 28 November 2024, the Board has resolved to declare the second quarter interim dividend of HK\$0.02 per share for the period ended 30 September 2024 (2023: nil).

12. LOSS PER SHARE

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

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company	<u><u>(1,798)</u></u>	<u><u>(2,295)</u></u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>128,342</u></u>	<u><u>128,342</u></u>

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

13. PROPERTY, PLANT AND EQUIPMENT

The Group paid approximately HK\$58,000 (2023: HK\$790,000) on acquisition of property, plant and equipment during the Period.

In addition, the Group did not write off any property, plant and equipment during the Period (2023: nil).

14. RIGHT-OF-USE ASSET

During the Period, the Group did not recognise any additions to right-of-use asset and lease liability (2023: HK\$5,917,000) due to renew lease for buildings and premises.

15. INVESTMENT PROPERTIES

The Group did not acquire any investment property during the Period (2023: nil).

16. FINANCIAL ASSETS AT FVTPL

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Financial assets mandatorily measured at FVTPL		
— Equity securities listed in Hong Kong at market value ^(Note)	—	8,984

Note: The fair values of the listed equity securities were determined based on the quoted market bid prices available on the Stock Exchange.

17. TRADE AND OTHER RECEIVABLES

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Trade receivables	7,688	10,550
Other receivables	95	98
Rental and other deposits	3,640	3,644
Prepayments	460	143
	11,883	14,435
Less: Rental deposits classified as non-current assets	—	(539)
Current portion included in trade and other receivables	11,883	13,896

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 2024 and 31 March 2024.

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 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Within 30 days	4,401	6,746
31 to 60 days	2,997	2,446
61 to 90 days	290	1,284
91 to 120 days	—	74
	7,688	10,550

18. TRADE AND OTHER PAYABLES

	30 September 2024 <i>HK\$'000</i> (unaudited)	31 March 2024 <i>HK\$'000</i> (audited)
Trade payables	2,890	4,542
Accrued expenses and other payables	2,466	2,845
	<hr/>	<hr/>
Total	5,356	7,387
Less: Other payables classified as non-current liabilities	(208)	(208)
	<hr/>	<hr/>
Current portion included in trade and other payable	5,148	7,179
	<hr/> <hr/>	<hr/> <hr/>

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 2024 <i>HK\$'000</i> (unaudited)	31 March 2024 <i>HK\$'000</i> (audited)
Within 30 days	2,869	4,445
31 to 60 days	3	78
61 to 90 days	—	—
Over 90 days	18	19
	<hr/>	<hr/>
	2,890	4,542
	<hr/> <hr/>	<hr/> <hr/>

19. SHARE CAPITAL

	30 September 2024		31 March 2024	
	Number of shares '000	Share capital HK\$'000 (unaudited)	Number of shares '000	Share capital HK\$'000 (audited)
Ordinary shares of HK\$0.1 each				
Authorised				
At 1 April 2023, 31 March 2024, 1 April 2024 and 30 September 2024	1,000,000	100,000	1,000,000	100,000
Issued and fully paid				
At 1 April 2023, 31 March 2024, 1 April 2024 and 30 September 2024	128,342	12,834	128,342	12,834

20. BANK BORROWING

During the period, the Group did not obtain any bank revolving loan (31 March 2024: HK\$2,200,000). The bank borrowing carried interest at a floating interest rate of Hong Kong Interbank Offered Rate plus 2% p.a. and repayable within six months.

21. 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
	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)		
Financial instruments				
Financial assets at FVTPL				
— Equity securities listed in Hong Kong	—	8,984	Level 1	Quoted bid price in an active market

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

22. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Save as disclose elsewhere in this announcement, 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	
			2024	2023
			HK\$'000	HK\$'000
			(unaudited)	(unaudited)
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	454	554
Telecom Digital Services Limited	Received repairing service income therefrom	(i) & (iii)	32	37
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	256	289
Onbo International Limited	Rental expenses paid thereto	(ii) & (iii)	968	836
	Building management fee paid thereto	(ii) & (iii)	—	220
Distribution One Limited	Received repairing service income therefrom	(i) & (iii)	—	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
		2024	2024	2024	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(audited)	(unaudited)	(audited)
Telecom Digital Data Limited	(iii) & (iv)	42	42	46	52
Telecom Digital Services Limited	(iii) & (iv)	4	6	7	9
Distribution One Limited	(iii) & (iv)	—	23	23	94
		<u>46</u>	<u>71</u>		

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the related parties.
- (ii) The rental expenses and building management fee 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.

(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) **Banking facilities**

As at 30 September 2024, the unutilised banking facilities were HK\$10,200,000 (31 March 2024: HK\$8,000,000).

As at 30 September 2024, the unutilised banking facilities for investment purpose were US\$3,000,000 (31 March 2024: US\$3,000,000).

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

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

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Short-term benefits	2,484	2,453
Post-employment benefits	72	70
	<u>2,556</u>	<u>2,523</u>

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

23. 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 (2023: three years) as at 30 September 2024. 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	31 March
	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within one year	994	729
After one year but within two years	588	588
Over two years	147	441
	<u>1,729</u>	<u>1,758</u>

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 and provision of supportive services for corporate customers, telecommunications service providers and global services companies.

During the first half of 2024, Hong Kong's economy demonstrated resilience from overcoming obstacles on its path to recovery. However, the overall business environment remained challenging due to increased market competitions, weak consumer sentiment and the overall economy landscape in Hong Kong remained difficult. During the six months ended 30 September 2024, the Group recorded revenue of approximately HK\$23,600,000, as compared to HK\$26,998,000 for the corresponding period of last year, primarily due to the intense competition in the mobile phone and consumer electronic device repair service market. Loss for the Period has narrowed down from approximately HK\$2,295,000 to approximately HK\$1,798,000 which was mainly due to the gain on disposal of financial assets and the absence of loss on changes in fair value of financial assets during the Period.

FINANCIAL REVIEW

Revenue

The Group's revenue comprises repairing service income and income from sales of accessories and provision of supportive services. Repairing service continued to contribute stable source of income to the Group. Repairing service has generated revenue of approximately HK\$23,495,000 (2023: HK\$26,932,000), representing a decrease of approximately 12.8% over the corresponding period of previous year. Apart from repairing service income, revenue also covered sales of accessories and provision of supportive services of approximately HK\$105,000 for the Period (2023: HK\$66,000).

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 4.4% to approximately HK\$20,258,000 from approximately HK\$19,410,000.

The Group's cost of inventories sold was approximately HK\$6,577,000 (2023: HK\$6,476,000), representing a slight increase of approximately 1.6% from that of the previous year. Direct labour cost for the Period was approximately HK\$13,681,000 (2023: HK\$12,934,000), representing an increase of approximately 5.8% over the corresponding period of previous year. The increase mainly due to salaries adjustment.

Other Income and Gains

Other income and gains for the Period was approximately HK\$3,725,000 (2023: HK\$1,745,000). Other income mainly comprised of management fee income, rental income, storage income, gain on disposal of financial assets and bank interest income. The difference was mainly due to the increase in management fee income and rental income, and gain on disposal of financial assets at fair value through profit and loss of approximately HK\$1,448,000, offset with Government grants of approximately HK\$177,000 and dividend income generated from investment in financial assets of approximately HK\$177,000 in the same period of last year. Details of the other income and gains are set out in Note 6 to the condensed consolidated financial statements.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the Period were approximately HK\$2,271,000 (2023: HK\$2,623,000), representing a decrease of approximately 13.4% over the corresponding period of previous year.

Administrative expenses for the Period was approximately HK\$6,451,000 (2023: HK\$6,789,000), representing a slight decrease of approximately 5.0%.

There is no significant change in the Group's operating and administrative expenses. The decrease was mainly caused by the decrease in depreciation of fully depreciated assets.

Income Tax

Income tax expense for the Period was approximately HK\$23,000 (2023: income tax credit HK\$29,000).

Loss for the Period

Loss for the Period was approximately HK\$1,798,000 (2023: HK\$2,295,000). Loss reduction mainly benefited from the gain on disposal of financial assets and the absence of loss on changes in fair value of financial assets during the Period.

INVESTMENTS IN FINANCIAL ASSETS

As at 30 September 2024, the Group has disposed all the financial assets and generated a gain on disposal of financial assets at fair value through profit or loss of approximately HK\$1,448,000.

As at 31 March 2024, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$8,984,000.

The following table sets out the financial assets disposed by the Group during the Period:

Stock name:	HKEX ^(Note 1)
Number of securities disposed:	39,440
Approximate percentage held to the total issued share capital in the investment company:	0.0031%
Fair value as at 31 March 2024 (HK\$'000):	8,984
Approximate percentage of total assets of the Group as at 31 March 2024:	10.5%
Gain on disposal during the Period (HK\$'000):	1,448

Note 1:

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2024, the Group had current assets of approximately HK\$27,304,000 (31 March 2024: HK\$31,370,000) and current liabilities of approximately HK\$8,528,000 (31 March 2024: HK\$12,639,000).

At present, the Group generally finances its operations with internally generated cash flows. The Group maintained a healthy liquidity position as at 30 September 2024. The Group had cash and cash equivalents of approximately HK\$12,545,000 as at 30 September 2024 (31 March 2023: HK\$3,811,000).

Apart from providing working capital to support its business development, the Group also has available banking facilities to meet potential needs for business expansion and development. As at 30 September 2024, the Group has unutilised banking facilities of approximately HK\$10,200,000 available for further drawdown should it have any further capital needs. The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

CONTINGENT LIABILITIES

As at 30 September 2024, the Group has no material contingent liabilities (31 March 2024: 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 28 November 2023, the Board has resolved to declare the second quarter interim dividend of HK\$0.02 for the period ended 30 September 2024 (2023: nil).

CAPITAL COMMITMENTS

As at 30 September 2024, the Group did not have any significant capital commitments (31 March 2024: 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 had no material acquisitions or disposal of subsidiaries or associated companies during the Period (31 March 2024: 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 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2024, the Group employed 101 (31 March 2024: 109) 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

Looking ahead, the challenges stemming from the sluggish economy and subdued consumer sentiment continue to shadow the business environment in Hong Kong. Geopolitics and interest rates uncertainty continue to affect the local economy in Hong Kong. In view of such overhanging uncertainty, the Group will continue to take on a prudent approach in managing its business and operations.

Despite these challenges, the Group remains committed to solidify its strength by striving for excellence, delivering exceptional quality services and at the same time enhancing its operational efficiency. In addition, the Group will proactively explore new business opportunities to enhance its business model and broadening its income sources, aiming to optimize and generate long term returns for shareholders.

OTHER INFORMATION

SECOND QUARTER INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares the payment of the second quarter interim dividend of HK\$0.02 per share for the period ended 30 September 2024. The second quarter interim dividend will be payable in cash to shareholders whose names appear on the register of members of the Company on 18 December 2024 (Wednesday).

The register of members of the Company will be closed from 16 December 2024 (Monday) to 18 December 2024 (Wednesday) (both days inclusive), for the purpose of determining shareholders' entitlement to the second quarter interim dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the second quarter interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on 13 December 2024 (Friday). The second quarter interim dividend is expected to be paid on or about 13 January 2025 (Monday).

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 2024, 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 C3 to the Listing Rules, were as follows:

(i) Long position in ordinary shares of the Company

Name of Directors	Capacity	Number of Issued ordinary shares held	Approximately percentage of the Company's shares in issue ^{Note A}
CHEUNG King Shek ^{Note B}	Beneficial owner	6,528,000	5.09%
	Beneficiary of trust ^{Note C}	66,000,000	51.43%
	Interests held jointly with another ^{Note D}	1,384,000	1.08%
Mr. CHEUNG King Shan ^{Note B}	Beneficial owner	7,008,000	5.46%
	Beneficiary of trust ^{Note C}	66,000,000	51.43%
	Interests held jointly with another ^{Note D}	1,384,000	1.08%
CHEUNG King Chuen Bobby ^{Note B}	Beneficial owner	6,748,000	5.26%
	Beneficiary of trust ^{Note C}	66,000,000	51.43%
	Interests held jointly with another ^{Note D}	1,384,000	1.08%
CHEUNG King Fung Sunny ^{Note B}	Beneficial owner	6,748,000	5.92%
	Beneficiary of trust ^{Note C}	66,000,000	51.43%
	Interests held jointly with another ^{Note D}	1,384,000	1.08%

(ii) Long position in the shares of 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. In accordance with the SFO, Amazing Gain and the rest of the companies listed in the table below are associated corporations of the Company, as well as, each of the Cheung Brothers is deemed to have 100% interests in the said associated corporations.

Name of associated corporations	Capacity	Number of shares/ Amount of share capital	Approximate percentage of interest
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 2024.

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

Note C: 66,000,000 ordinary shares of the Company (representing approximately 51.43% of the issued Shares) were held by East-Asia, EastAsia is a wholly-owned subsidiary of Amazing Gain. The sole shareholder of Amazing Gain is KW Cheung Family Holdings Limited (“**KW Cheung Family Trust**”), which holds the shares in Amazing Gain as nominee for HSBC International Trustee Limited (trustee of the Cheung Family Trust). The Cheung Brothers are the beneficiary owner of the KW Cheung Family Trust, and the directors of East-Asia. Therefore, each of the Cheung Brothers is deemed to be interested in the shares of the Companies (shown in the table above) which held by the KW Cheung Family Trust under the SFO.

Note D: 1,384,000 ordinary shares of the Company (representing approximately 1.08% of the issued Shares) were jointly held by the Cheung Brothers. Therefore, each of the Cheung Brothers is deemed to be interested in the shares of jointly held.

Save as disclosed above, as at 30 September 2024, the Company is not aware of any of the Directors or their respective associates or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries or associated companies (as defined in 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 C3 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 2024, 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.

UPDATE ON THE DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, none of changes in the information of the directors of the Company since the date of the 2023/24 annual report of the Company required to be disclosed in this Interim Report.

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

As at 30 September 2024, 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%
HSBC International Trustee Limited ^{Note C}	Trustee (other than a bare trustee)	66,000,000	51.43%
Ms. TANG Fung Yin Anita ^{Note E}	Interest of spouse	74,424,000	57.99%
Ms. YEUNG Ho Ki ^{Note E}	Interest of spouse	75,018,000	58.45%

Note E: Ms. TANG Fung Yin Anita and Ms. YEUNG Ho Ki, spouse of Messrs. CHEUNG King Shan and CHEUNG King Fung Sunny respectively, in which are deemed to be interested in 74,424,000 shares and 75,018,000 shares, and that the Shares held by Messrs. CHEUNG King Shan and CHEUNG King Fung Sunny under the SFO.

Save as disclosed above, as at 30 September 2024, 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

Compliance with the Corporate Governance Code

The Board recognises the importance and benefits of good corporate governance practices and has adopted certain corporate governance and disclosure practices for enhancing the level of transparency and accountability. The Board members have regular discussions about the business strategies and performance of the Group and have regular trainings on Listing Rules and regulatory requirements from time to time.

Save and except as disclosed below, the Company had complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Listing Rules and, where appropriate, adopted the recommended best practices as set out in the CG Code throughout the Period.

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 Reporting Period, 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.

AUDIT COMMITTEE

The Board has formed an audit committee of the Company (the “**Audit Committee**”) in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The Audit Committee members currently comprise all of the independent non-executive Directors of the Company, namely Mr. FONG Ping, Ms. KWOK Yuen Man Marisa and Mr. TSO Ka Yi (the Chairman of Audit Committee) with written terms of reference in compliance with the CG Code. The Audit Committee and the Board have reviewed and approved the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 September 2024.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.tso.cc). The Company’s 2024 interim report will be despatched to Shareholders and will be published on the aforementioned websites in due course.

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

Hong Kong, 28 November 2024

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.