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Telecom Service One Holdings Limited

電訊首科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3997)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

INTERIM RESULTS

The board of directors (the “Board”) of Telecom Service One Holdings Limited (the “Company”) announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2018 (the “Period”), together with the corresponding comparative figures as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Revenue	4	35,951	52,950
Cost of sales		(20,062)	(25,343)
Gross profit		15,889	27,607
Other income	6	2,068	1,237
Other operating expenses, net	7	(4,911)	(4,988)
Administrative expenses		(8,196)	(7,433)
Finance costs	8	—	(1)
Profit before tax		4,850	16,422
Income tax expense	9	(659)	(2,855)
Profit for the period	10	4,191	13,567

		Six months ended	
		30 September	
		2018	2017
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Other comprehensive (expenses) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(10)</u>	<u>7</u>
Total comprehensive income for the period		<u>4,181</u>	<u>13,574</u>
Earnings per share (HK\$)	12		
Basic		0.0327	0.1059
Diluted		<u>0.0326</u>	<u>0.1058</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
	Notes		
Non-current assets			
Plant and equipment	13	1,301	1,799
Deferred tax asset		743	809
		<u>2,044</u>	<u>2,608</u>
Current assets			
Inventories		1,290	1,715
Trade and other receivables	14	13,644	18,952
Amounts due from related companies	18(a)	216	296
Tax recoverable		–	409
Pledged bank deposits		200	8,521
Bank balances and cash		86,496	78,170
		<u>101,846</u>	<u>108,063</u>
Current liabilities			
Trade and other payables	15	5,162	7,465
Amount due to a related company	18(a)	43	53
Tax payables		184	–
		<u>5,389</u>	<u>7,518</u>
Net current assets		<u>96,457</u>	<u>100,545</u>
Total assets less current liabilities		<u>98,501</u>	<u>103,153</u>
Non-current liability			
Long service payment obligation		91	91
Net assets		<u>98,410</u>	<u>103,062</u>
Capital and reserves			
Share capital	16	12,828	12,820
Reserves		85,582	90,242
Total equity		<u>98,410</u>	<u>103,062</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>Note</i>	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	12,800	36,315	70	(163)	456	34,382	83,860
Profit for the period	—	—	—	—	—	13,567	13,567
Exchange differences arising on translation of a foreign operation	—	—	—	7	—	—	7
Total comprehensive income for the period	—	—	—	7	—	13,567	13,574
Recognition of equity-settled share-based payment expenses <i>Note 19</i>	—	—	—	—	69	—	69
Effect of share option							
— Issue of shares upon exercise	18	310	—	—	(7)	—	321
— Lapse	—	—	—	—	(30)	30	—
Dividends <i>Note 11</i>	—	—	—	—	—	(1,282)	(1,282)
At 30 September 2017 (unaudited)	12,818	36,625	70	(156)	488	46,697	96,542
At 1 April 2018 (audited)	12,820	36,659	70	(160)	480	53,193	103,062
Profit for the period	—	—	—	—	—	4,191	4,191
Exchange differences arising on translation of foreign operations	—	—	—	(10)	—	—	(10)
Total comprehensive (expense) income for the period	—	—	—	(10)	—	4,191	4,181
Effect of share option							
— Issue of shares upon exercise	8	138	—	—	(3)	—	143
— Lapse	—	—	—	—	(430)	430	—
Dividends <i>Note 11</i>	—	—	—	—	—	(8,976)	(8,976)
At 30 September 2018 (unaudited)	12,828	36,797	70	(170)	47	48,838	98,410

Note: 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 was incorporated in the British Virgin Islands (“BVI”). The acquisition was accounted for using merger accounting. Other reserve represents the difference between the issued share capital of TSO Macau and the consideration paid for acquiring it.

In addition, other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries during the year ended 31 March 2013.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2018*

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	<u>7,518</u>	<u>25,145</u>
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(52)	(33,573)
Withdrawal of pledged bank deposits	8,373	–
Purchase of plant and equipment	–	(363)
Interest received	<u>1,324</u>	<u>576</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>9,645</u>	<u>(33,360)</u>
FINANCING ACTIVITIES		
Dividends paid	(8,976)	(1,282)
Repayments of bank borrowings	–	(240)
Interest paid	–	(1)
Proceeds from issue of shares upon exercise of share options	<u>143</u>	<u>321</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(8,833)</u>	<u>(1,202)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,330	(9,417)
CASH AND CASH EQUIVALENTS AT 1 APRIL	78,170	31,291
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(4)</u>	<u>8</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, represented by bank balances and cash	<u><u>86,496</u></u>	<u><u>21,882</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is at Units 1805–1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The shares of the Company listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 May 2013 and have been transferred of listing from GEM to Main Board of the Stock Exchange on 27 March 2018.

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

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

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currencies for certain subsidiaries are Renminbi (“RMB”), Macau Patacas (“MOP”) and United States dollars (“US\$”). For the purpose of presenting the condensed consolidated financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical costs basis and presented in HK\$, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

Except for Hong Kong Financial Reporting Standards (“HKFRS”) 9 and HKFRS 15 as set out below, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 March 2018.

Impact and Changes in Accounting Policies of Application on HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. In particular, the expected credit loss model may result in earlier recognition of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost.

Considered that the major debtors are large scale retailers and authorised financial institutions with high credit ratings and there is no history of default or late payment, the Directors assessed the implementation of the expected credit loss model would not result in any significant impact on the amounts reported in respect of the Group’s financial performance and position upon initial adoption of HKFRS 9.

Impact and Changes in Accounting Policies of Application on HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded the revenue recognition guidance of HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The management of the Group considered that the performance obligations that identified under HKFRS 15 are similar to the identification of revenue components under the Group’s previous revenue recognition policy developed under HKAS 18 and therefore, the adoption of HKFRS 15 had no significant impact on recognition of revenue.

Presentation of contract liabilities

Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Such balances are recognised as contract liabilities rather than payables. During the Period, the Group has no contract liability.

Except for to HKFRS 9 and HKFRS 15 as mentioned above, the adoption of the following new/revised HKFRSs that effective from the current period had no significant effects on the financial performance and financial position of the Group for the current and prior periods.

HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKAS 28	As part of Annual Improvements to HKFRS 2014-2016 Cycle

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial period beginning on 1 April 2018.

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:

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Repairing service income	34,384	51,492
Sales of accessories	1,567	1,458
	<u>35,951</u>	<u>52,950</u>

5. SEGMENT INFORMATION

The Group is engaged in a single segment, the provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories therefor. Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

During the Period and the corresponding period in 2017, the Group's operations were located in Hong Kong, the People's Republic of China (the "PRC") and Macau.

During the Period, more than 98% (2017: 97%) of the Group's revenue, based on the location of the operations, was generated in Hong Kong while as at 30 September 2018, 96% (2017: 95%) of the non-current assets, based on the geographical location of the assets, were located in Hong Kong. Hence, no geographical information is presented.

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer I	3,752	16,687
Customer II	9,433	8,199
Customer III	4,641	N/A*

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

6. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Management fee income <i>Note (i)</i>	108	191
Consignment goods handling income <i>Note (ii)</i>	165	185
Bank interest income	1,324	576
Others	471	285
	<u>2,068</u>	<u>1,237</u>

Notes:

- (i) The amount represents management fee income received from manufacturer 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

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reimbursement of expenses for service centres	1	49
Miscellaneous income	52	153
	<u>53</u>	<u>202</u>
Other operating expenses of service centres	(4,964)	(5,190)
Other operating expenses, net	<u>(4,911)</u>	<u>(4,988)</u>

8. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	<u>—</u>	<u>1</u>

9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
— current period	593	2,913
Deferred tax		
— current period	<u>66</u>	<u>(58)</u>
Total income tax expense for the period	<u>659</u>	<u>2,855</u>

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 each period.

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

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

10. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period is arrived at after charging:		
Depreciation of plant and equipment	497	754
Allowance for inventories (included in cost of sales)	–	163
Amount of inventories recognised as an expense	7,041	8,337
Exchange loss, net	2,801	1
Operating lease rentals in respect of rented premises	3,867	4,079

11. DIVIDENDS

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the periods:		
2017/18 first interim dividend (HK\$0.01 per share)	–	1,282
2017/18 fourth interim dividend (HK\$0.05 per share)	6,411	–
2018/19 first interim dividend (HK\$0.02 per share)	2,565	–
	8,976	1,282

At a meeting held on 22 November 2018, the Board declared the second interim dividend of HK\$0.01 per share for the six months ended 30 September 2018 (2017: HK\$0.02 per share).

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:

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	<u>4,191</u>	<u>13,567</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	128,220,907	128,060,033
Effect of dilutive potential ordinary shares:		
— share options	<u>405,841</u>	<u>112,462</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>128,626,748</u>	<u>128,172,495</u>

The weighted average number of ordinary shares in issue during the Period represented the weighted average of 80,000 ordinary shares (2017: 180,000 ordinary shares) issued upon the share options exercised during the Period.

13. PLANT AND EQUIPMENT

During the Period, there is no acquisition of plant and equipment (2017: HK\$363,000).

In addition, the Group did not write off any plant and equipment during the Period (2017: HK\$106,000).

14. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade receivables	7,982	13,324
Other receivables	212	347
Deposits	4,903	5,157
Prepayments	547	124
	<u>13,644</u>	<u>18,952</u>

The Group does not hold any collateral over these balances.

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

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

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Within 30 days	4,184	6,741
31 to 60 days	1,934	6,237
61 to 90 days	1,400	6
91 to 120 days	330	59
Over 120 days	134	281
	<u>7,982</u>	<u>13,324</u>

15. TRADE AND OTHER PAYABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade payables	2,926	2,736
Accrued expenses and other payables	<u>2,236</u>	<u>4,729</u>
	<u>5,162</u>	<u>7,465</u>

The average credit period on purchases of goods ranged from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within credit timeframe.

The following was the aged analysis of trade payables presented based on the invoice dates at the end of the reporting period/year:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Within 30 days	1,217	1,022
31 to 60 days	96	51
61 to 90 days	2	54
Over 90 days	<u>1,611</u>	<u>1,609</u>
	<u>2,926</u>	<u>2,736</u>

16. SHARE CAPITAL

	30 September 2018 (unaudited)		31 March 2018 (audited)	
	Number of shares '000	Share capital HK\$'000	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised				
At the beginning and end of the period/year	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid				
At the beginning of the period/year	128,202	12,820	128,002	12,800
Issue of shares upon exercise of:				
— share options	<u>80</u>	<u>8</u>	<u>200</u>	<u>20</u>
At the end of the period/year	<u>128,282</u>	<u>12,828</u>	<u>128,202</u>	<u>12,820</u>

All shares issued during the Period and the year ended 31 March 2018 rank pari passu with existing shares in all respects.

17. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Within one year	<u>1,028</u>	<u>1,800</u>

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 two years with fixed rentals as at 30 September 2018 (31 March 2018: one to three years).

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

			Six months ended	
			30 September	
			2018	2017
			HK\$'000	HK\$'000
Name of related parties	Nature of transaction	Notes	(unaudited)	(unaudited)
Recurring in nature:				
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	335	415
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	1,806	1,658
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	310	234
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	1,101	1,286
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	92	82
Marina Trading Inc.	Rental expenses paid thereto	(ii) & (iii)	–	39
Telecom Digital Services Limited	Consignment fee paid thereto	(i) & (iii)	470	436
	Rental expenses paid thereto	(ii) & (iii)	–	251
Radiotex International Limited	Purchase return of goods thereto	(i) & (iii)	–	1,378
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	2,025	1,981
Telecom (Macau) Limited	Received repairing service income therefrom	(i) & (iii)	5	10
Distribution One Limited	Purchase of goods therefrom	(i) & (iii)	–	57

Details of amounts due from related companies are as follows:

		Maximum amount outstanding during the period/year ended	
		30 September 2018	31 March 2018
		HK\$'000	HK\$'000
Notes		(unaudited)	(audited)
Telecom Digital Data Limited	(iii) & (iv)	183	217
Telecom Digital Services Limited	(iii) & (iv)	30	78
Telecom (Macau) Limited	(iii) & (iv)	3	1
		<u>216</u>	<u>296</u>

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

		30 September 2018	31 March 2018
		HK\$'000	HK\$'000
Notes		(unaudited)	(audited)
Telecom Service Network Limited	(iii) & (iv)	<u>43</u>	<u>53</u>

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the related parties.
- (ii) The rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the related parties.
- (iii) The controlling shareholders of the Company have beneficial interests in the related parties.
- (iv) The amounts were arisen from normal sales and purchase transactions. The amounts are unsecured, interest-free and expected to be settled according to their respective credit terms which are similar to those with third parties.

(b) Banking facilities

During the Period, the Group's banking facilities of approximately HK\$10,200,000 (31 March 2018: HK\$9,349,000) were guaranteed by the Company.

As at 30 September 2018, the unutilised banking facilities guaranteed by the Company were approximately HK\$10,200,000 (31 March 2018: HK\$9,349,000).

(c) Operating lease commitment

As at 30 September 2018, the Group had commitments for future minimum lease payments to certain related parties of approximately HK\$516,000 (31 March 2018: HK\$730,000) under non-cancellable operating leases which fall due within one year.

(d) Compensation of key management personnel

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

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	1,851	1,330
Post-employment benefits	53	45
	1,904	1,375

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

19. SHARE OPTION SCHEME

Equity-settled share option scheme of the Company

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

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

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

On 6 July 2017, the Company granted an aggregate of 2,560,000 share options to the eligible employees of the Company, to subscribe, in aggregate, for up to 2,560,000 ordinary shares of HK\$0.1 each of the share capital of the Company under the Share Option Scheme. The share options is subject to a non-disposal period of 90 days (including the exercise date) from the relevant exercise date of the share options, during which period the share options are not allowed to be transferred.

During the Period, a total of 740,000 share options (2017: Nil) granted on 7 July 2015 have been lapsed on 6 July 2018 upon the expiry of option period.

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

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

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

The following table discloses movements of the Company's share options held by employees during the period ended 30 September 2017:

Category of participant	Date of grant	Outstanding as at 1 April 2017	Granted during the Period	Cancelled/ Lapsed during the Period ^{Note}	Exercised during the Period	Outstanding as at 30 September 2017	Exercise period	Exercise price per share
Employees	7 July 2015	800,000	–	50,000	–	750,000	7 July 2015 — 6 July 2018	HK\$2.59
Employees	6 July 2017	–	2,560,000	960,000	180,000	1,420,000	7 July 2017 — 6 July 2019	HK\$1.78
Total		800,000	2,560,000	1,010,000	180,000	2,170,000		
Exercisable at the end of the period						2,170,000		
Weighted average exercise price (HK\$)		2.59	1.78		1.78	2.06		

Note: Included in the number of share options lapsed during the period, 920,000 share options represented the non-acceptance of share options by the employees at the date of grant. The other 90,000 share options were lapsed upon resignation of respective employees during the period.

In respect of the share options exercised during the Period, the weighted average share price immediately before the date on which the share options were exercised was HK\$2.93 (2017: HK\$2.28).

The Group recognised the total expense of approximately HK\$69,000 for the six months ended 30 September 2017 in relation to share options granted by the Company. No share option was granted during the six months ended 30 September 2018.

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

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

Expected volatility was determined by using the historical volatility of the similar industry as the Company's share price over the previous years. The exit rate in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established repair service provider in Hong Kong. The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products which cover pagers, two way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles, as well as the sales of related accessories and products. The Group's customer base includes corporate customers such as manufacturers of mobile phones and personal electronic products, telecommunications services provider and global services companies, acting as their service provider to conduct repair and refurbishment services for their products and to their customers. As at the date of this announcement, the Group has been appointed by eleven corporate customers. In order to provide conveniently accessible repair services to customers, the Group operates six service centres in Hong Kong.

During the Period, the Group recorded a revenue of approximately HK\$35,951,000, a 32.1% decrease when compared to the corresponding period of last year. The decrease was mainly due to an uncontrollable and unpredictable decrease of repair jobs. During the period, the Group recorded an unrealised foreign exchange loss of approximately HK\$2,801,000, mainly attributable to the effects of the depreciation of the RMB against the Hong Kong dollar on its fixed deposit. Consequently, this together with the decreased revenue, lead to the net profit for the Period reduced to approximately HK\$4,191,000.

FINANCIAL REVIEW

Revenue

The Group's revenue comprises repair service income and income from sale of accessories. The Group's revenue for the Period was approximately HK\$35,951,000 (2017: HK\$52,950,000), representing a decrease of approximately 32.1% over the corresponding period of the previous year.

Repairing service income for the Period was approximately HK\$34,384,000 (2017: HK\$51,492,000), representing a decrease of approximately 33.2% over the corresponding period of the previous year. The decrease in repair service income was primarily as a result of the decrease in job orders. Revenue from sales of accessories for the Period slightly increased approximately 7.5% to approximately HK\$1,567,000 as compared to HK\$1,458,000 in previous year. The increase was mainly due to the increase in sales order from a corporate customer.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the Period, cost of sales decreased to approximately HK\$20,062,000 (2017: HK\$25,343,000), representing a decrease of approximately 20.8%. The decrease in cost of sales was attributable to the decrease in both parts cost and direct labour cost. The Group's parts cost for the Period was approximately HK\$7,041,000 (2017: HK\$8,338,000), representing a decrease of approximately 15.5%. The decrease was mainly due to the decrease in repair jobs. The Group's direct labour cost for the Period was approximately HK\$13,021,000 (2017: HK\$17,005,000).

Gross Profit and Gross Profit Margin

The gross profit for the Period was approximately HK\$15,889,000 (2017: HK\$27,607,000), representing a decrease of approximately 42.4% over the corresponding period of previous year. Gross profit margin decreased by 7.9% to 44.2% from 52.1%. The decrease in gross profit margin was primarily because of the decrease in work orders for pre-loading of apps, such new work orders of pre-loading apps did not require the Group to purchase additional parts to perform such work orders.

Other Income

Other income for the Period was approximately HK\$2,068,000 (2017: HK\$1,237,000), representing an increase of approximately 67.1%. The increase was mainly attributable to the increase in bank interest income.

NET OPERATING EXPENSES AND ADMINISTRATIVE EXPENSES

Other operating expenses, net for the Period were approximately HK\$4,911,000 (2017: HK\$4,988,000), representing a slight decrease of approximately 1.5% over the corresponding period of the previous year. The decrease was mainly due to the decrease in rental expenses for relocation of a repair centres and the closure of Shenzhen repair centre.

Administrative expenses for the Period were approximately HK\$8,196,000 (2017: HK\$7,433,000), representing an increase of approximately 10.3% over the corresponding period of the previous year. The increase was mainly due to an unrealised exchange loss of approximately HK\$2,801,000 on a RMB fixed deposit.

Profit before Tax

The Group had recorded a profit before tax of approximately HK\$4,850,000 for the Period (2017: HK\$16,422,000), representing a decrease of approximately 70.5% from the corresponding period of the previous year. The decrease was mainly due to decrease in repair service income and the unrealised exchange loss on a RMB fixed deposit.

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the Period (2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had current assets of approximately HK\$101,846,000 (31 March 2018: HK\$108,063,000) and current liabilities of approximately HK\$5,389,000 (31 March 2018: HK\$7,518,000).

As at 30 September 2018, the Group's gearing ratio was 0.04% ((31 March 2018: 0.05%), which is calculated based on the Group's total borrowings of approximately HK\$43,000 (31 March 2018: HK\$53,000) and the Group's total equity of approximately HK\$98,410,000 (31 March 2018: HK\$103,062,000).

At present, the Group generally finances its operations with internally generated cash flows and banking facilities. Net cash generated from operating activities for the Period was approximately HK\$7,518,000. Net cash from investing activities was approximately HK\$9,645,000.

The Group maintained a healthy liquidity position as at 30 September 2018. As at 30 September 2018, the Group had bank balances and cash of approximately HK\$86,496,000 (31 March 2018: HK\$78,170,000). Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the placing and listing of the issued ordinary shares of the Company on GEM on 30 May 2013 to meet potential needs for business expansion and development. As at 30 September 2018, the Group has no outstanding bank borrowing and the unutilised banking facilities of approximately HK\$10,200,000 available for further drawdown should it have any further capital needs.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: Nil).

FOREIGN CURRENCY RISK

The majority of the Group's business are in Hong Kong and are denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENT

As at 30 September 2018, the Group did not have any significant capital commitment (31 March 2018: Nil).

INTERIM DIVIDEND

At a meeting held on 22 November 2018, the Board declared the second interim dividend of HK\$0.01 per share for the six months ended 30 September 2018 (2017: HK\$0.02 per share).

CAPITAL STRUCTURE

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

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

SIGNIFICANT INVESTMENTS HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company and did not own any properties during the Period (31 March 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 114 (31 March 2018: 142) 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 ahead, the Group will proactively review and explore other business and investment opportunities, so as to widen the sources of income and increase its returns. The Group will continue its strategy to diversify its business, which in turn will enable it to respond to the ever-changing market environment and create synergies with the core repair service business.

The Group will also apply stringent cost-control strategies and continue to streamline its management procedures as well as integrate external and internal resources in order to maintain a high operating efficiency. Apart from the cost control measures, the Group will also devote greater efforts to formulate appropriate strategies to improve quality of its services, so as to maintain its market leading position, with the aim to drive sustainable profitability and thereby generating better returns for shareholders.

OTHER INFORMATION

SECOND INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared the payment of the second interim dividend of HK\$0.01 per share for the Period. The second interim dividend will be payable in cash to shareholders whose names appear on the register of members of the Company on Monday, 10 December 2018.

For the purpose of determining shareholders' entitlement to the second interim dividend, the register of members of the Company will be closed from Friday, 7 December 2018 to Monday, 10 December 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the second interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 6 December 2018.

The second interim dividend is expected to be paid on or about Tuesday, 18 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules, were as follows:

(i) The Company

Long Position

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue <i>Note A</i>
Mr. Cheung King Shek <i>Note B</i>	Beneficial owner	6,314,000	4.92%
	Beneficiary of a trust <i>Note C</i>	66,000,000	51.45%
Mr. Cheung King Shan <i>Note B</i>	Beneficial owner	6,244,000	4.87%
	Beneficiary of a trust <i>Note C</i>	66,000,000	51.45%
Mr. Cheung King Chuen Bobby <i>Note B</i>	Beneficial owner	6,748,000	5.26%
	Beneficiary of a trust <i>Note C</i>	66,000,000	51.45%
Mr. Cheung King Fung Sunny <i>Note B</i>	Beneficial owner	7,182,000	5.60%
	Beneficiary of a trust <i>Note C</i>	66,000,000	51.45%

(ii) Associated corporations

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

Long Position

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

Note A: The calculation is based on 128,282,000 shares of the Company in issue as at 30 September 2018.

Note B: Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the “Cheung Brothers”)

Note C: The 66,000,000 shares representing approximately 51.45% of the Company’s shares in issue are held by East-Asia. East-Asia is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares/share capital in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of attracting and retaining the best quality personnel for the development of the Group’s businesses; providing additional incentives to the qualifying grantees; and promoting the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The Scheme was adopted by the shareholders of the Company on 2 May 2013 which will remain in force for a period of 10 years from the effective date of the Scheme.

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

As at 30 September 2018, an aggregate of 1,120,000 shares were issuable for the outstanding share options granted under the Scheme, representing approximately 0.87% of the Company’s shares in issue.

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

Grantees	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2018	Changes during the Period		Balance as at 30 September 2018 ^{Note A}
					Exercised	Lapsed	
Eligible employees ^{Note (i)}	7 July 2015	HK\$2.59 ^{Note (ii)}	7 July 2015 – 6 July 2018 ^{Note (iii)}	740,000	–	(740,000) ^{Note (iv)}	–
Eligible employees ^{Note (i)}	6 July 2017	HK\$1.78 ^{Note (v)}	6 July 2017 – 5 July 2019 ^{Note (vi)}	1,380,000	(80,000) ^{Note (vii)}	(180,000)	1,120,000
				<u>2,120,000</u>	<u>(80,000)</u>	<u>(920,000)</u>	<u>1,120,000</u>

Notes:

- (i) Eligible employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.
- (ii) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 6 July 2015) was HK\$2.22.
- (iii) All share options granted on 7 July 2015 do not have any vesting period.
- (iv) The share options to subscribe for a total of 690,000 ordinary shares of HK\$0.1 each of the Company under the Share Option Scheme have been lapsed on 6 July 2018 due to expiry of option period.
- (v) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 5 July 2017) was HK\$1.75.
- (vi) All share options granted on 6 July 2017 do not have any vesting period.
- (vii) The weighted average closing price of the shares of the Company immediately before the date on which the shares options were exercised was HK\$2.93.

Save as disclosed above, no share option lapsed or was granted, exercised or cancelled by the Company under the Scheme during the Period and there were no outstanding share options under the Scheme as at 30 September 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the Period was the Company, its holding companies, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors who were in office during the Period, all of them have confirmed that they have complied with the Model Code throughout the Period.

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

As at 30 September 2018, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Long Position

Name of substantial shareholders	Capacity/ Nature of interest	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue <i>Note A</i>
East-Asia Pacific Limited <i>Note C</i>	Beneficial owner	66,000,000	51.45%
Amazing Gain Limited <i>Note C</i>	Interest in a controlled corporation	66,000,000	51.45%
J. Safra Sarasin Trust Company (Singapore) Limited <i>Note C</i>	Trustee (other than a bare trustee)	66,000,000	51.45%
Ms. Tang Fung Yin Anita <i>Note D</i>	Interest of spouse	72,244,000	56.32%
Ms. Yeung Ho Ki <i>Note D</i>	Interest of spouse	73,182,000	57.05%

Note D: Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 72,244,000 shares and 73,182,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at 30 September 2018, 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 2018, none of the Directors nor their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 of the Listing Rules throughout the Period except the deviation mentioned in the following paragraph.

According to the Code Provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Period, the chief executive officer of the Company has provided and will continue to provide to all members of the Board with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company’s performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision C.1.2.

REVIEW OF RESULTS

The audit committee of the Company (the “Audit Committee”) was established on 2 May 2013 with written terms of reference in compliance with the CG Code. The terms of reference are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee, among other things, are to make recommendations to the Board on the appointment, reappointment and removal of external auditor; to monitor integrity of the Company’s financial statements and reports and accounts, and review significant financial reporting judgments contained in them; to oversee the financial reporting system, risk management and internal control systems of the Company; and to review arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi. Mr. Tso Ka Yi is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited interim results for the Period.

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

Hong Kong, 22 November 2018

As at the date of this announcement, the chairman and non-executive Director is Mr. Cheung King Shek; the chief executive officer and executive Director is Mr. Cheung King Fung Sunny; non-executive Directors are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and independent non-executive Directors are Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi.

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