



Telecom Service One

Telecom Service One Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8145



Telecom Service One

THIRD 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

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of the Company announces the condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 31 December 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 nine months ended 31 December 2014

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	3	34,719	24,848	93,663	69,045
Cost of sales		(17,645)	(14,316)	(47,734)	(38,388)
Gross profit		17,074	10,532	45,929	30,657
Other income	4	408	670	1,659	1,848
Other operating expenses, net	5	(3,852)	(3,397)	(10,769)	(10,336)
Administrative expenses		(5,528)	(3,058)	(11,768)	(10,021)
Finance costs	6	(69)	—	(109)	(84)
Profit before tax		8,033	4,747	24,942	12,064
Income tax expense	7	(1,744)	(807)	(4,688)	(2,351)
Profit for the period		6,289	3,940	20,254	9,713
Other comprehensive expense <i>Item that may be subsequently reclassified to profit or loss:</i> Exchange differences arising on translation of foreign operations		(5)	(35)	—	(107)
Other comprehensive expense for the period		(5)	(35)	—	(107)
Total comprehensive income for the period		6,284	3,905	20,254	9,606
Earnings per share (HK\$)	9				
Basic		0.05	0.03	0.17	0.09
Diluted		0.05	0.03	0.17	0.09

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 31 December 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	—	—	—	—	—	—	9,713	9,713
Exchange differences arising on translation of foreign operations	—	—	—	(107)	—	—	—	(107)
Total comprehensive (expense) income for the period	—	—	—	(107)	—	—	9,713	9,606
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 31 December 2013 (unaudited)	12,000	23,907	70	(4)	133	—	31,621	67,727
At 1 April 2014 (audited)	12,000	23,907	70	(60)	133	100	36,482	72,632
Profit for the period	—	—	—	—	—	—	20,254	20,254
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	20,254	20,254
Dividends	—	—	—	—	—	—	(42,000)	(42,000)
At 31 December 2014 (unaudited)	12,000	23,907	70	(60)	133	100	14,736	50,886

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 PRESENTATION AND ACCOUNTING POLICIES

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

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the consolidated financial statements for the year ended 31 March 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 periods is as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Repairing service income	31,804	23,596	85,046	61,822
Sales of accessories	2,915	1,252	8,617	7,223
	34,719	24,848	93,663	69,045

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 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 two periods ended 31 December 2014. Hence, no geographical information is presented.

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 has already commenced operation in December 2014.

4. OTHER INCOME

	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on disposal of plant and equipment (<i>Note i</i>)	—	200	—	200
Management fee income (<i>Note ii</i>)	122	37	325	227
Consignment goods handling income (<i>Note iii</i>)	112	227	434	732
Bank interest income	40	47	510	182
Exchange gain, net	—	29	—	60
Others	134	130	390	447
	408	670	1,659	1,848

Notes:

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

5. OTHER OPERATING EXPENSES, NET

	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reimbursement of expenses for service centres	193	260	493	774
Service centres management income	—	933	218	2,966
Logistic service income	65	65	264	195
Miscellaneous income	178	57	899	83
	436	1,315	1,874	4,018
Other operating expenses of service centres	(4,288)	(4,712)	(12,643)	(14,354)
Other operating expenses, net	(3,852)	(3,397)	(10,769)	(10,336)

6. FINANCE COSTS

	Three months ended		Nine months ended	
	31 December		31 December	
	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	69	—	109	84

7. INCOME TAX EXPENSE

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months and nine months ended 31 December 2014 (2013: 16.5%).

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for the three months and nine months ended 31 December 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 31 December 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 two periods ended 31 December 2014.

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 31 December 2014.

8. INTERIM DIVIDEND

On 9 July 2014, a dividend of HK\$0.25 per share was paid to the shareholders of the Company for the year ended 31 March 2014.

On 28 November 2014, a dividend of HK\$0.1 per share was paid to the shareholders of the Company as interim dividend for the six months ended 30 September 2014.

The Board has resolved not to declare any interim dividend for the nine months ended 31 December 2014.

9. EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Earnings				
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	6,289	3,940	20,254	9,713
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,000,000	120,000,000	120,000,000	113,454,545
Effect of dilutive potential ordinary shares:				
Warrants	—	—	394,921	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	120,000,000	120,000,000	120,394,921	113,454,545

The weighted average number of 120,394,921 ordinary shares were in issue during the nine months ended 31 December 2014 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 nine months ended 31 December 2014.

The computation of diluted earnings per 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 31 December 2014.

10. USE OF PROCEEDS

The net proceeds from the Company's placing and listing were approximately HK\$14.9 million, which was based on the final placing price of HK\$1.00 per share and the actual expenses on the placing and listing of shares of the Company. As at the date of this report, approximately HK\$1.5 million out of the net proceeds from the Listing has been used. The unused net proceeds were placed with banks in Hong Kong as short-term deposits. The Directors had considered that no modification of the use of proceeds as described in the Prospectus was required.

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 nine months ended 31 December 2014 was approximately HK\$93,663,000 (nine months ended 31 December 2013: HK\$69,045,000), representing an increase of 35.7% 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\$47,734,000 (nine months ended 31 December 2013: HK\$38,388,000), representing an increase of 24.3%. The increase in cost of sales corresponded to the increase in revenue.

Other Income

Other income for the nine months ended 31 December 2014 was approximately HK\$1,659,000 (nine months ended 31 December 2013: HK\$1,848,000), representing a decrease of 10.2%. Other income was mainly contributed by management fee and consignment goods handling income and bank interest. The decrease was mainly attributable to the gain on disposal of fixed assets in the amount of HK\$200,000 derived in the corresponding period of the previous year.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the nine months ended 31 December 2014 were approximately HK\$10,769,000 (nine months ended 31 December 2013: HK\$10,336,000), representing a slight increase of 4.2% over the corresponding period of the previous year. The increase was mainly due to the followings:

- (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
- (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 nine months ended 31 December 2014 was approximately HK\$11,768,000 (nine months ended 31 December 2013: HK\$10,021,000). The increase was mainly due to the increase in remuneration of employees.

Profit before Tax

The Group had recorded a profit before tax of approximately HK\$24,942,000 for the nine months ended 31 December 2014 (nine months ended 31 December 2013: HK\$12,064,000), representing an increase of 106.7% 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 nine months ended 31 December 2014.

OUTLOOK

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

OTHER INFORMATION

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

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

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

As at 31 December 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 ^{Note A}	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust ^{Note A}	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust ^{Note A}	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust ^{Note A}	66,000,000	55%

(ii) *Associated corporations*

Amazing Gain Limited (“Amazing Gain”) is one of the controlling shareholders of the Company and the holding company of the Company. The companies listed in the table below (apart from Amazing Gain) are wholly-owned subsidiaries of Amazing Gain. Hence, Amazing Gain and the rest of the companies listed in the table below are associated corporations of the Company under the SFO. Each of Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the “Cheung Brothers”) is deemed to have 100% interest in the said associated corporations under the SFO.

Long Position

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

Note A:

The 66,000,000 shares representing 55% of the 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 31 December 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 31 December 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 31 December 2014 and the date of this report, no warrants have been exercised by any registered warrant holders of the Company.

Directors' Right to Acquire Shares

Save as disclosed above, at no time during the Period was the Company, 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 31 December 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 ^{Note A above}	Beneficial owner	66,000,000	55%
Amazing Gain Limited ^{Note A above}	Interest in a controlled corporation	66,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Limited ^{Note A above}	Trustee (other than a bare trustee)	66,000,000	55%
Ms. Law Lai Ying Ida ^{Note B}	Interest of spouse	72,000,000	60%
Ms. Tang Fung Yin Anita ^{Note B}	Interest of spouse	72,000,000	60%
Ms. Yeung Ho Ki ^{Note B}	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 31 December 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 31 December 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 31 December 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 third quarterly results for the Period.

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

Hong Kong, 9 February 2015

As at the date of this report, the chairman and non-executive Director is Mr. Cheung King Shek; the chief executive officer and executive Director is Mr. Cheung King Fung Sunny; 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.