



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: 8145)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2013**

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

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This announcement, 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 announcement 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 announcement misleading.

FINAL RESULTS

The board of Directors (the “Board”) of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2013, together with the comparative figures for the year ended 31 March 2012:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Revenue	4	78,513	69,581
Cost of sales		<u>(46,158)</u>	<u>(38,941)</u>
Gross profit		32,355	30,640
Other income	6	2,467	936
Other operating expenses, net	7	(11,894)	(7,627)
Administrative expenses		(19,106)	(7,122)
Finance costs	8	<u>(373)</u>	<u>(106)</u>
Profit before tax		3,449	16,721
Income tax expense	9	<u>(1,940)</u>	<u>(2,645)</u>
Profit for the year	10	1,509	14,076
Exchange differences arising on translation of foreign operation and total other comprehensive expense for the year		<u>(18)</u>	<u>(65)</u>
Total comprehensive income for the year		<u><u>1,491</u></u>	<u><u>14,011</u></u>
Earnings per share (HK\$)			
Basic and diluted	12	<u><u>0.03</u></u>	<u><u>0.31</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	<i>NOTES</i>	2013 HK\$'000	2012 HK\$'000
Non-current asset			
Plant and equipment		9,480	13,189
Current assets			
Inventories		4,304	4,104
Trade and other receivables	<i>13</i>	23,932	13,812
Amounts due from related companies		1,783	3,520
Tax recoverable		104	104
Pledged bank deposits		4,102	–
Bank balances and cash		5,240	2,562
		39,465	24,102
Current liabilities			
Trade and other payables	<i>14</i>	8,135	5,753
Amount due to intermediate holding company		–	3,875
Tax payable		813	1,944
Obligations under finance leases			
– due within one year		–	762
Bank borrowings		5,000	–
		13,948	12,334
Net current assets		25,517	11,768
Total assets less current liabilities		34,997	24,957
Non-current liabilities			
Obligations under finance leases			
– due more than one year		–	2,184
Employee benefits		147	147
Deferred tax liabilities		434	701
		581	3,032
Net assets		34,416	21,925
Capital and reserves			
Share capital	<i>15</i>	60	1
Reserves		34,356	21,924
Total equity		34,416	21,925

1 GENERAL INFORMATION

The Company is a company incorporated in 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 on 3 August 2012 and its shares are listed on the GEM of The Stock Exchange on 30 May 2013 (the “Listing Date”). The address of the registered office of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is Units 1805-1807, 18/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while that of the subsidiary established in Taiwan is New Taiwan dollars (“NT\$”). For the purpose of presenting the financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the consolidated financial statements for the two years ended 31 March 2013, the Group has consistently adopted all the new and revised Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (“Int”s) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on 1 April 2012.

The Group has not early adopted any new and revised standards, amendments and new interpretations that have been issued by the HKICPA but are not yet effective for the financial year beginning on or after 1 April 2013.

3 BASIS OF PREPARATION

Pursuant to the reorganisation as detailed in the section headed “History and Development – Reorganisation” to the prospectus of the Company dated 23 May 2013 (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 29 October 2012. The Group have been under the control and beneficially owned by Cheung Family Trust, Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (the “Controlling Shareholders”) throughout the two years ended 31 March 2013 or since their respective dates of incorporation or establishment up to 31 March 2013. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group throughout the two years ended 31 March 2013.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the two years ended 31 March 2013 or since their respective dates of incorporation or establishment up to 31 March 2013. The consolidated statement of financial position of the Group as at 31 March 2012 and 2013 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

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 year is as follows:

	2013 HK\$'000	2012 HK\$'000
Repairing service income	73,476	68,406
Sales of accessories	5,037	1,175
	<u>78,513</u>	<u>69,581</u>

5 SEGMENT INFORMATION

The Group is engaged in a single segment, the provision of mobile phone and consumer electronic devices repair service. Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

The Group's operations are located in Hong Kong and Taiwan. More than 96% 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 years ended 31 March 2013.

Information about major customers

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

	2013 HK\$'000	2012 HK\$'000
Customer I	10,588	N/A*
Customer II	9,999	9,606
Customer III	9,882	17,971
Customer IV	9,848	N/A*
Customer V	8,338	N/A*
	<u>48,655</u>	<u>27,577</u>

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

6 OTHER INCOME

	2013 HK\$'000	2012 HK\$'000
Gain on disposal of plant and equipment	1,325	–
Management fee income	185	455
Consignment goods handling income	400	239
Bank interest income	5	1
Exchange gain, net	10	–
Others	542	241
	<u>2,467</u>	<u>936</u>

7 OTHER OPERATING EXPENSES, NET

	2013 HK\$'000	2012 HK\$'000
Reimbursement of expenses for service centre	3,994	3,310
Service centre management income	2,958	2,836
Logistic service income	266	80
Miscellaneous income charges	115	81
	<u>7,333</u>	<u>6,307</u>
Other operating expenses of service centres	<u>(19,227)</u>	<u>(13,934)</u>
Other operating expenses, net	<u>(11,894)</u>	<u>(7,627)</u>

8 FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest on:		
Bank borrowings	295	–
– wholly repayable within five years	78	106
Finance leases	<u>373</u>	<u>106</u>

9 INCOME TAX EXPENSE

	2013 HK\$'000	2012 HK\$'000
Hong Kong Profits Tax		
– current year	2,229	1,944
– over-provision in prior years	(22)	–
	<u>2,207</u>	<u>1,944</u>
Deferred tax		
– current year	(267)	701
	<u>(267)</u>	<u>701</u>
Total income tax expense for the year	<u>1,940</u>	<u>2,645</u>

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“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 year ended 31 March 2013 (2012: 16.5%).

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for the two years ended 31 March 2013. No provision for Taiwan profits tax has been made as Telecom Service One (Taiwan) Limited (“TSO TW”), a subsidiary of the Company does not have any assessable profit for the year ended 31 March 2013. No provision for Taiwan Profits Tax had been made as TSO TW has unused tax losses available to offset against assessable profits for the year ended 31 March 2012.

10 PROFIT FOR THE YEAR

	2013 HK\$'000	2012 HK\$'000
Profit for the year is arrived at after charging (crediting):		
Directors’ emoluments		
– salaries, allowances and other benefits	648	1,656
– contribution to retirement benefits scheme	30	48
	<u>678</u>	<u>1,704</u>
Other staff costs		
– salaries and other allowance	33,739	29,310
– contributions to retirement benefits scheme	1,629	1,458
– severance payment	346	728
– provision of long service payments	–	2
	<u>35,714</u>	<u>31,498</u>
Total staff costs	<u>36,392</u>	<u>33,202</u>
Auditor’s remuneration	420	40
Depreciation of plant and equipment	4,400	2,736
Allowance for inventories (included in cost of sales)	312	438
Reversal of allowances for inventories (included in cost of sales)	(105)	(12)
Cost of inventories recognised as an expense	13,427	9,720
Operating lease rentals in respect of rented premises	<u>10,220</u>	<u>5,673</u>

11 DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

12 EARNINGS PER SHARE

	2013 HK\$'000	2012 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	<u>1,509</u>	<u>14,076</u>

The calculation of the basic earnings per share for the two years ended 31 March 2013 is based on the profit for the year attributable to the owners of the Company and assuming 45,000,000 shares and 59,178,082 shares of the Company were in issue during the two years ended 31 March 2013 respectively after taking into account the capitalisation issue pursuant to the Reorganisation as stated in note 3 and share subscription as stated in note 15(c).

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the two years ended 31 March 2013.

13 TRADE AND OTHER RECEIVABLES

	2013 HK\$'000	2012 HK\$'000
Trade receivables	12,199	8,349
Other receivables	8,251	5,332
Prepayment	<u>3,482</u>	<u>131</u>
	<u>23,932</u>	<u>13,812</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 date at the end of the reporting period which approximated the respective revenue recognition dates.

	2013 HK\$'000	2012 HK\$'000
Within 30 days	3,899	3,006
31-60 days	7,560	2,357
61-90 days	301	1,744
91-120 days	225	820
Over 120 days	<u>214</u>	<u>422</u>
	<u>12,199</u>	<u>8,349</u>

14 TRADE AND OTHER PAYABLES

	2013 HK\$'000	2012 HK\$'000
Trade payables	1,817	936
Accrued expenses and other payables	6,318	4,817
Total	8,135	5,753

The average credit period on purchases of goods ranged from 30 days to 60 days. The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
Within 30 days	1,102	770
31 – 90 days	172	–
Over 90 days	543	166
	1,817	936

15 SHARE CAPITAL

The share capital of the Group at 31 March 2012 represented the share capital of Telecom Service One Limited.

The share capital of the Group at 31 March 2013 represented the share capital of the Company.

	Number of shares	Share capital HK\$'000
<u>Authorised</u>		
Ordinary share of HK\$0.1 each as at date of incorporation and as at 31 March 2013 (<i>Note a</i>)	3,800,000	380
<u>Issued and fully paid</u>		
Ordinary share of HK\$0.1 each at date of incorporation (<i>Note a</i>)	1	–
Issued in consideration for the acquisition of the issued share capital of Telecom Service One Investment Limited ("TSO BVI") (<i>Note b</i>)	299,999	30
Subscription of share by East-Asia Pacific Limited ("East-Asia") (<i>Note c</i>)	300,000	30
Ordinary shares of HK\$0.1 as at 31 March 2013	600,000	60

Notes:

- (a) On 3 August 2012, the Company was incorporated in Cayman Islands as an exempted company with limited liabilities under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. At the date of incorporation, 1 fully paid share of HK\$0.1 each was issued.
- (b) On 29 October 2012, the Company allotted and issued 299,999 shares of HK\$0.1 each credited as fully paid and in return acquired all the outstanding ordinary shares of TSO BVI.
- (c) On 6 December 2012, East-Asia, the immediate holding company of the Company, entered into a subscription agreement with the Company pursuant to which East-Asia agreed to subscribe for 300,000 shares of HK\$0.1 each at a total subscription price of HK\$11,000,000.
- (d) 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 HK\$0.1 each.

All shares issued during the year ended 31 March 2013 rank pari passu with existing shares in all respects.

16 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:

	2013 HK\$'000	2012 HK\$'000
Within one year	4,652	2,950
In the second to fifth year, inclusive	1,438	1,529
	6,090	4,479

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 (2012: one to two) years with fixed rentals as at 31 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Mobile phone has become an important tool for the use of internet and smartphone market in Hong Kong exhibited a splendid development, which ornamented the global smartphone and related industry with amazing results. Over the years, Hong Kong has developed comprehensive and efficient information and communication technology (“ICT”) infrastructure. The number of public mobile subscribers had more than doubled over the past decade, reaching approximately 16.5 million in January 2013. The mobile subscriber penetration rate was 229.6%, making Hong Kong one of the places with the highest penetration rates in the world.

Moreover, the value of the imports of ICT goods increased at an average rate of 13.7% per annum between 2008 and 2012. The demand for the Group’s repair and refurbishment services for mobile phones and personal electronic products is largely driven by the demand for those goods.

The Directors consider that the market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is highly fragmented and competitive. Repair and refurbishment service providers, including (i) business-to-business service providers and authorized service providers (such as the Group); and (ii) business-to-customers service providers operating their shops in shopping centres, compete with each other through brand recognition and reputation, pricing and customer service quality.

During the year, the Group conducted efficient analysis on market information, adopted timely and appropriate contingent strategies, capitalized on market opportunities, expanded customer base and therefore further promoted the Group’s integrated competitiveness.

Business Review

The Group is a well-established repair service provider in Hong Kong and Taiwan, with an operating history since 1999. Our business objective, as stated in our prospectus in relation to our placing and Listing issued on 23 May 2013 (the “Prospectus”), 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.

During the year, the Group opened a new service centre and expanded the size of another service centre. It recorded revenue of approximately HK\$73.5 million from repair service which increased 7.4% from that of last year. Besides focusing on growing its more well established repair business, the Group, in the last quarter of the year, also commenced expanding the scale of accessories business by selling accessories to mobile manufacturers and adding more points of sale. The revenue from accessories business increased 328.7% to approximately HK\$5.0 million in 2012/13. However, the profit attributable to equity holders of the Company was decreased to approximately HK\$1.5 million as compared with a profit of approximately HK\$14.1 million in the previous year. The primary reason for the variance is attributed to the listing expenses incurred for the year.

The Directors believe that enhancing the scope of the Group's repair and refurbishment services is the key to the Group's long-term success. In the past, the Group has expanded the range of personal electronic products covered by its repair and refurbishment services from mobile phones and pagers to personal and tablet computers, portable media players, video game consoles and handheld game consoles. In particular, since certain corporate customers of the Group manufacture personal electronic products other than mobile phones, such as tablet computers, notebook computers, digital photo frames, digital cameras, etc., the Group may, leveraging on the established business relationship with such customers, enhance its scope of repair and refurbishment services provided to them to cover the other personal electronic products of those corporate customers.

Financial Review

	2012/13 HK\$'000	2011/12 HK\$'000
Revenue	78,513	69,581
Gross Profit	32,355	30,640
Net Profit	1,509	14,076

The Group's revenue for the year of 2012/13 was approximately HK\$78.5 million, representing an increase of 12.8% over the previous year. The increase in the Group's revenue was in line with the Group's track record in delivering consistent growth over the years.

Revenue by Segment

	2012/13 HK\$'000	2011/12 HK\$'000	Change (%)	2012/13 % of total revenue	2011/12
Repairing service income	73,476	68,406	7.4%	93.6%	98.3%
Sales of accessories	5,037	1,175	328.7%	6.4%	1.7%
	<u>78,513</u>	<u>69,581</u>	12.8%	<u>100.0%</u>	<u>100.0%</u>

Revenue from repair business was the principal source of revenue of the Group and it contributed 93.6% of the Group's total revenue in 2012/13, it is expected to continue to be our principal source of revenue in the future. Revenue from repair business represented the amount generated from provision of repair and refurbishment services for mobile phones and other personal electronic products.

Included in the amount of revenue was approximately HK\$5.0 million (2011/12: HK\$1.2 million) generated from the accessories business, which represented a significant increase of 328.7% from that of 2011/12. The Group is actively expanding the scale of accessories business by selling accessories to mobile manufacturers as gifts or premium to their customers. In addition, the Group also sell accessories at its customer service centres and at the retail shops of its related company namely Telecom Digital Mobile Limited on a consignment basis.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the year, cost of sales increased to approximately HK\$46.2 million (2011/12: HK\$38.9 million), representing an increase of 18.5%. The increase in cost of sales was mainly attributable to the increase in direct labour cost and the parts price appreciation. The Group's direct labour cost was approximately HK\$32.1 million (2011/12: HK\$28.7 million), representing an increase of 11.8% from that of 2011/12.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year of 2012/13 was approximately HK\$32.4 million. Gross profit margin decreased by 2.8% to 41.2% from 44.0%. The decrease was mainly due to the increase in cost of sales.

Other Income

Other income increased from approximately HK\$0.9 million in the previous financial year to approximately HK\$2.5 million for the year ended 31 March 2013. The main reason for the increase came from the gain on disposals of plant and equipment of approximately HK\$1.3 million.

Net Operating Expenses and Administrative Expenses

The Group's total net operating expenses and administrative expenses for the year 2012/13 were approximately HK\$31.0 million (2011/12: HK\$14.7 million), representing an increase of 110.2% over the previous year, due to the followings:

- (1) Increase in rentals as the Group opened its central repair centre in Kwai Chung in February 2012, and during the year, it opened a new service centre in Kwai Fong and expanded the size of another service centre in Mongkok. The Group's expenses on rentals for the year 2012/13 were approximately HK\$10.2 million (2011/12: HK\$5.7 million), representing an increase of 80.2% from that of 2011/12.
- (2) Increase in depreciation due to the set-up of new repair and service centres; and
- (3) Approximately HK\$8.3 million one-time expenses in relation to the Group's Listing.

Profit before Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of approximately HK\$3.4 million for the year ended 31 March 2013, representing an decrease of 79.4% from approximately HK\$16.7 million in the previous financial year.

Income Tax Expense

Income tax expense decreased from approximately HK\$2.6 million in the previous financial year to approximately HK\$1.9 million for the year ended 31 March 2013.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position as at 31 March 2013. The Group had cash and cash equivalents of HK\$5.2 million as at 31 March 2013 (2011/12: HK\$2.6 million). Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the Placing to meet potential needs for business expansion and development. As at 31 March 2013, the Group had bank borrowing of HK\$5 million and the unutilized bank facilities of HK\$25.2 million available for further draw down should it have any further capital needs.

Gearing Ratio

The gearing ratio of the Group, calculated as total debt over total equity, was approximately 14.6% as at 31 March 2013 (2011/12: 31.1%).

Contingent Liabilities

As at 31 March 2013, the Group had no material contingent liabilities. (2011/12: 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 31 March 2013, the Group did not have any significant capital commitments (2011/12: Nil).

Capital Structure

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 review 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 year ended 31 March 2013, the Group did not hold any significant investment in equity interest in any other company and did not own any properties.

Human Resources

As at 31 March 2013, the Group employed approximately 177 (2011/12: 167) 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.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2013 (2011/12: Nil).

PURCHASE, SALE OR REDEMPTION

During the year ended 31 March 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

Since the Listing Date and up to the date of this announcement, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the GEM Listing Rules except the deviation mentioned in the following paragraph.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Since the Listing Date and up to the date of this announcement (the "Period"), the role of the chairman of the Company (the "Chairman") is performed by Mr. Cheung King Shek but the office of the chief executive officer of the Company is vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

AUDIT COMMITTEE

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 four Independent Non-executive Directors namely, Mr. Hui Ying Bun, 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 accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the consolidated financial statements and annual results for the year ended 31 March 2013.

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

Hong Kong, 24 June 2013

As at the date of this announcement, the Chairman and Non-executive Director is Mr. Cheung King Shek; the Executive Director is Mr. Cheung King Fung Sunny; the Non-executive Directors are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and the Independent Non-executive Directors are Mr. Hui Ying Bun, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus.

This announcement will remain on the Stock Exchange Website at www.hkexnews.hk on the “Latest Company Announcements” page for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.tso.cc.