



Telecom Service One

**Telecom Service One Holdings Limited**

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

**Stock Code: 8145**



Telecom Service One

FIRST QUARTERLY REPORT

**2014/15**

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

**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 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 of 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 unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2014 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2013 as follows:

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

For the three months ended 30 June 2014

	Notes	Three months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	28,007	20,410
Cost of sales		(13,899)	(9,706)
Gross profit		14,108	10,704
Other income	4	591	463
Other operating expenses, net	5	(3,419)	(3,038)
Administrative expenses		(2,804)	(4,940)
Finance costs	6	—	(40)
Profit before tax		8,476	3,149
Income tax expense	7	(1,481)	(758)
Profit for the period		6,995	2,391
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		(14)	(75)
Total comprehensive income for the period		6,981	2,316
Earnings per share (HK\$)			
Basic and diluted	9	0.06	0.02

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the three months ended 30 June 2014*

	Share capital	Share premium	Other reserve	Translation reserve	Statutory reserve	Warrant reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000
1 April 2013 (Restated)	60	10,970	70	103	133	—	21,908	33,244
Profit for the period	—	—	—	—	—	—	2,391	2,391
Exchange differences arising on translation of foreign operations	—	—	—	(75)	—	—	—	(75)
Total comprehensive (expense) income for the period	—	—	—	(75)	—	—	2,391	2,316
Capitalisation issue (Note c)	8,940	(8,940)	—	—	—	—	—	—
Issuance of ordinary shares in connection with the listing (Note d)	3,000	27,000	—	—	—	—	—	30,000
Share issue expenses	—	(5,123)	—	—	—	—	—	(5,123)
At 30 June 2013 (Unaudited)	12,000	23,907	70	28	133	—	24,299	60,437
1 April 2014 (Audited)	<b>12,000</b>	<b>23,907</b>	<b>70</b>	<b>(60)</b>	<b>133</b>	<b>100</b>	<b>36,482</b>	<b>72,632</b>
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
Dividends	—	—	—	—	—	—	(30,000)	(30,000)
At 30 June 2014 (Unaudited)	<b>12,000</b>	<b>23,907</b>	<b>70</b>	<b>(74)</b>	<b>133</b>	<b>100</b>	<b>13,477</b>	<b>49,613</b>

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 additions, 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.

- (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 after tax profit (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 respective Taiwan company. The amount of transfer is subject to the approval of the board of directors of the respective 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 respective 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.

- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 2 May 2013, the Directors were authorised to capitalise a sum of HK\$8,940,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 89,400,000 shares for allotment and issue to the then shareholders of the Company as at 2 May 2013 in proportion to their then respective shareholdings in the Company.
- (d) In connection with the Company’s placing and listing, the Company issued 30,000,000 ordinary shares of HK\$0.1 each at a price of HK\$1.0 each for a total consideration (before expenses) of approximately of HK\$30,000,000. Dealing of the Company’s shares on the GEM of the Stock Exchange commenced on 30 May 2013.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 30 June 2014*

### **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 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 unaudited consolidated financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

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 Company is principally engaged in investment holding.

## 2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited 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 2014. 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 January 2014. 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	
	2014 HK\$’000 (Unaudited)	2013 HK\$’000 (Unaudited)
Repairing service income	26,125	17,699
Sales of accessories	1,882	2,711
	28,007	20,410

### Segment information

The Group is engaged in a single segment, the provision of mobile phone and consumer electronic devices repair service. 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, the Group's operations are located in Hong Kong, China and Macau. More than 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 Period and the corresponding period in 2013.

Due to a reorganisation plan of a corporate customer, the Group closed its Taiwan service centre for such customer in November 2013. On the other hand, a new service centre has been set-up in Macau and will commence operation in the third quarter of 2014.

## 4. OTHER INCOME

	Three months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Management fee income (Note i)	121	131
Consignment goods handling income (Note ii)	157	130
Bank interest income	189	2
Exchange gain, net	8	19
Others	116	181
	<b>591</b>	<b>463</b>

Notes:

- (i) 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) 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

	<b>Three months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Reimbursement of expenses for service centres	<b>167</b>	237
Service centres management income	<b>218</b>	1,038
Logistic service income	<b>109</b>	65
Miscellaneous income charges	<b>118</b>	11
	<b>612</b>	1,351
Other operating expenses of service centres	<b>(4,031)</b>	(4,389)
Other operating expenses, net	<b>(3,419)</b>	(3,038)

**6. FINANCE COSTS**

	<b>Three months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on:		
Bank borrowings		
— wholly repayable within five years	—	40

**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% (for the three months ended 30 June 2013: 16.5%) of the estimated assessable profits for the Period.

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for the Period. No provision for Taiwan profits tax has been made as TSO TW ceased business in November 2013.

Pursuant to the Enterprise Income Tax Law which became effective on 1 January 2008, the PRC Enterprise Income Tax rate applicable to the subsidiary in the PRC is 25%. No provision for Enterprise Income Tax has been made as the PRC subsidiary does not have any assessable profits for the Period.

Macau Complementary Income Tax is charged at the progressive rate on the estimate assessable profit. No provision for Macau Complementary Income Tax has been made as the Macau subsidiary has not yet commenced business.

**8. INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the three months ended 30 June 2014 (for the three months ended 30 June 2013: 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:

	<b>Three months ended 30 June</b>	
	<b>2014</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2013 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	<b>6,995</b>	2,391
<b>Number of shares ('000)</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>120,000</b>	120,000

The weighted average number of 120,000,000 ordinary shares were in issue during the Period.

The weighted average number of ordinary shares in issue during the three months ended 30 June 2013 was based on the assumption that (i) 45,000,000 shares of HK\$0.1 each were in issue after the capitalisation issue pursuant to a group reorganisation to rationalise the structure of the Group in preparation of the listing of the Company's shares on the GEM of the Stock Exchange; and (ii) an additional 45,000,000 shares of HK\$0.1 each were issued after the share subscription pursuant to the subscription agreement between the Company and East-Asia.

The dilutive earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the three months ended 30 June 2014 and 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Our 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. We have 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. Our 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, we continue to explore other business opportunities for development that could support our goal of maximizing long-term shareholder value.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue for the three months ended 30 June 2014 was approximately HK\$28,007,000 (three months ended 30 June 2013: HK\$20,410,000), representing an increase of 37.2% over the corresponding period of the previous year. The increase in the Group's revenue was mainly due to higher revenue generated from the repairing and refurbishment business.

### **Cost of Sales**

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the Period, cost of sales increased to approximately HK\$13,899,000 (three months ended 30 June 2013: HK\$9,706,000), representing an increase of 43.2%. The increase in cost of sales was attributable to the increase in both parts cost and labour cost. The Group's parts cost was approximately HK\$4,284,000 (three months ended 30 June 2013: HK\$3,278,000), representing an increase of 30.7% from that of the corresponding period of the previous year. 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 was approximately HK\$9,612,000 (three months ended 30 June 2013: HK\$6,425,000), representing an increase of 49.6%. The increase was mainly due to the jobs increase in repairing and refurbishment business.

### **Other Income**

Other income for the three months ended 30 June 2014 was approximately HK\$591,000 (three months ended 30 June 2013: HK\$463,000), representing an increase of 27.6%. The increase was mainly attributable to the increase in bank interest income as compared to the corresponding period of the previous year.

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

Other operating expenses, net for the three months ended 30 June 2014 were approximately HK\$3,419,000 (three months ended 30 June 2013: HK\$3,038,000), representing an increase of 12.5% over the corresponding period of the previous year. The increase was mainly due to the decrease in management fee income due to downsizing of service centre for a corporate customer in January 2013 and TSO TW ceased business in November 2013.

Administrative expenses for the three months ended 30 June 2014 was approximately HK\$2,804,000 (three months ended 30 June 2013: HK\$4,940,000). The decrease was mainly due to the closure of the service centre in Taiwan and the one-off listing expenses incurred in the corresponding period of the previous year.

### **Profit before Tax**

The Group had recorded a profit before tax of approximately HK\$8,476,000 for the three months ended 30 June 2014, representing an increase of 169.2% from the corresponding period of the previous year.

## 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 2014.

## OUTLOOK

The Group will continue strengthening 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.

Apart from the above, the Group aims to expand its repair businesses outside Hong Kong. After setting up a service centre in Shenzhen in January 2014, we have already set up a new service centre for one of our existing corporate customers in Macau for the provision of repair and refurbishment services and for the sales of mobile phone accessories. The new service centre is expected to commence operation in the third quarter of 2014.

In order to further increase the revenue of the Group, we will continue to seek for new business opportunities and to develop investment opportunities to enhance the profitability and the shareholders' value of the Group.

## 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 2014, 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 issued share capital of the Company
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 (the “Cheung Brothers”) is deemed to have 100% interest in the said associated corporations under the SFO.

## Long Position

<b>Name of associated corporations</b>	<b>Nature of interest</b>	<b>Number of shares/Amount of share capital</b>	<b>Approximate percentage of interests</b>
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 Co. 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%
Telecom Service Network Limited	Beneficiary of a trust (Note A)	1,000	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 issued share capital of the Company 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 in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had any interests and 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 Company’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 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 2014 and at the date of this report.

### **Directors’ Right to Acquire Shares**

Save as disclosed above, at no time during the Period was the Company, or any of its holding companies, 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).

### 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 of the Company. Having made specific enquiry of all Directors of the Company 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 2014, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company 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 shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
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 2014, 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 2014, none of the Directors or their respective 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 2014 and the date of this report, neither China Everbright nor any of its directors or employees or associates had any interest in the share capital 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 and Corporate Governance Report (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 Executive Director has provided and will continue to provide to all Non-Executive Directors 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 are to review the financial information of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company’s external auditor.

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 2014

*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; 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. Chu Kin Wang Peleus.*