



**Telecom Service One Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 8145**



Telecom Service One

**INTERIM 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

### INTERIM 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 six months ended 30 September 2014 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2013 as follows:

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

For the six months ended 30 September 2014

	Notes	Three months ended 30 September		Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	4	<b>30,937</b>	23,787	<b>58,944</b>	44,197
Cost of sales		<b>(16,190)</b>	(14,366)	<b>(30,089)</b>	(24,072)
Gross profit		<b>14,747</b>	9,421	<b>28,855</b>	20,125
Other income	6	<b>668</b>	715	<b>1,251</b>	1,178
Other operating expenses, net	7	<b>(3,498)</b>	(3,901)	<b>(6,917)</b>	(6,939)
Administrative expenses		<b>(3,444)</b>	(2,023)	<b>(6,240)</b>	(6,963)
Finance costs	8	<b>(40)</b>	(44)	<b>(40)</b>	(84)
Profit before tax		<b>8,433</b>	4,168	<b>16,909</b>	7,317
Income tax expense	9	<b>(1,463)</b>	(786)	<b>(2,944)</b>	(1,544)
Profit for the period	10	<b>6,970</b>	3,382	<b>13,965</b>	5,773
Other comprehensive income (expense)					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		<b>19</b>	3	<b>5</b>	(72)
Other comprehensive income (expense) for the period		<b>19</b>	3	<b>5</b>	(72)
Total comprehensive income for the period		<b>6,989</b>	3,385	<b>13,970</b>	5,701
Earnings per share (HK\$)	12				
Basic		<b>0.06</b>	0.03	<b>0.12</b>	0.05
Diluted		<b>0.06</b>	0.03	<b>0.12</b>	0.05

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Non-current asset			
Plant and equipment	13	5,412	6,437
Current assets			
Inventories		7,707	7,255
Trade and other receivables	14	30,175	28,865
Amounts due from related companies	19	1,365	927
Pledged bank deposits		23,287	4,492
Bank balances and cash		13,508	33,882
		<b>76,042</b>	75,421
Current liabilities			
Trade and other payables	15	6,187	7,264
Amounts due to related companies	19	212	203
Tax payable		4,703	1,759
Bank borrowing	16	13,750	—
		<b>24,852</b>	9,226
Net current assets		<b>51,190</b>	66,195
Total assets less current liabilities		<b>56,602</b>	72,632
Capital and reserves			
Share capital	17	12,000	12,000
Reserves		44,602	60,632
Total equity		<b>56,602</b>	72,632

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	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
At 1 April 2013 (audited and restated)	60	10,970	70	103	133	—	21,908	33,244
Profit for the period	—	—	—	—	—	—	5,773	5,773
Exchange differences arising on translation of foreign operations	—	—	—	(72)	—	—	—	(72)
Total comprehensive (expense) income for the period	—	—	—	(72)	—	—	5,773	5,701
Capitalisation issue (Note c) Issuance of ordinary shares in connection with the listing (Note d)	8,940	(8,940)	—	—	—	—	—	—
Share issue expenses	3,000	27,000	—	—	—	—	—	30,000
	—	(5,123)	—	—	—	—	—	(5,123)
At 30 September 2013 (unaudited)	12,000	23,907	70	31	133	—	27,681	63,822
At 1 April 2014 (audited)	12,000	23,907	70	(60)	133	100	36,482	72,632
Profit for the period	—	—	—	—	—	—	13,965	13,965
Exchange differences arising on translation of foreign operations	—	—	—	5	—	—	—	5
Total comprehensive income for the period	—	—	—	5	—	—	13,965	13,970
Dividends	—	—	—	—	—	—	(30,000)	(30,000)
At 30 September 2014 (unaudited)	12,000	23,907	70	(55)	133	100	20,447	56,602

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 September 2014

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"), the immediate holding company of the Company which 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.

- (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 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 HK\$30,000,000. Dealing of the Company's shares on the GEM of the Stock Exchange commenced on 30 May 2013.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 September 2014*

	<b>Six months ended</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	<b>15,118</b>	6,556
INVESTING ACTIVITIES		
Placement of pledged bank deposits	<b>(18,795)</b>	(26,205)
Purchase of plant and equipment	<b>(876)</b>	(676)
Interest received	<b>470</b>	135
NET CASH USED IN INVESTING ACTIVITIES	<b>(19,201)</b>	(26,746)
FINANCING ACTIVITIES		
Dividend paid	<b>(30,000)</b>	—
Repayments of bank loan	<b>(1,250)</b>	—
Interest paid	<b>(40)</b>	(84)
New bank loan raised	<b>15,000</b>	—
Net proceeds from issue of shares	<b>—</b>	24,877
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<b>(16,290)</b>	24,793
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(20,373)</b>	4,603
CASH AND CASH EQUIVALENTS AT 1 APRIL	<b>33,882</b>	5,240
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(1)</b>	(69)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, represented by bank balances and cash	<b>13,508</b>	9,774

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 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 and its shares are listed on the GEM of the Stock Exchange on 30 May 2013. 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 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 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”) as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

In the Period, the Group has applied, for the first time, the following new interpretation ("Int") and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)*-Int 21	Levies

\* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee).

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

#### 4. 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 periods is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Repairing service income	27,117	20,527	53,242	38,226
Sales of accessories	3,820	3,260	5,702	5,971
	30,937	23,787	58,944	44,197

#### 5. 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 mobile phone accessories. 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 were located in Hong Kong and PRC (six months ended 30 September 2013: Hong Kong and Taiwan). More than 98% (six months ended 30 September 2013: 96%) of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets were located in Hong Kong during the two periods ended 30 September 2014. Hence, no geographical information is presented.

**5. SEGMENT INFORMATION (Continued)**

Due to a reorganisation plan of a former 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 or about December 2014.

**Information about major customers**

Details of the customers contributing over 10% of total revenue of the Group during the periods are as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
Customer I	<b>5,755</b>	—*	<b>13,996</b>	—*
Customer II	—*	3,880	—*	7,167
Customer III	—*	3,390	—*	6,780
Customer IV	—*	2,704	—*	5,162

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 6. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Management fee income (Note i)	82	59	203	190
Consignment goods handling income (Note ii)	165	375	322	505
Bank interest income	281	133	470	135
Exchange gain, net	—	12	—	31
Others	140	136	256	317
	668	715	1,251	1,178

## Notes:

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

## 7. OTHER OPERATING EXPENSES, NET

	Three months ended 30 September		Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Reimbursement of expenses for service centres	133	277	300	514
Service centres management income	—	995	218	2,033
Logistic service income	90	65	199	130
Miscellaneous income	603	15	721	26
	826	1,352	1,438	2,703
Other operating expenses of service centres	(4,324)	(5,253)	(8,355)	(9,642)
Other operating expenses, net	(3,498)	(3,901)	(6,917)	(6,939)

## 8. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on:				
Bank borrowings wholly repayable within five years	40	44	40	84

## 9. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong Profits Tax – current period	1,463	807	2,944	1,663
Deferred tax – current period	—	(21)	—	(119)
Total income tax expense for the period	1,463	786	2,944	1,544

## 9. INCOME TAX EXPENSE (Continued)

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 and six months ended 30 September 2014 (2013: 16.5%).

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for the three months and six months ended 30 September 2014 (2013: 17%). No provision for Taiwan profits tax has been made as TSO TW did not have any assessable profit for the two periods ended 30 September 2014.

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 taxation has been made as there were no assessable profits for the Period.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. No provision for Macau taxation has been made as there were no assessable profits for the two periods ended 30 September 2014.

**10. PROFIT FOR THE PERIOD**

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period is arrived at after charging (crediting):				
Depreciation of plant and equipment	<b>964</b>	1,013	<b>1,901</b>	2,010
Cost of inventories recognised as an expense	<b>5,710</b>	5,064	<b>9,994</b>	8,343
Exchange loss (gain), net	<b>114</b>	(12)	<b>106</b>	(31)
Operating lease rentals in respect of rented premises	<b>2,251</b>	1,755	<b>4,314</b>	3,706

**11. DIVIDENDS**

During the six months ended 30 September 2014, an interim dividend in respect of year ended 31 March 2014 of HK\$0.25 (2013: interim dividend in respect of year ended 31 March 2013 of nil) per share was declared and paid to the owners of the Company. The aggregate amount of the interim dividend declared and paid in the Period amounted to HK\$30,000,000 (six months ended 30 September 2013: nil).

At a meeting held on 10 November 2014, the Board declared a second interim dividend of HK\$0.10 per ordinary share for the first half of the financial year 2014/15 amounting to HK\$12,000,000.

## 12. 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:

	Three months ended 30 September		Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	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>6,970</b>	3,382	<b>13,965</b>	5,773
	Three months ended 30 September		Six months ended 30 September	
	2014 (unaudited)	2013 (unaudited)	2014 (unaudited)	2013 (unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>120,000,000</b>	120,000,000	<b>120,000,000</b>	110,163,934
Effect of dilutive potential ordinary shares:				
Warrants	—	—	<b>818,182</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>120,000,000</b>	120,000,000	<b>120,818,182</b>	110,163,934

**12. EARNINGS PER SHARE (Continued)**

The weighted average number of 110,163,934 ordinary shares were in issue during the six months ended 30 September 2013 after taking into account the capitalisation issue pursuant to the reorganisation.

The dilutive earnings per share was the same as the basic earnings per share as there were no other potential dilutive ordinary shares outstanding during the three months and six months ended 30 September 2013.

The computation of diluted earnings share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price for the share for the three months ended 30 September 2014.

**13. PLANT AND EQUIPMENT**

During the six months ended 30 September 2014, the Group paid approximately HK\$876,000 (six months ended 30 September 2013: HK\$676,000) in the acquisition of plant and equipment.

In addition, the Group did not dispose of any plant and equipment during the six months ended 30 September 2014 and 2013.

**14. TRADE AND OTHER RECEIVABLES**

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Trade receivables	<b>22,118</b>	20,858
Other receivables	<b>7,100</b>	7,697
Prepayment	<b>957</b>	310
	<b>30,175</b>	28,865

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.

**14. TRADE AND OTHER RECEIVABLES (Continued)**

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

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Within 30 days	<b>10,962</b>	7,066
31 to 60 days	<b>5,563</b>	11,528
61 to 90 days	<b>5,540</b>	4
Over 90 days	<b>53</b>	2,260
	<b>22,118</b>	20,858

**15. TRADE AND OTHER PAYABLES**

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Trade payables	<b>3,938</b>	4,276
Accrued expenses and other payables	<b>2,249</b>	2,988
	<b>6,187</b>	7,264

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.

**15. TRADE AND OTHER PAYABLES (Continued)**

The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Within 30 days	<b>2,451</b>	2,490
31 to 60 days	<b>14</b>	364
61 to 90 days	<b>15</b>	—
Over 90 days	<b>1,458</b>	1,422
	<b>3,938</b>	4,276

**16. BANK BORROWING**

During the Period, the Group obtained new bank loan amounting to HK\$15,000,000 (31 March 2014: nil). The bank borrowing carried interest at a floating interest rate of 1.4% above one-month Hong Kong Interbank Offered Rate and are repayable in instalments over a period of two years. The proceeds were used for general working capital.

**17. SHARE CAPITAL**

	Notes	30 September 2014 (unaudited)		31 March 2014 (audited)	
		Number of Shares	Share capital HK\$'000	Number of Shares	Share capital HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>					
<u>Authorised</u>					
At the beginning of period/year		<b>1,000,000,000</b>	<b>100,000</b>	3,800,000	380
Increase during the period/year	(a)	—	—	996,200,000	99,620
At the end of the period/ year		<b>1,000,000,000</b>	<b>100,000</b>	1,000,000,000	100,000
<u>Issued and fully paid</u>					
At the beginning of period/year		<b>120,000,000</b>	<b>12,000</b>	600,000	60
Issue of shares upon capitalisation issue	(b)	—	—	89,400,000	8,940
Issue of shares upon placing	(c)	—	—	30,000,000	3,000
At the end of the period/year		<b>120,000,000</b>	<b>12,000</b>	120,000,000	12,000

*Notes:*

- (a) Pursuant to the resolutions in writing of the shareholders of the Company passed on 2 May 2013, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by creation of 996,200,000 new shares of HK\$0.1 each.

**17. SHARE CAPITAL (Continued)**

- (b) 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.
- (c) 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.

All shares issued during the six months ended 30 September 2013 rank pari passu with existing shares in all respects.

**18. OPERATING LEASES COMMITMENT**

The Group as lessee

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:

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Within one year	<b>4,179</b>	6,525
In the second to fifth year inclusive	<b>128</b>	318
	<b>4,307</b>	6,843

The Group leases certain of its office premises and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three (as at 31 March 2014: one to three) years with fixed rentals as at 30 September 2014.

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of company	Nature of transactions	Notes	Three months ended 30 September		Six months ended 30 September	
			2014	2013	2014	2013
			HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Recurring in nature:						
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	318	188	547	360
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	741	573	1,366	909
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	55	123	55	246
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	231	231	461	461
H.K Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	26	—	26	—
Telecom Digital Services Limited	Licensing fee paid thereto	(i) & (iii)	—	6	6	14
	Consignment fee paid thereto	(i) & (iii)	666	—	1,218	—
Radiotex International Limited	Purchases of goods thereto	(i) & (iii)	66	115	226	432
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	1,794	3,881	3,115	7,167
	Telecommunication service fee paid thereto	(i) & (iii)	—	15	—	33
Telecom Digital Mobile Limited	Purchase of goods thereto	(i) & (iii)	—	—	—	1
	Consignment fee paid thereto	(i) & (iii)	—	509	—	884
Sun Mobile Limited (formerly known as "New World Mobility Limited")	Sales of goods therefrom	(i) & (iii)	1,043	—	1,055	1,000
Telecom (Macau) Limited	Received repairing service income therefrom	(i), (iii) & (iv)	6	10	15	20

**19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

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

Details of amounts due from related companies are as follows:

		<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
	<i>Notes</i>		
Telecom Digital Data Limited	(iii) & (v)	<b>642</b>	411
Telecom Digital Services Limited	(iii) & (v)	<b>282</b>	509
Telecom (Macau) Limited	(iii) & (v)	<b>2</b>	2
Sun Mobile Limited	(iii) & (v)	<b>439</b>	5
		<b>1,365</b>	927

Details of amounts due to related companies are as follows:

		<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
	<i>Notes</i>		
Telecom Service Network Limited	(iii) & (v)	<b>89</b>	60
Radiotex International Limited	(iii) & (v)	<b>44</b>	64
Sun Asia Pacific Limited	(iii) & (vi)	<b>79</b>	79
		<b>212</b>	203

**19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)****(a) The Group had the following material transactions and balances with related parties during the periods: (Continued)***Notes:*

- (i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.
- (ii) The rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.
- (iii) The Controlling Shareholders of the Company have beneficial interests in the company.
- (iv) Prior to 12 May 2014, Mr. Cheung King Shek, Mr. Cheung King Fung, Mr. Cheung King Chuen, Bobby, directors of the Company have beneficial interests in the company.
- (v) 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.
- (vi) The amount are unsecured, interest-free and repayable on demand.

**(b) Banking facilities**

During the six months ended 30 September 2014, the Group's banking facilities of HK\$10,000,000 (31 March 2014: HK\$5,000,000) were guaranteed by the Company.

As at 30 September 2014, the unutilised banking facilities guaranteed by the Company were HK\$10,000,000 (31 March 2014: HK\$5,000,000).

**(c) Operating leases commitment**

As at 30 September 2014, the Group had commitments for future minimum lease payments to certain related companies of approximately HK\$2,181,000 (31 March 2014: HK\$3,512,000) and approximately HK\$128,000 (31 March 2014: HK\$138,000) under non-cancellable operating leases which fall due within one year and in the second to fifth year inclusive respectively.

## 19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

## (d) Compensation of key management personnel

The remuneration of key management during the periods was as follow:

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Short-term benefits	451	402	828	717
Post-employment benefits	9	4	16	8
	460	406	844	725

The remuneration of the key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

## 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. 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 six months ended 30 September 2014 was approximately HK\$58,944,000 (six months ended 30 September 2013: HK\$44,197,000), representing an increase of 33.4% 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 business as a result of increase in work orders.

#### Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the Period, cost of sales was approximately HK\$30,089,000 (six months ended 30 September 2013: HK\$24,072,000), representing an increase of 25.0%. The increase in cost of sales was corresponded to the increase in revenue.

### Cost of Sales (Continued)

	<b>30 September 2014 HK\$'000 (unaudited)</b>	30 September 2013 HK\$'000 (unaudited)	Rates of Change
Cost of inventories sold	<b>9,994</b>	8,343	19.8%
Direct labour cost	<b>20,088</b>	15,722	27.8%
Depreciation	<b>7</b>	7	—
	<b>30,089</b>	24,072	25.0%

### Gross Profit and Gross Profit Margin

The gross profit for the six months ended 30 September 2014 was approximately HK\$28,855,000 (six months ended 30 September 2013: HK\$20,125,000), representing an increase of 43.4% over the previous year. Gross profit margin slightly increased by 3.5% to 49.0% from 45.5%.

### Other Income

Other income for the six months ended 30 September 2014 was approximately HK\$1,251,000 (six months ended 30 September 2013: HK\$1,178,000). Other income mainly contributed by management fee and consignment goods handling income and bank interest.

### Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the six months ended 30 September 2014 were approximately HK\$6,917,000 (six months ended 30 September 2013: HK\$6,939,000), representing a slightly decrease of 0.3% over the previous year. The decrease was mainly due to the following:

- (i) Decrease in service centres management fee income from a former corporate customer due to downsizing of business of that corporate customer in January 2013 and the Group's service centre in Taiwan ceased business in November 2013; and

### Net Operating Expenses and Administrative Expenses (Continued)

- (ii) Decrease in operating expenses due to the closure of Taiwan service centre and a parts centre in Hong Kong for that corporate customer.

Administrative expenses for the six months ended 30 September 2014 were approximately HK\$6,240,000 (six months ended 30 September 2013: HK\$6,963,000), representing a decrease of 10.4% over the previous year. The decrease was mainly due to the one-off listing expenses incurred in previous year.

### Profit before Tax

The Group had recorded a profit before tax of approximately HK\$16,909,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$7,317,000), representing an increase of 131.1% 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 six months ended 30 September 2014.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by its own working capital and bank borrowings. As at 30 September 2014, the Group had net current assets of approximately HK\$51,190,000 (31 March 2014: HK\$66,195,000) and had cash and cash equivalents of approximately HK\$13,508,000 (31 March 2014: HK\$33,882,000).

The Group has a current ratio of approximately 3.1 as at 30 September 2014 comparing to that of 8.2 as at 31 March 2014. As at 30 September 2014, the Group's gearing ratio was 24.7% as compared to 0.3% as at 31 March 2014, which is calculated based on the Group's total borrowings of approximately HK\$13,962,000 (31 March 2014: HK\$203,000) and the Group's total equity of approximately HK\$56,602,000 (31 March 2014: HK\$72,632,000). The Group's total cash at banks as at 30 September 2014 amounted to approximately HK\$36,795,000 (31 March 2014: HK\$38,374,000). The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

## CONTINGENT LIABILITIES

As at 30 September 2014, the Group did not have any material contingent liabilities (31 March 2014: 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 of the Group continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## CAPITAL COMMITMENTS

As at 30 September 2014, the Group did not have any significant capital commitments (31 March 2014: Nil).

## INTERIM DIVIDEND

The Directors proposed to declare and distribute to the shareholders an interim dividend of HK\$0.1 per share, payable on 28 November 2014 to Shareholders on record as at 26 November 2014.

## CAPITAL STRUCTURE

There was no change in the capital structure during the period ended 30 September 2014. The capital structure of the Group consists of 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, issuance 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, during the period ended 30 September 2014, the Group did not hold any significant investment in equity interest in any other company and did not own any properties.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2014, the Group employed approximately 221 (31 March 2014: 222) full time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

## OUTLOOK

Looking 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. Followed by the Shenzhen service centre, the Company will open a customer service centre in Macau to provide repair and refurbishment services for mobile phones and other personal electronic products for its largest corporate customer. It is expected that such service centre will commence business in or about December 2014. These are good opportunities for the Group to expand its business outside Hong Kong.

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period ended 30 September 2014 (the "Review Period") is set out below:

<b>Business objectives for the Review Period</b>	<b>Actual Business Progress for Review Period</b>
--	---

*Enhancing the scope of the repair and refurbishment services provided by the Group*

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Meet with existing corporate customers or new customers which manufacture such personal electronic products so as to present to such customers the relevant existing competitive advantages of the Group in the industry and understand the primary demands of such customers on the repair and refurbishment services.</li> </ul> | <ul style="list-style-type: none"> <li>• The Company met with its existing corporate customers and presented to them the relevant existing competitive advantages of the Group so as to explore any business opportunities.</li> </ul> |
| <ul style="list-style-type: none"> <li>• Explore business opportunities (such as providing the repair and refurbishment services for parts and accessories which have not been provided to the existing customers) to enhance the scope of repair and refurbishment services provided to existing clients.</li> </ul>   | <ul style="list-style-type: none"> <li>• The Group keeps exploring potential new business opportunities and new products to enhance the scope of the repair and refurbishment services.</li> </ul>                                     |

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS (Continued)

### Business objectives for the Review Period

- Evaluate and explore potential new personal electronic products (such as LCD monitors and other peripherals which consist of certain common parts and components and apply certain common technologies with the personal electronic products repaired and refurbished by the Group) for which the Group can provide repair and refurbishment services without incurring substantial additional labour costs and other operating expenses.
- Prepare feasibility study and cost planning if there is any such potential business opportunity.
- Negotiate terms of service agreement if the business opportunity matures.

### Actual Business Progress for Review Period

- Followed by the Shenzhen service centre opened in December 2013, the Company will open a new service centre for its largest corporate customer in Macau to provide repair and refurbishment services for mobile phones and other personal electronic products.

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS (Continued)

### **Business objectives for the Review Period      Actual Business Progress for Review Period**

#### *Strengthening the product knowledge and technical capability of the Group*

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Choose appropriate calibres in its technical team and customer service team.</li> <li>• Train the selected customer service staff and technicians by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products.</li> </ul> | <ul style="list-style-type: none"> <li>• Over 100 appropriate staff in the technical team and customer service team were chosen.</li> <li>• The selected customer service staff and technicians were trained by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products.</li> </ul> |
|---|---|

#### *Expanding the Group's sales on accessories*

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Identify more types of quality accessories with high profit margin.</li> <li>• Offer to sell the new accessories identified at the customer service centres of the Group and, on a consignment basis, at the retail shops of Telecom Digital Holdings Limited ("TDHL"), a connected person of the Company.</li> </ul> | <ul style="list-style-type: none"> <li>• Bluetooth earphones, chargers and handset cases were identified by the Group as accessories with high profit margin.</li> <li>• During the period, the Group has identified some new accessories, such as new types or models of handheld chargers, Bluetooth devices and handset cases (with digital printed diagrams) and have been selling such new accessories at the Group's customer service centres and TDHL's retail shops.</li> </ul> |
|--|---|

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS (Continued)

<b>Business objectives for the Review Period</b>	<b>Actual Business Progress for Review Period</b>
<ul style="list-style-type: none"> <li>• Study the sales figures of the accessories sold by the Group and identify the most profitable product mix.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company studied the sales figures of the accessories sold by the Group and identified the most profitable product mix.</li> </ul>

### 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, 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 report, 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.

## OTHER INFORMATION

### Interim Dividend and Closure of Register of Members

The Board is pleased to announce an interim dividend of HK\$0.1 per share, in respect of the six months ended 30 September 2014, payable on 28 November 2014 to shareholders of the Company on record as at 26 November 2014.

### Interim Dividend and Closure of Register of Members (Continued)

The register of members of the Company will be closed from 25 to 26 November 2014 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the abovementioned interim dividend, all transfer 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 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 24 November 2014.

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

As at 30 September 2014, 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 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 <sup>Note A</sup>	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust <sup>Note A</sup>	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust <sup>Note A</sup>	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust <sup>Note A</sup>	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	Nature of interest	Number of shares/ Amount of share capital	Approximate percentage of interests
Amazing Gain Limited	Beneficiary of a trust <sup>Note A</sup>	100	100%
East-Asia Pacific Limited	Beneficiary of a trust <sup>Note A</sup>	6	100%
Telecom Service Limited	Beneficiary of a trust <sup>Note A</sup>	2,000,000	100%
H.K. Magnetronic Co. Limited	Beneficiary of a trust <sup>Note A</sup>	50,000	100%
Oceanic Rich Limited	Beneficiary of a trust <sup>Note A</sup>	10,000	100%
Glossy Investment Limited	Beneficiary of a trust <sup>Note A</sup>	10,000	100%
Glossy Enterprises Limited	Beneficiary of a trust <sup>Note A</sup>	10,000	100%
Yiutai Industrial Company Limited	Beneficiary of a trust <sup>Note A</sup>	1,000	100%
Txtcom Limited	Beneficiary of a trust <sup>Note A</sup>	100	100%
Telecom Properties Investment Limited (formerly known as “Telecom Digital Holdings Limited (HK)”) <sup>Note A</sup>	Beneficiary of a trust <sup>Note A</sup>	24	100%
Telecom Digital Limited (incorporated in Macau)	Beneficiary of a trust <sup>Note A</sup>	MOP100,000	100%
Hellomoto Limited	Beneficiary of a trust <sup>Note A</sup>	1,000	100%
Marina Trading Inc.	Beneficiary of a trust <sup>Note A</sup>	1	100%
Telecom Digital Limited	Beneficiary of a trust <sup>Note A</sup>	2	100%
Silicon Creation Limited	Beneficiary of a trust <sup>Note A</sup>	100	100%
Kung Wing Enterprises Limited	Beneficiary of a trust <sup>Note A</sup>	1,000,000	100%
東莞恭榮房地產管理服務有限公司	Beneficiary of a trust <sup>Note A</sup>	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 September 2014, 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 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 September 2014 and at the date of this report.

**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 September 2014 and the date of this report, no warrants have been exercised by any registered warrant holders of the Company.

### **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' 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. 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 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/Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
East-Asia Pacific Limited <sup>Note A above</sup>	Beneficial owner	66,000,000	55%
Amazing Gain Limited <sup>Note A above</sup>	Interest in a controlled corporation	66,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Limited <sup>Note A above</sup>	Trustee (other than a bare trustee)	66,000,000	55%
Ms. Law Lai Ying Ida <sup>Note B</sup>	Interest of spouse	72,000,000	60%
Ms. Tang Fung Yin Anita <sup>Note B</sup>	Interest of spouse	72,000,000	60%
Ms. Yeung Ho Ki <sup>Note B</sup>	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 September 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 September 2014, none of the Directors nor 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 September 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.

### Update on Directors' Information under Rule 17.50A of the GEM Listing Rules

Changes of Directors' information since the Company's last published annual report required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules are set out below:

- With effect from 11 August 2014, Mr. Cheung King Fung Sunny was appointed the chief executive officer of the Company.

Save as disclosed above, the Company is not aware of other changes of the Directors' information which is required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

### 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 interim results for the Period.

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

Hong Kong, 10 November 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.*