



Telecom Service One

## **Telecom Service One Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 8145**

**First Quarterly Report**

# **2015/16**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “Directors”) of Telecom Service One Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# THE FINANCIAL STATEMENTS

## FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2015 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2014 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2015

		Three months ended 30 June	
	Notes	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	32,776	28,007
Cost of sales		(18,427)	(13,899)
Gross profit		14,349	14,108
Other income	4	459	591
Other operating expenses, net	5	(4,430)	(3,419)
Administrative expenses		(3,206)	(2,804)
Finance costs	6	(67)	—
Profit before tax		7,105	8,476
Income tax expense	7	(1,557)	(1,481)
Profit for the period		5,548	6,995
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations and total other comprehensive expense for the period		(8)	(14)
Total comprehensive income for the period		5,540	6,981
Earnings per share (HK\$)	9		
Basic		0.05	0.06
Diluted		0.04	0.06

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note b)	Warrant reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
1 April 2014 (Audited)	12,000	23,907	70	(60)	133	100	36,482	72,632
Profit for the period	—	—	—	—	—	—	6,995	6,995
Exchange differences arising on translation of foreign operations	—	—	—	(14)	—	—	—	(14)
Total comprehensive (expense) income for the period	—	—	—	(14)	—	—	6,995	6,981
Dividend	—	—	—	—	—	—	(30,000)	(30,000)
At 30 June 2014 (Unaudited)	12,000	23,907	70	(74)	133	100	13,477	49,613
1 April 2015 (Audited)	12,000	23,907	70	(60)	137	100	18,986	55,140
Profit for the period	—	—	—	—	—	—	5,548	5,548
Exchange differences arising on translation of foreign operations	—	—	—	(8)	—	—	—	(8)
Total comprehensive (expense) income for the period	—	—	—	(8)	—	—	5,548	5,540
At 30 June 2015 (Unaudited)	12,000	23,907	70	(68)	137	100	24,534	60,680

*Notes:*

- (a) During the year ended 31 March 2014, the Group acquired 100% of equity interest in Telecom Service One (Macau) Limited ("TSO Macau") from East-Asia Pacific Limited ("East-Asia"), a company 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 reorganization over the consideration paid for acquiring these subsidiaries.

- (b) As stipulated by regulations in Taiwan, Telecom Service One Taiwan Limited ("TSO TW"), a subsidiary of the Company, is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to statutory reserve before declaring any dividends to shareholders until the balance of the reserve reaches the respective registered capital. Subject to certain restrictions as set out in the relevant Taiwan regulations, the statutory reserve may be used to offset against accumulated losses of the relevant Taiwan company. The amount of transfer is subject to the approval of the board of directors of the relevant Taiwan company.

In addition, in accordance with the People's Republic of China (the "PRC") laws applicable to wholly-foreign owned investment enterprises, subsidiary of the Company operating in the PRC is required to set up a general reserve fund and appropriate at least 10% of the relevant company's annual profit after tax, as determined under the PRC accounting rules and regulations, to the general reserve fund until the balance of the reserve equals to 50% of its registered capital. This fund can be used to make good losses and to convert into paid-up capital.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 30 June 2015*

## 1. GENERAL

The Company was 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. 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 is Units 1805–1807, 18th Floor, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Directors consider the immediate holding company is East-Asia and the ultimate parent is the Cheung Family Trust, as defined in the section headed “Definition” to the prospectus of the Company dated 23 May 2013 (the “Prospectus”).

The Company is principally engaged in investment holding.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currencies for certain subsidiaries are Renminbi, Macau Pataca and New Taiwan dollars. 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 PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the consolidated financial statements for the year ended 31 March 2015. The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 April 2015. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

### 3. REVENUE

Revenue represents the amounts received and 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 period is as follows:

	Three months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Repairing service income	30,297	26,125
Sales of accessories	2,479	1,882
	32,776	28,007

#### Segment information

The Group is engaged in a single segment, the provision of mobile phone and consumer electronic devices repair service and the sales of related accessories and products 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 2014, the Group's operations are located in Hong Kong, China and Macau. More than 97% (2014: 98%) of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong during the three months ended 30 June 2015.

#### 4. OTHER INCOME

	Three months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Management fee income ( <i>Note i</i> )	131	121
Consignment goods handling income ( <i>Note ii</i> )	150	157
Bank interest income	49	189
Exchange gain, net	6	8
Others	123	116
	459	591

Notes:

- (i) The amount represents management fee income from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong.
- (ii) The amount represents fee income received for handling consignment goods for certain manufacturers of mobile phones at the Group's service centres.



## 5. OTHER OPERATING EXPENSES, NET

	Three months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Reimbursement of expenses for service centres	—	167
Service centres management income	210	218
Logistic service income	2	109
Miscellaneous income charges	26	118
	238	612
Other operating expenses of service centres	(4,668)	(4,031)
Other operating expenses, net	(4,430)	(3,419)

## 6. FINANCE COSTS

	Three months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on:		
Bank borrowings		
— wholly repayable within five years	67	—

## 7. **INCOME TAX EXPENSE**

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months ended 30 June 2015 (2014: 16.5%).

The applicable income tax rate in Taiwan is 17% of the estimated taxable profits. No provision for Taiwan income tax has been made as TSO TW did not have any taxable profits for both periods.

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 Enterprise Income Tax has been made as the PRC subsidiary did not have any taxable profits.

Macau Complementary Income Tax is charged at the progressive rate on the estimated taxable profits. No provision for Macau Complementary Income Tax has been made as the Macau subsidiary did not have any taxable profits for both periods.

## 8. **DIVIDEND**

The Board has resolved not to declare any dividend for the three months ended 30 June 2015 (2014: Nil).

## 9. EARNINGS PER SHARE

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

	Three months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	5,548	6,995
<b>Number of shares ('000)</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,000	120,000
Effect of dilutive potential ordinary share: Warrants	3,673	1,852
Weighted average number of ordinary shares for the purpose of diluted earnings per share	123,673	121,852

## **10. USE OF PROCEEDS**

The net proceeds from the Company's 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 placing and listing of shares of the Company. As at the date of this report, approximately HK\$1.5 million out of the net proceeds from the Listing has been used. The unused net proceeds were placed with banks in Hong Kong as short-term deposits. The Directors had considered that no modification of the use of proceeds as described in the Prospectus was required.

## **11. EVENT AFTER REPORTING PERIOD**

On 7 July 2015, the Company granted share options to the eligible participants (the "Grantees") pursuant to the Company's share option scheme adopted on 2 May 2013. The share options give the Grantees the right to subscribe for a total of 1,426,000 ordinary shares of HK\$0.1 each of the Company at an exercise price of HK\$2.59 per share. Details of the share options granted are set out in an announcement of the Company dated 7 July 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

The Group's repair and refurbishment services primarily cover mobile phones, pagers, two way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles. Its business objective is to boost the growth by enhancing the scope of the Group's repair and refurbishment services, strengthening the product knowledge and technical capability and expanding the scale of accessories business. At the same time, the Group will continue to explore other business opportunities for development that could support the goal of maximizing long-term shareholder value.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the three months ended 30 June 2015 was approximately HK\$32,776,000 (2014: HK\$28,007,000), representing an increase of 17.0 % over the corresponding period of the previous year. The increase in the Group's revenue was mainly due to higher revenue generated from the repair and refurbishment business.

## **Cost of Sales**

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the three months ended 30 June 2015, cost of sales increased to approximately HK\$18,427,000 (2014: HK\$13,899,000), representing an increase of 32.6%. The increase in cost of sales was attributable to the increase in both parts cost and labour cost. The Group's parts cost for the three months ended 30 June 2015 was approximately HK\$7,764,000 (2014: HK\$4,284,000), representing an increase of 81.2%. The increase was because the Group received more work orders which required the Group to purchase spare parts and components and such costs were not reimbursed. The Group's direct labour cost for the three months ended 30 June 2015 was approximately HK\$10,662,000 (2014: HK\$9,612,000), representing an increase of 10.9%. The increase was mainly due to the increase in manpower and pay raise.

## **Other Income**

Other income for the three months ended 30 June 2015 was approximately HK\$459,000 (2014: HK\$591,000), representing a decrease of 22.3%. The decrease was mainly attributable to the decrease in bank interest income.

## **Net Operating Expenses and Administrative Expenses**

Other operating expenses, net for the three months ended 30 June 2015 were approximately HK\$4,430,000 (2014: HK\$3,419,000), representing an increase of 29.6% over the corresponding period of the previous year. The increase was mainly due to the increase in rental for the expansion of the Group's repair centres and increase in market rental.

Administrative expenses for the three months ended 30 June 2015 was approximately HK\$3,206,000 (2014: HK\$2,804,000). The increase was mainly due to increase in office rental.

## **Profit before Tax**

The Group had recorded a profit before tax of approximately HK\$7,105,000 for the three months ended 30 June 2015 (2014: HK\$8,476,000), representing a decrease of 16.2% from the corresponding period of the previous year. The decrease was mainly due to increase in cost of sales.

## MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the three months ended 30 June 2015.

## OUTLOOK

Looking forward, the Group will continue to strengthen its leading position in the industry by enhancing the scope of the Group's repair and refurbishment services, strengthening the product knowledge and technical capability and expanding the accessories business. In this regard, the Company keeps meeting with its existing corporate customers and presenting to them the relevant existing competitive advantages of the Group so as to explore any new business opportunities. Apart from the above, the Group continues to review and implement the integration of resources regularly and focus on the optimization of the existing capacity of the service centres in Hong Kong, Macau and Mainland China with better advance scheduling and improved operating efficiency to enable new business capabilities.

## OTHER INFORMATION

### **Purchase, Sale or Redemption of the Company's Listed Securities**

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

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests and 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 Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### (i) *The Company* Long Position

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of the number of shares in issue
Mr. Cheung King Shek	Beneficial owner	6,000,000	5%
	Beneficiary of a trust (Note A)	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust (Note A)	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust (Note A)	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust (Note A)	66,000,000	55%



(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 Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the “Cheung Brothers”) is deemed to have 100% interest in the said associated corporations under the SFO.

Long Position

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

*Note A:*

The 66,000,000 shares representing 55% of the number of shares of the Company 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 June 2015, 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

### **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 has been approved by the shareholders of the Company on 2 May 2013, and came into effect after the Company was listed on the GEM of the Stock Exchange. No share options were 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 June 2015.

### **Non-listed Warrants**

On 17 February 2014, the Company and the placing agent entered into a placing agreement in respect of the placing of 12,000,000 warrants of the Company to not less than six independent placees at a price of HK\$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.1 each at a subscription price of HK\$1.64 in a three-year period commencing from the date of issue of the warrants, subject to adjustment upon occurrence of certain events. The placing was completed on 3 March 2014.

As at 30 June 2015, no warrants have been exercised by any registered warrant holders of the Company.

### **Directors' Right 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 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).

### **Directors' Securities Transactions**

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all 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 June 2015, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the number of shares of the Company 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 GEM Listing Rules:

### *Long Position*

Name of substantial shareholders	Capacity/Nature of interest	Number of issued ordinary shares held	Percentage of the number of shares in issue
East-Asia Pacific Limited <i>(Note A above)</i>	Beneficial owner	66,000,000	55%
Amazing Gain Limited <i>(Note A above)</i>	Interest in a controlled corporation	66,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Limited <i>(Note A above)</i>	Trustee (other than a bare trustee)	66,000,000	55%
Ms. Law Lai Ying Ida <i>(Note B)</i>	Interest of spouse	72,000,000	60%
Ms. Tang Fung Yin Anita <i>(Note B)</i>	Interest of spouse	72,000,000	60%
Ms. Yeung Ho Ki <i>(Note B)</i>	Interest of spouse	72,000,000	60%

### *Note B:*

Ms. Law Lai Ying Ida is the wife of Mr. Cheung King Shek. 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. Law Lai Ying Ida, Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 72,000,000 shares which are interested by their respective husbands.

Save as disclosed above, as at 30 June 2015, 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 June 2015, 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.

### **Interests of Compliance Adviser**

As notified by the Company's compliance adviser, China Everbright Capital Limited ("China Everbright"), other than disclosed below, as at 30 June 2015, neither China Everbright nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules:

- (i) the compliance adviser agreement entered into between the Company and China Everbright in May 2013; and
- (ii) the non-listed warrants placing agreement entered into between the Company and China Everbright Securities (HK) Limited (an associate of China Everbright) on 17 February 2014.

### **Corporate Governance Practices**

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM 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 all non-executive Directors (including independent non-executive Directors) 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 and 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 and internal control procedures of the Company; and to review arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus. Mr. Chu Kin Wang Peleus is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited first quarterly results for the Period.

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

Hong Kong, 11 August 2015

*As at the date of this report, the chairman and non-executive Director is Mr. Cheung King Shek; the chief executive officer and executive Director is Mr. Cheung King Fung Sunny; the non-executive Directors are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and the independent non-executive Directors are Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus.*

*The English text of this report shall prevail over the Chinese text in case of inconsistencies.*