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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 2019

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 2019 (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 2019

		Six months ended 30 September	
		2019	2018
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Revenue	4	24,426	35,951
Cost of sales		<u>(13,607)</u>	<u>(20,062)</u>
Gross profit		10,819	15,889
Other income	6	1,391	2,068
Other operating expenses, net	7	(2,070)	(4,911)
Administrative expenses		<u>(6,437)</u>	<u>(8,196)</u>
Profit before tax		3,703	4,850
Income tax expense	8	<u>(440)</u>	<u>(659)</u>
Profit for the period	9	<u>3,263</u>	<u>4,191</u>

		Six months ended 30 September	
		2019	2018
		HK\$'000	HK\$'000
<i>Notes</i>		(unaudited)	(unaudited)
Other comprehensive expenses			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>—</u>	<u>(10)</u>
Total comprehensive income for the period		<u>3,263</u>	<u>4,181</u>
Earnings per share (HK\$)			
Basic		<i>11</i> 0.0254	0.0327
Diluted		<u>0.0254</u>	<u>0.0326</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
	Notes		
Non-current assets			
Plant and equipment	12	524	651
Deferred tax asset		<u>600</u>	<u>586</u>
		<u>1,124</u>	<u>1,237</u>
Current assets			
Inventories		1,353	1,294
Trade and other receivables	13	9,537	12,921
Amounts due from related companies	17(a)	244	428
Tax recoverable		3,183	3,637
Pledged bank deposits		201	201
Bank balances and cash		<u>88,977</u>	<u>86,749</u>
		<u>103,495</u>	<u>105,230</u>
Current liabilities			
Trade and other payables	14	4,034	5,277
Amount due to a related company	17(a)	<u>86</u>	<u>104</u>
		<u>4,120</u>	<u>5,381</u>
Net current assets		<u>99,375</u>	<u>99,849</u>
Net assets		<u>100,499</u>	<u>101,086</u>
Capital and reserves			
Share capital	15	12,834	12,834
Reserves		<u>87,665</u>	<u>88,252</u>
Total equity		<u>100,499</u>	<u>101,086</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>Note</i>	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2018 (audited)	<u>12,820</u>	<u>36,659</u>	<u>70</u>	<u>(160)</u>	<u>480</u>	<u>53,193</u>	<u>103,062</u>
Profit for the period	—	—	—	—	—	4,191	4,191
Exchange differences arising on translation of a foreign operation	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10)</u>	<u>—</u>	<u>—</u>	<u>(10)</u>
Total comprehensive (expense) income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10)</u>	<u>—</u>	<u>4,191</u>	<u>4,181</u>
Effect of share option							
— Issue of shares upon exercise	8	138	—	—	(3)	—	143
— Lapse	—	—	—	—	(430)	430	—
Dividends ^{Note 10}	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,976)</u>	<u>(8,976)</u>
At 30 September 2018 (unaudited)	<u>12,828</u>	<u>36,797</u>	<u>70</u>	<u>(170)</u>	<u>47</u>	<u>48,838</u>	<u>98,410</u>
At 1 April 2019 (audited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(170)</u>	<u>33</u>	<u>51,419</u>	<u>101,086</u>
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,263</u>	<u>3,263</u>
Effect of share option							
— Lapse	—	—	—	—	(33)	33	—
Dividends ^{Note 10}	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,850)</u>	<u>(3,850)</u>
At 30 September 2019 (unaudited)	<u>12,834</u>	<u>36,900</u>	<u>70</u>	<u>(170)</u>	<u>—</u>	<u>50,865</u>	<u>100,499</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 2019

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit before tax	3,703	4,850
Adjustments for:		
Depreciation of plant and equipment	188	497
Bank interest income	(1,045)	(1,324)
Loss on write-off of inventories	7	—
Operating cash flows before movements in working capital	2,853	4,023
(Increase) decrease in inventories	(66)	425
Decrease in trade and other receivables	3,384	5,303
Decrease in amount due from related companies	184	80
Decrease in trade and other payables	(1,243)	(2,303)
Decrease in amount due to related companies	(18)	(10)
NET CASH FROM OPERATING ACTIVITIES	5,094	7,518
INVESTING ACTIVITIES		
Placement of pledged bank deposits	—	(52)
Withdrawal of pledged bank deposits	—	8,373
Purchase of plant and equipment	(61)	—
Interest received	1,045	1,324
NET CASH FROM INVESTING ACTIVITIES	984	9,645
FINANCING ACTIVITIES		
Dividends paid	(3,850)	(8,976)
Proceeds from issue of shares upon exercise of share options	—	143
NET CASH USED IN FINANCING ACTIVITIES	(3,850)	(8,833)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,228	8,330
CASH AND CASH EQUIVALENTS AT 1 APRIL	86,749	78,170
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	—	(4)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balance and cash	88,977	86,496

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL

Telecom Service One Holdings Limited (the “Company”) is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 August 2012 and its shares are listed on GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 May 2013. On 27 March 2018, its shares have been transferred from GEM to the Main Board of the Stock Exchange (Stock Code: 3997). The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is at Portion B of Unit 1806 and Unit 1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The directors of the Company (the “Directors”) consider the immediate holding company is East-Asia and the ultimate parent is Cheung Family Trust.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are provision of repair and refurbishment services for mobile phones and other personal electronic products as well as sales of related accessories.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currencies for certain subsidiaries are Renminbi (“RMB”), Macau Patacas (“MOP”) and United States dollars (“US\$”). 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 2019.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKFRS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for HKFRS 16 as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impact and Changes in Accounting Policies of Application on HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. As at 30 September 2019, the Group has non-cancellable operating lease commitments of HK\$265,000 as disclosed in note 16.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

4. REVENUE

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Repairing service income	23,817	34,384
Sales of accessories	609	1,567
	24,426	35,951

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 therefor. 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 2018, the Group's operations were located in Hong Kong, the People's Republic of China (the "PRC") and Macau.

During the Period, 100% (2018: 98%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong and 100% (2018: 96%) 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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer I	8,921	9,433
Customer II	2,948	4,641
Customer III	<u>2,448</u>	<u>3,752</u>

6. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Management fee income <i>Note (i)</i>	11	108
Consignment goods handling income <i>Note (ii)</i>	156	165
Bank interest income	1,045	1,324
Storage income <i>Note (iii)</i>	132	384
Others	<u>47</u>	<u>87</u>
	<u>1,391</u>	<u>2,068</u>

Notes:

- (i) The amount represents management 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 fee income received for handling consignment goods for certain manufacturers of mobile phones at the Group's service centres.
- (iii) The amount represents storage income received from manufacturers of mobile phones for the provision of management service of damaged mobile phones in Hong Kong.

7. OTHER OPERATING EXPENSES, NET

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reimbursement of expenses for service centres	—	1
Miscellaneous income charges	<u>59</u>	<u>52</u>
	<u>59</u>	<u>53</u>
Other operating expenses of service centres	<u>(2,129)</u>	<u>(4,964)</u>
Other operating expenses, net	<u><u>(2,070)</u></u>	<u><u>(4,911)</u></u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
— current period	454	593
Deferred tax		
— current period	<u>(14)</u>	<u>66</u>
Total income tax expense for the period	<u><u>440</u></u>	<u><u>659</u></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 each period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for EIT has been made as there were no taxable profits for each period.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. No provision for Macau Complementary Income Tax has been made as there were no taxable profits for each period.

9. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period is arrived at after charging:		
Depreciation of plant and equipment	188	497
Loss on write-off of inventories	7	—
Amount of inventories recognised as an expense	5,838	7,041
Exchange loss, net	1,569	2,801
Operating lease rentals in respect of rented premises	<u>1,714</u>	<u>3,867</u>

10. DIVIDENDS

	Six months ended 30 September			
	2019		2018	
	<i>HK\$</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$'000</i>
	<i>per share</i>	(unaudited)	<i>per share</i>	(unaudited)
Dividends recognised as distribution during the periods:				
2017/18 fourth interim dividend	—	—	0.05	6,411
2018/19 first interim dividend	—	—	0.02	2,565
2018/19 fourth interim dividend	0.03	<u>3,850</u>	—	<u>—</u>
		<u>3,850</u>		<u>8,976</u>

At a meeting held on 21 November 2019, the Board declared the second interim dividend of HK\$0.01 per share for the six months ended 30 September 2019 (2018: HK\$0.01 per share).

11. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	<u>3,263</u>	<u>4,191</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	128,342,000	128,220,907
Effect of dilutive potential ordinary shares:		
— share options	<u>—</u>	<u>405,841</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>128,342,000</u>	<u>128,626,748</u>

The weighted average number of ordinary shares in issue during the period in 2018 represented the weighted average of 80,000 (2019: nil) ordinary shares issued upon the share options exercised during the period.

12. PLANT AND EQUIPMENT

During the Period, the Group paid approximately HK\$61,000 for the acquisition of plant and equipment (2018: nil).

In addition, the Group did not write off any plant and equipment during the Period (2018: nil).

13. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	5,752	7,657
Other receivables	55	245
Deposits	3,337	4,855
Prepayments	<u>393</u>	<u>164</u>
	<u>9,537</u>	<u>12,921</u>

The Group does not hold any collateral over these balances.

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

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

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within 30 days	2,651	3,317
31 to 60 days	2,065	4,107
61 to 90 days	854	6
91 to 120 days	166	193
Over 120 days	16	34
	<u>5,752</u>	<u>7,657</u>

14. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Trade payables	2,272	2,738
Accrued expenses and other payables	1,762	2,539
	<u>4,034</u>	<u>5,277</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 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within 30 days	520	1,022
31 to 60 days	143	107
61 to 90 days	—	—
Over 90 days	1,609	1,609
	<u>2,272</u>	<u>2,738</u>

15. SHARE CAPITAL

	30 September 2019		31 March 2019	
	Number of	Share	Number of	Share
	shares	capital	shares	capital
	'000	HK\$'000	'000	HK\$'000
	(unaudited)		(audited)	
Ordinary shares of HK\$0.1 each				
Authorised				
At the beginning and end of the period/year	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid				
At the beginning of the period/year	128,342	12,834	128,202	12,820
Issue of shares upon exercise of:				
— share options	<u>—</u>	<u>—</u>	<u>140</u>	<u>14</u>
At the end of the period/year	<u>128,342</u>	<u>12,834</u>	<u>128,342</u>	<u>12,834</u>

All shares issued during the Period and the year ended 31 March 2019 rank pari passu with existing shares in all respects.

16. OPERATING LEASE COMMITMENTS

The Group as lessee

As at the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within one year	<u>265</u>	<u>328</u>

The Group leases certain of its office premises and service outlets under operating lease arrangements. Leases are negotiated for a term of one year with fixed rentals as at 30 September 2019 (31 March 2019: one year).

17. RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Group had the following material transactions and balances with related parties during the periods:

		Six months ended 30 September		
		2019	2018	
		HK\$'000	HK\$'000	
	Nature of transaction	Notes	(unaudited)	(unaudited)
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	475	335
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	1,476	1,806
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	42	310
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	196	1,101
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	—	92
Telecom Digital Services Limited	Consignment fee paid thereto	(i) & (iii)	262	470
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	833	2,025
Telecom (Macau) Limited	Received repairing service income therefrom	(i) & (iii)	—	5
Distribution One Limited	Received repairing service income therefrom	(i) & (iii)	218	—

Details of amounts due from related companies are as follows:

		Maximum amount outstanding during the period/year ended			
		30 September 2019	31 March 2019	30 September 2019	31 March 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes	(unaudited)	(audited)	(unaudited)	(audited)
Telecom Digital Data Limited	(iii) & (iv)	105	396	396	888
Telecom Digital Services Limited	(iii) & (iv)	86	32	117	524
Distribution One Limited	(iii) & (iv)	53	—	159	1
		<u>244</u>	<u>428</u>		

Details of amount due to a related company are as follows:

		30 September 2019	31 March 2019
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Telecom Service Network Limited	(iii) & (iv)	<u>86</u>	<u>104</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.

(b) Banking facilities

During the Period, the Group's banking facilities of approximately HK\$200,000 (31 March 2019: HK\$200,000) were guaranteed by the Company.

As at 30 September 2019, the unutilised banking facilities guaranteed by the Company were approximately HK\$200,000 (31 March 2019: HK\$200,000).

(c) Operating lease commitment

As at 30 September 2019, the Group had commitments for future minimum lease payments to certain related parties of approximately HK\$265,000 (31 March 2019: HK\$328,000) under non-cancellable operating leases which fall due within one year.

(d) Compensation of key management personnel

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	1,811	1,851
Post-employment benefits	45	53
	<u>1,856</u>	<u>1,904</u>

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

18. SHARE-BASED PAYMENT TRANSACTION

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of the Company passed on 2 May 2013 for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses, providing additional incentives to the qualifying grantees, and promoting the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. Under the Share Option Scheme, the Board of the Company may grant options to eligible employees, including Directors and its subsidiaries, consultants, business partners or other eligible person as stated in the Share Option Scheme, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue during any 12-month period, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within twenty-eight days from the date of the offer, upon payment of HK\$1 per offer. Option periods of the options granted shall not be greater than a period of ten years from the date of grant of the options. The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the Period, a total of 780,000 share options granted on 6 July 2017 have been lapsed on 6 July 2019 upon the expiry of option period.

At 30 September 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 1,120,000 shares, representing 0.9% of the total number of shares of the Company in issue at that date.

The following table discloses movements of the Company's share options held by employees during the period ended 30 September 2019:

Category of participant	Date of grant	Outstanding as at 1 April 2019	Granted during the Period	Lapsed during the Period	Exercised during the Period	Outstanding as at 30 September 2019	Exercise period	Exercise price per share
Employees	6 July 2017	780,000	—	(780,000)	—	—	6 July 2017 – 5 July 2019	HK\$1.78
Weighted average exercise price (HK\$)		<u>1.78</u>	<u>—</u>	<u>1.78</u>	<u>—</u>	<u>—</u>		

The following table discloses movements of the Company's share options held by employees during the period ended 30 September 2018:

Category of participant	Date of grant	Outstanding as at 1 April 2018	Granted during the Period	Lapsed during the Period	Exercised during the Period	Outstanding as at 30 September 2018	Exercise period	Exercise price per share
Employees	7 July 2015	740,000	—	(740,000)	—	—	7 July 2015 – 6 July 2018	HK\$2.59
Employees	6 July 2017	1,380,000	—	(180,000)	(80,000)	1,120,000	6 July 2017 – 5 July 2019	HK\$1.78
Total		<u>2,120,000</u>	<u>—</u>	<u>(920,000)</u>	<u>(80,000)</u>	<u>1,120,000</u>		
Exercisable at the end of the period						<u>1,120,000</u>		
Weighted average exercise price (HK\$)		<u>2.06</u>	<u>—</u>	<u>2.43</u>	<u>1.78</u>	<u>1.78</u>		

In respect of the share options exercised during the period ended 30 September 2018, the weighted average share price immediately before the date on which the share options were exercised was HK\$2.93.

No share option was granted during the six months ended 30 September 2019 (2018: nil).

The fair values of share options granted on 6 July 2017 were calculated using the Binomial model. The inputs into the model were as follows:

	Options granted on 6 July 2017
Share price at date of grant	HK\$1.75
Exercise price	HK\$1.78
Expected volatility	48.24%
Expected life	2 years
Risk-free rate	0.91%
Expected dividend yield	6.01%
Exit rate	22.81%
Estimated fair value of each share option	HK\$0.0423

Expected volatility was determined by using the historical volatility of the share price of certain companies in the similar industry over the previous years.

19. USE OF PROCEEDS

The net proceeds from the placing and listing were approximately HK\$14.9 million, which was based on the final placing price of HK\$1.00 per share and the actual expenses on the listing and placing of shares of the Company. As disclosed in the prospectus of the Company (the “Prospectus”), HK\$13.4 million will be used for the acquisition of a commercial property in Hong Kong for use as a customer service centre. The balance of HK\$1.5 million will be reserved as general working capital.

Up to the date of this announcement, the net proceeds of HK\$13.4 million have not been utilised and are held by the Company in short-term deposits with licensed banks and authorised financial institutions in Hong Kong.

The Company currently intends to apply the net proceeds in the manner as stated in the Prospectus. The Directors will also constantly evaluate the Group’s business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established repair service provider in Hong Kong. The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories. The Group's customer base includes corporate customers such as manufacturers of mobile phones and personal electronic products, telecommunications services provider and global services companies, acting as their service provider to conduct repair and refurbishment services for their products and to their customers.

During the Period, Hong Kong experienced a significant slowdown in economic growth amid increasingly challenging business conditions. The Group was inevitably affected, recording revenue of approximately HK\$24,426,000, a 32.1% decrease when compared to the corresponding period of last year. The decrease was mainly due to an uncontrollable and unpredictable decrease of repair jobs. During the Period, the Group recorded an unrealised foreign exchange loss of approximately HK\$1,569,000, mainly attributable to the effects of the depreciation of the RMB against the Hong Kong dollar on its fixed deposit. This, compounded by the impact of fewer repair jobs, led to a net profit of approximately HK\$3,263,000 for the Period.

FINANCIAL REVIEW

Revenue

The Group's revenue comprises repairing service income and income from sale of accessories. The Group's revenue for the Period was approximately HK\$24,426,000 (2018: HK\$35,951,000), representing a decrease of approximately 32.1% over the corresponding period of the previous year.

Repairing service income for the Period was approximately HK\$23,817,000 (2018: HK\$34,384,000), representing a decrease of approximately 30.7% over the corresponding period of the previous year. The decrease in repair service income was primarily as a result of the decrease in job orders. Revenue from sales of accessories for the Period decreased approximately 61.1% to approximately HK\$609,000 as compared to HK\$1,567,000 in previous year.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the Period, cost of sales decreased to approximately HK\$13,607,000 (2018: HK\$20,062,000), representing a decrease of approximately 32.2%. The decrease in cost of sales was attributable to the decrease in both parts cost and direct labour cost. The Group's parts cost for the Period was approximately HK\$5,661,000 (2018: HK\$7,041,000), representing a decrease of approximately 19.6%. The decrease was mainly due to the decrease in repair jobs.

Direct labour cost for the Period was approximately HK\$7,769,000 (2018: HK\$13,021,000), representing a decrease of approximately 40.3%. The decrease was mainly due to a reduction in manpower.

Gross Profit and Gross Profit Margin

The gross profit for the Period was approximately HK\$10,819,000 (2018: HK\$15,889,000), representing a decrease of approximately 31.9% over the corresponding period of previous year. Gross profit margin slightly increased by 0.1% to 44.3% from 44.2%.

Other Income

Other income for the Period was approximately HK\$1,391,000 (2018: HK\$2,068,000), representing a decrease of approximately 32.7%. The decrease was mainly attributable to the decrease in bank interest income and storage income.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the Period were approximately HK\$2,070,000 (2018: HK\$4,911,000), representing a decrease of approximately 57.8% over the corresponding period of the previous year. The decrease was mainly due to the decrease in rental expenses for relocation of a repair centres.

Administrative expenses for the Period were approximately HK\$6,437,000 (2018: HK\$8,196,000), representing a decrease of approximately 21.5% over the corresponding period of the previous year. The decrease was mainly due to decrease in office rental.

Profit for the Period

The profit for the Period approximately HK\$3,263,000 (2018: HK\$4,191,000), representing a decrease of approximately 22.1% from the corresponding period of the previous year. The decrease was mainly due to decrease in repair service income.

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the Period (2018: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had current assets of approximately HK\$103,495,000 (31 March 2019: HK\$105,230,000) and current liabilities of approximately HK\$4,120,000 (31 March 2019: HK\$5,381,000).

At present, the Group generally finances its operations with internally generated cash flows and banking facilities. Net cash generated from operating activities for the Period was approximately HK\$5,094,000. Net cash from investing activities was approximately HK\$984,000.

The Group maintained a healthy liquidity position as at 30 September 2019. As at 30 September 2019, the Group had bank balances and cash of approximately HK\$89,178,000 (31 March 2019: HK\$86,950,000) including of pledged bank deposits of approximately HK\$201,000 (31 March 2019: HK\$201,000). Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the placing and listing of the issued ordinary shares of the Company on GEM on 30 May 2013 to meet potential needs for business expansion and development. As at 30 September 2019, the Group has no outstanding bank borrowing and the unutilised banking facilities of approximately HK\$200,000 available for further drawdown should it have any further capital needs.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities (31 March 2019: 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.

CAPITAL COMMITMENT

As at 30 September 2019, the Group did not have any significant capital commitment (31 March 2019: nil).

INTERIM DIVIDEND

At a meeting held on 21 November 2019, the Board declared the second interim dividend of HK\$0.01 per share for the six months ended 30 September 2019 (2018: HK\$0.01 per share).

CAPITAL STRUCTURE

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

The capital structure of the Group consists of bank overdrafts, bank borrowings net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves. The management reviews the capital structure regularly. As part of the review, they consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debt or the redemption of existing debt.

SIGNIFICANT INVESTMENTS HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company and did not own any properties during the Period (31 March 2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed 67 (31 March 2019: 85) 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 utilise cash on hand to create greater value and better returns. The Group is actively exploring appropriate investment opportunities that can help generate steady interest and capital gain.

Besides investing in financial products, the Group will continue to enhance its core competitiveness by devoting greater efforts towards the formulation of appropriate strategies for improving service quality, which in turn enable it to maintain its market leading position. As the outlook for the Hong Kong economy remains highly volatile due to events taking place internationally and locally, the Group will be particularly mindful of the need to execute business strategies that best respond to the ever-changing business environment. It will also conduct businesses prudently with a view to delivering stable returns to shareholders.

OTHER INFORMATION

SECOND INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared the payment of the second interim dividend of HK\$0.01 per share for the Period. The second interim dividend will be payable in cash to shareholders whose names appear on the register of members of the Company on Monday, 9 December 2019.

For the purpose of determining shareholders' entitlement to the second interim dividend, the register of members of the Company will be closed from Friday, 6 December 2019 to Monday, 9 December 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the second 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 Thursday, 5 December 2019.

The second interim dividend is expected to be paid on or about Monday, 16 December 2019.

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 2019, 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	6,354,000	4.95%
	Beneficiary of a trust ^{Note C}	66,000,000	51.43%
Mr. Cheung King Shan ^{Note B}	Beneficial owner	6,356,000	4.95%
	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	7,182,000	5.60%
	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	<i>Note C</i>	100	100%
East-Asia Pacific Limited	Beneficiary of a trust	<i>Note C</i>	6	100%
Telecom Service Limited	Beneficiary of a trust	<i>Note C</i>	2,000,000	100%
H.K. Magnetronic Company Limited	Beneficiary of a trust	<i>Note C</i>	50,000	100%
Oceanic Rich Limited	Beneficiary of a trust	<i>Note C</i>	10,000	100%
Glossy Investment Limited	Beneficiary of a trust	<i>Note C</i>	10,000	100%
Glossy Enterprises Limited	Beneficiary of a trust	<i>Note C</i>	10,000	100%
Yiutai Industrial Company Limited	Beneficiary of a trust	<i>Note C</i>	1,000	100%
Txtcom Limited	Beneficiary of a trust	<i>Note C</i>	100	100%
Telecom Properties Investment Limited	Beneficiary of a trust	<i>Note C</i>	24	100%
Telecom Digital Limited (incorporated in Macau)	Beneficiary of a trust	<i>Note C</i>	MOP100,000	100%
Hellomoto Limited	Beneficiary of a trust	<i>Note C</i>	1,000	100%
Marina Trading Inc.	Beneficiary of a trust	<i>Note C</i>	1	100%
Telecom Digital Limited	Beneficiary of a trust	<i>Note C</i>	2	100%
Silicon Creation Limited	Beneficiary of a trust	<i>Note C</i>	100	100%
Kung Wing Enterprises Limited	Beneficiary of a trust	<i>Note C</i>	1,000,000	100%
東莞恭榮房地產管理服務有限公司	Beneficiary of a trust	<i>Note C</i>	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 2019.

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 2019, 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.

On 6 July 2017, share options to subscribe for a total of 2,560,000 ordinary shares of HK\$0.1 each of the Company were granted under the Scheme. The shares which may be issued upon exercise of such share options by a grantee shall be subject to a non-disposal period of 90 days (including the exercise date) from the relevant exercise date of the share options, during which period the option shares are not allowed to be transferred.

On 6 July 2019, outstanding share options to subscribe for a total of 660,000 ordinary shares of HK\$0.1 each of the Company under the Scheme have been lapsed due to expiry of option period, representing approximately 0.51% of the Company’s shares in issue.

As at 30 September 2019, the Company has no share option granted and remained outstanding under the Scheme.

Details of the movement of the share options under the Scheme during the Period are as follows:

Grantees	Date of grant	Exercise price	Exercise period	Balance	Changes during		Balance
				as at	the Period		as at
				1 April 2019	Exercised	Lapsed	30 September 2019 ^{Note A}
Eligible employees ^{Note (i)}	6 July 2017	HK\$1.78 ^{Note (ii)}	6 July 2017– 5 July 2019 ^{Note (iii)}	780,000	–	(780,000) ^{Note (iv)}	–

Notes:

- (i) Eligible employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.
- (ii) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 5 July 2017) was HK\$1.75.
- (iii) All share options granted on 6 July 2017 do not have any vesting period.
- (iv) An aggregate lapsed share options included the outstanding share options to subscribe for 660,000 ordinary shares under the Scheme that have been lapsed due to expiry of option period on 6 July 2019.

Save as disclosed above, no share option lapsed or was granted, exercised or cancelled by the Company under the Scheme during the Period and there were no outstanding share options under the Scheme as at 30 September 2019.

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.

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

As at 30 September 2019, 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	72,356,000	56.38%
Ms. Yeung Ho Ki ^{Note D}	Interest of spouse	73,182,000	57.03%

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 72,356,000 shares and 73,182,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at 30 September 2019, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 2019, 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.

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 C.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 C.1.2.

REVIEW OF RESULTS

The audit committee of the Company (the “Audit Committee”) was established on 2 May 2013 with written terms of reference in compliance with the CG Code. The terms of reference 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, 21 November 2019

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.