

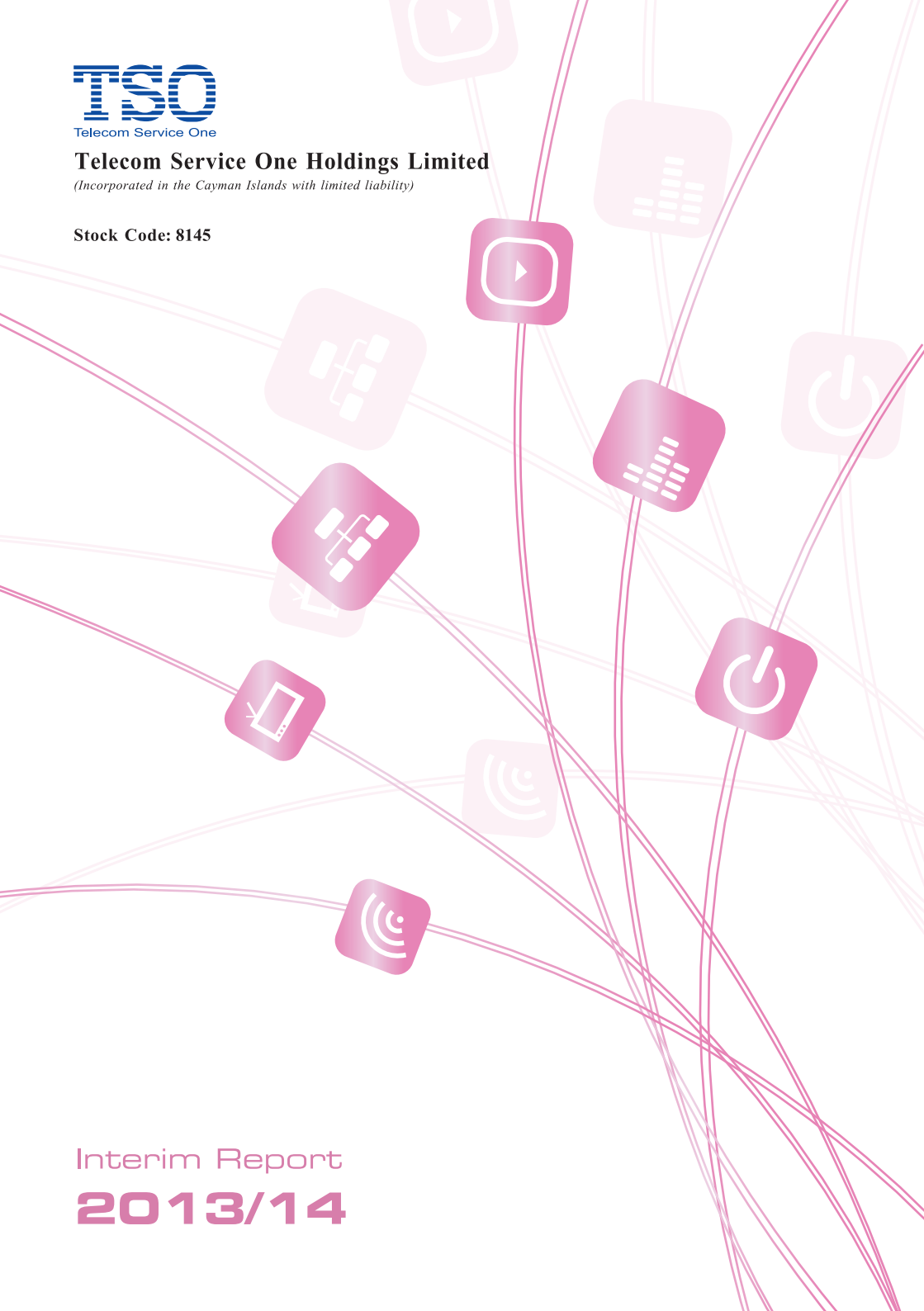


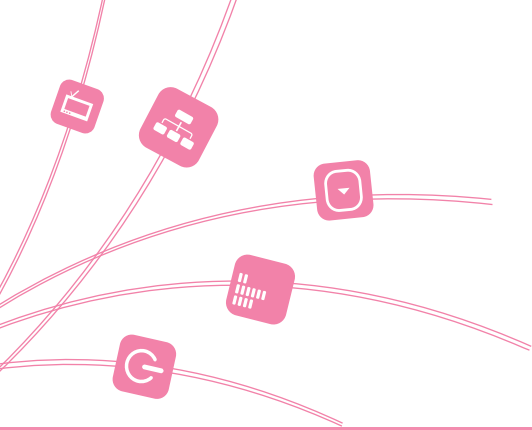
# Telecom Service One Holdings Limited

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

**Stock Code: 8145**

Interim Report  
**2013/14**





## 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors of Telecom Service One Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## THE FINANCIAL STATEMENTS

### INTERIM RESULTS

The board of Directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2013, together with the comparative unaudited figures for the previous corresponding period in 2012 as follows:

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

For the six months ended 30 September 2013

	Notes	Three months ended 30 September		Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue	4	23,787	18,682	44,197	37,509
Cost of sales		(14,366)	(12,005)	(24,072)	(22,438)
Gross profit		9,421	6,677	20,125	15,071
Other income	6	715	351	1,178	566
Other operating expenses, net	7	(3,901)	(2,755)	(6,939)	(4,900)
Administrative expenses		(2,023)	(6,966)	(6,963)	(12,099)
Finance costs	8	(44)	(26)	(84)	(54)
Profit/(loss) before tax		4,168	(2,719)	7,317	(1,416)
Income tax expense	9	(786)	(847)	(1,544)	(1,161)
Profit/(loss) for the period	10	3,382	(3,566)	5,773	(2,577)
Other comprehensive income/ (expense):					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operation and total other comprehensive income/(expense) for the period		3	13	(72)	(20)
Total comprehensive income/ (expense) for the period		3,385	(3,553)	5,701	(2,597)
Earnings/(loss) per share (HK\$)					
Basic and diluted	12	0.03	(0.08)	0.05	(0.06)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Notes	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Non-current asset			
Plant and equipment	13	8,144	9,480
Current assets			
Inventories		6,367	4,304
Trade and other receivables	14	21,951	23,932
Amounts due from related companies	18	3,302	1,783
Tax recoverable		104	104
Pledged bank deposits		30,307	4,102
Bank balances and cash		9,774	5,240
		71,805	39,465
Current liabilities			
Trade and other payables	15	7,428	8,135
Amount due to related companies	18	121	—
Tax payable		1,944	813
Bank borrowings		5,000	5,000
		14,493	13,948
Net current assets		57,312	25,517
Total assets less current liabilities		65,456	34,997
Non-current liabilities			
Employee benefits		147	147
Deferred tax liabilities		315	434
		462	581
Net assets		64,994	34,416
Capital and reserves			
Share capital	16	12,000	60
Reserves		52,994	34,356
Total equity		64,994	34,416

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note b)	Retained Profits HK\$'000	Total HK\$'000
At 1 April 2012 (audited)	1	—	—	155	133	21,636	21,925
Loss for the period	—	—	—	—	—	(2,577)	(2,577)
Exchange differences arising on translation of foreign operation	—	—	—	(20)	—	—	(20)
Total comprehensive expense for the period	—	—	—	(20)	—	(2,577)	(2,597)
At 30 September 2012 (unaudited)	1	—	—	135	133	19,059	19,328
At 1 April 2013 (audited)	60	10,970	(29)	137	133	23,145	34,416
Profit for the period	—	—	—	—	—	5,773	5,773
Exchange differences arising on translation of foreign operation	—	—	—	(72)	—	—	(72)
Total comprehensive (expense)/ income for the period	—	—	—	(72)	—	5,773	5,701
Capitalisation issue (Note c)	8,940	(8,940)	—	—	—	—	—
Issuance of ordinary shares in connection with the listing (Note d)	3,000	27,000	—	—	—	—	30,000
Share issue expenses	—	(5,123)	—	—	—	—	(5,123)
At 30 September 2013 (unaudited)	12,000	23,907	(29)	65	133	28,918	64,994

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Notes:

- a. Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.
- b. As stipulated by regulations in Taiwan, Telecom Service One Taiwan Limited (“TSO TW”), a subsidiary of the Company, is required to appropriate 10% of its after tax profit (after offsetting prior year losses) to statutory reserve before declaring any dividends to shareholders until the balance of the reserve reaches the respective registered capital. Subject to certain restrictions as set out in the relevant Taiwan regulations, the statutory reserve may be used to offset against accumulated losses of the respective Taiwan company. The amount of transfer is subject to the approval of the board of directors of the respective Taiwan company.
- c. Pursuant to the written resolutions passed by the shareholders of the Company on 2 May 2013, the Directors were authorised to capitalise a sum of HK\$8,940,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 89,400,000 shares for allotment and issue to the then shareholders of the Company as at 2 May 2013 in proportion to their then respective shareholdings in the Company.
- d. In connection with the Company’s placing and listing, the Company issued 30,000,000 ordinary shares of HK\$0.1 each at a price of HK\$1.0 each for a total consideration (before expenses) of approximately of HK\$30,000,000. Dealing of the Company’s shares on the GEM of the Stock Exchange commenced on 30 May 2013.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>
Net cash from (used in) operating activities	6,556	(12,410)
Net cash used in investing activities	(26,746)	(3,464)
Net cash from financing activities	24,793	14,569
Net increase (decrease) in cash and cash equivalents	4,603	(1,305)
Cash and cash equivalents at 1 April	5,240	2,562
Effect of foreign exchange rate changes	(69)	(20)
Cash and cash equivalents at 30 September, represented by bank balances and cash	9,774	1,237

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2013*

### 1. GENERAL

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 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. For the purpose of presenting the financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

The Directors consider the immediate holding company is East-Asia Pacific Limited (“East-Asia”), a company incorporated in British Virgin Islands (“BVI”) and the ultimate parent is Cheung Family Trust.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation of the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 29 October 2012. Details of the Reorganisation were set out in the section headed “History and Development — Reorganisation” to the prospectus of the Company dated 23 May 2013 (“Prospectus”).





1. *GENERAL (continued)*

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these condensed consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the companies comprising the Group before the completion of Reorganisation, using the principles of merger accounting as prescribed in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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 six months ended 30 September 2012.

The Company is principally engaged in investment holding.

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 HKICPA as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

3. *PRINCIPAL ACCOUNTING POLICIES*

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.



3. *PRINCIPAL ACCOUNTING POLICIES (continued)*

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK (IFRIC)* – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

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

### 3. *PRINCIPAL ACCOUNTING POLICIES (continued)*

#### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be subsequently reclassified to profit or loss; and (b) items that may be subsequently reclassified to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

The Group has not early adopted new and revised HKASs, HKFRSs, interpretations and amendments issued by the HKICPA that have been issued but are not yet effective for the current interim period.



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## 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 period is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Repairing service income	20,527	18,491	38,226	37,117
Sales of accessories	3,260	191	5,971	392
	<b>23,787</b>	<b>18,682</b>	<b>44,197</b>	<b>37,509</b>

## 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 periods ended 30 September 2013.

5. *SEGMENT INFORMATION (Continued)*

## Information about major customers

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

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Customer I	3,880	—*	7,167	—*
Customer II	3,390	2,332	6,780	3,808
Customer III	2,704	2,382	5,162	5,058
Customer IV	—*	2,570	—*	7,866
Customer V	—*	2,685	—*	4,891
	<b>9,974</b>	<b>9,969</b>	<b>19,109</b>	<b>21,623</b>

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

## 6. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Management fee income (Note i)	59	59	190	105
Consignment goods handling income (Note ii)	375	107	505	186
Bank interest income	133	1	135	2
Exchange gain, net	12	29	31	29
Others	136	155	317	244
	<b>715</b>	<b>351</b>	<b>1,178</b>	<b>566</b>

## Notes:

- (i) Represents management fee income received from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong.
- (ii) Represents fee income received for handling consignment goods for certain manufacturers of mobile phones at the Group's service centres.

7. *OTHER OPERATING EXPENSES, NET*

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Reimbursement of expenses for service centre	277	1,066	514	2,008
Service centre management income	995	659	2,033	1,330
Logistic service income	65	67	130	135
Miscellaneous income charges	15	28	26	50
	<b>1,352</b>	<b>1,820</b>	<b>2,703</b>	<b>3,523</b>
Other operating expenses of service centres	(5,253)	(4,575)	(9,642)	(8,423)
Other operating expenses, net	<b>(3,901)</b>	<b>(2,755)</b>	<b>(6,939)</b>	<b>(4,900)</b>

## 8. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interest on:				
Bank borrowings				
— wholly repayable within five years	44	—	84	—
Finance leases	—	26	—	54
	44	26	84	54

## 9. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Hong Kong Profits Tax				
— current period	807	638	1,663	853
Deferred tax	(21)	209	(119)	308
Total income tax expense for the period	786	847	1,544	1,161



9. *INCOME TAX EXPENSE (continued)*

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months and six months periods ended 30 September 2013 (2012: 16.5%).

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for the three months and six months periods ended 30 September 2013 (2012: 17%). No provision for Taiwan profits tax has been made as TSO TW does not have any assessable profit for the six months ended 30 September 2013.

10. *PROFIT/(LOSS) FOR THE PERIOD*

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit/(loss) for the period is arrived at after charging/(crediting):				
Depreciation of plant and equipment	1,013	1,182	2,010	2,190
Allowance for inventories (included in cost of sales)	—	208	—	208
Reversal of allowances for inventories (included in cost of sales)	—	(77)	—	(77)
Cost of inventories recognised as an expense	5,050	2,234	7,641	5,303
Operating lease rentals in respect of rented premises	1,755	1,756	3,706	3,197

**11. DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

**12. EARNINGS/(LOSS) PER SHARE**

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

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Earnings/(loss)</b>				
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share for the period attributable to the owners of the Company	3,382	(3,566)	5,773	(2,577)
<b>Number of shares ('000)</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	120,000	45,000	110,164	45,000

The weighted average number of 110,164,000 ordinary shares were in issue during the six months ended 30 September 2013 after taking into account the capitalisation issue pursuant to the Reorganisation.

*12. EARNINGS/(LOSS) PER SHARE (continued)*

The weighted average number of ordinary shares in issue during the three months ended 30 September 2012 was the assumption that 45,000,000 shares of HK\$0.01 each, were in issue after the capitalisation issue pursuant to the Reorganisation.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the three months and six months ended 30 September 2013 and 2012.

*13. MOVEMENTS IN PLANT AND EQUIPMENT*

During the six months ended 30 September 2013, the Group spent approximately HK\$676,000 (six months ended 30 September 2012: approximately HK\$3,580,000) on acquisition of plant and equipment.

In addition, the Group did not dispose of any property, plant and equipment during the six months ended 30 September 2012 and 2013.

## 14. TRADE AND OTHER RECEIVABLES

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Trade receivables	13,707	12,199
Other receivables	7,704	8,251
Prepayment	540	3,482
	21,951	23,932

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.

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Within 30 days	5,391	3,899
31–60 days	3,770	7,560
61–90 days	3,076	301
91–120 days	1,178	225
Over 120 days	292	214
	13,707	12,199

## 15. TRADE AND OTHER PAYABLES

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Trade payables	4,232	1,817
Accrued expenses and other payables	3,196	6,318
<b>Total</b>	<b>7,428</b>	<b>8,135</b>

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.

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Within 30 days	2,811	1,102
31–90 days	—	172
Over 90 days	1,421	543
	<b>4,232</b>	<b>1,817</b>

## 16. SHARE CAPITAL

The share capital of the Group at 31 March 2013 and 30 September 2013 represented the share capital of the Company.

	Notes	Number of shares		Share capital	
		30 September 2013	31 March 2013	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Ordinary shares of HK\$0.1 each					
<b>Authorised</b>					
At the beginning of period/year	(a)	3,800,000	3,800,000	380	380
Increase during the period/year	(d)	996,200,000	—	99,620	—
At the end of period/year		1,000,000,000	3,800,000	100,000	380
<b>Issued and fully paid</b>					
At the beginning of the period/ date of incorporation	(a)	600,000	1	60	—
Issued in consideration for the acquisition of the issued share capital of Telecom Service One Investment Limited ("TSO BVI")	(b)	—	299,999	—	30
Subscription of share by East-Asia	(c)	—	300,000	—	30
Issue of shares upon capitalisation issue	(e)	89,400,000	—	8,940	—
Issuance of ordinary shares in connection with the listing	(f)	30,000,000	—	3,000	—
At the end of the period/ year ended		120,000,000	600,000	12,000	60

**16. SHARE CAPITAL (continued)***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.
- (e) 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.
- (f) In connection with the Company's placing and listing, the Company issued 30,000,000 ordinary shares of HK\$0.1 each at a price of HK\$1.0 each for a total consideration (before expenses) of approximately of HK\$30,000,000. Dealing of the Company's shares on the GEM of the Stock Exchange commenced on 30 May 2013.

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

17. *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:

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Within one year	5,637	4,652
In the second to fifth year, inclusive	1,409	1,438
	7,046	6,090

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 (as at 31 March 2013: one to three) years with fixed rentals as at 30 September 2013.



## 18. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of company	Nature of transactions	Notes	Three months ended 30 September		Six months ended 30 September	
			2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Related companies</b>						
<b>Recurring in nature:</b>						
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	188	218	360	403
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	573	590	909	1,199
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	123	123	246	246
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	231	231	461	461
Telecom Digital Services Limited	Licensing fee paid thereto	(ii) & (iii)	6	11	14	22
Radiotex International Limited	Purchases of goods thereto	(i) & (iii)	115	489	432	608
	Received repairing service income therefrom	(i) & (iii)	—	—	—	36
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	3,881	1,688	7,167	3,385
	Telecommunication service fee paid thereto	(i) & (iii)	15	26	33	44
Telecom Digital Mobile Limited	Purchase of goods thereto	(i) & (iii)	—	9	1	15
	Consignment fee paid thereto		509	—	884	—
New World Mobility Limited	Sales of goods therefrom	(i) & (iii)	—	—	1,000	—
Telecom (Macau) Limited	Received repairing service income therefrom	(i) & (iii)	10	8	20	22

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Details of amounts due from related companies are as follows:

	Notes	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Telecom Digital Mobile Limited	(iii) & (v)	510	716
Telecom Digital Data Limited	(iii) & (v)	2,788	680
New World Mobility Limited	(iii) & (v)	—	385
Telecom (Macau) Limited	(iv) & (v)	4	2
		3,302	1,783

Details of amounts due to related companies are as follows:

	Notes	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Telecom Service Network Limited	(iii) & (v)	59	—
Radiotex International Limited	(iii) & (v)	62	—
		121	—

Notes:

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

**18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(b) Banking facilities**

During the six months ended 30 September 2013, the Group's banking facilities of HK\$30 million were guaranteed by the Company.

As at 30 September 2013, there is no unutilised banking facilities guaranteed by related parties (as at 31 March 2013: HK\$25,000,000).

- (c) During the six months ended 30 September 2012, and up to July 2012, certain rentals, staff costs and miscellaneous operating expenses were provided by the Company's related company at nil consideration.
- (d) Compensation of key management personnel

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

	<b>Three months ended 30 September</b>		<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>
Short-term benefits	201	162	322	486
Post-employment benefit	4	8	8	21
	<b>205</b>	<b>170</b>	<b>330</b>	<b>507</b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Our Group is a well-established repair service provider in Hong Kong, with an operating history since 1999. The Group continued to be 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.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue for the six months ended 30 September 2013 was approximately HK\$44.2 million (six months ended 30 September 2012: HK\$37.5 million), representing an increase of 17.8% over the corresponding period of the previous year. The increase in the Group's revenue was mainly due to higher revenue generated from the accessories business.

#### 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\$24.1 million (six months ended 30 September 2012: HK\$22.4 million), representing an increase of 7.3%. The increase in cost of sales was mainly attributable to the increase in parts cost. The Group's parts cost was approximately HK\$8.3 million (six months ended 30 September 2012: HK\$5.9 million), representing an increase of 41.2% from that of the corresponding period of the previous year. The increase was mainly due to the increase in accessories sales.

### Gross Profit and Gross Profit Margin

The gross profit margin for the six months ended 30 September 2013 was approximately 45.5% (six months ended 30 September 2012: 40.2%). The increase was mainly due to the decrease in direct labour cost.

### Other Income

Other income for the six months ended 30 September 2013 was approximately HK\$1.2 million (six months ended 30 September 2012: HK\$0.6 million), representing an increase of 108.1%. The increase was mainly attributable to the increase in management fee and consignment goods handling income received from manufacturers of mobile phones.

### Other Operating Expenses, Net and Administrative Expenses

Other operating expenses, net for the six months ended 30 September 2013 were approximately HK\$6.9 million (six months ended 30 September 2012: HK\$4.9 million), representing an increase of 41.6% over the corresponding period of the previous year. The increase was mainly due to the increase in rentals and building management fees as the Group opened a new service centre in Kwai Fong and expanded the size of another service centre in Mongkok.

Administrative expenses for the six months ended 30 September 2013 was approximately HK\$7.0 million (six months ended 30 September 2012: HK\$12.1 million). The decrease was mainly due to the one-off listing expenses incurred in the corresponding period of the previous year.

### Profit before Tax

The Group had recorded a profit before tax of approximately HK\$7.3 million for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$(1.4) million), representing an increase of 616.7% 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 six months ended 30 September 2013.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position as at 30 September 2013. The Group had cash and cash equivalents of HK\$9.8 million as at 30 September 2013 (31 March 2013: HK\$5.2 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 of the Company's shares ("Placing") to meet potential needs for business expansion and development. As at 30 September 2013, the Group had bank borrowing of HK\$5 million and the unutilised banking 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 7.5% as at 30 September 2013 (31 March 2013: 14.6%).

## CONTINGENT LIABILITIES

As at 30 September 2013, the Group did not have any material contingent liabilities (31 March 2013: Nil).

## FOREIGN CURRENCY RISK

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

## CAPITAL COMMITMENTS

As at 30 September 2013, the Group did not have any significant capital commitments (31 March 2013: Nil).

## DIVIDEND

The Board does not recommend the payment of interim dividend for the period ended 30 September 2013 (31 March 2013: Nil).

## HUMAN RESOURCES

As at 30 September 2013, the Group employed approximately 186 (31 March 2013: 177) 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

The Company was listed on the GEM of the Stock Exchange on 30 May 2013 which enhanced the Group's reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for our further expansion.

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, as mentioned in the first quarterly report, the Company met with its existing corporate customers and presented to them the relevant existing competitive advantages of the Group so as to explore any business opportunities. The Company has discussed with its largest corporate customer on provision of its services in the People's Republic of China for such customer. After discussion with the customer and internal study, the Group is planning to open a customer service centre in Shenzhen to provide repair and refurbishment services for mobile phones and other personal electronic products for such customer. The prospective service centre will locate in a shopping mall in Shenzhen and occupy a gross floor area of approximately 2,300 square feet. It is expected that such service centre will commence business in about early December this year. Moreover one of the Group's existing corporate customers, which is a global services provider, has recently engaged the Group to provide repair and refurbishment services for mobile phones of a new brand, being the fourth brand of products for which such customer engaged the Group to provide services.

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the 15 May 2013 (being the Latest Practicable Date as defined in the Prospectus) to 30 September 2013 (the "Review Period") is set out below:

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

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

- |                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Meet with existing corporate customers or new customers which manufacture such personal electronic products so as to present to such customers the relevant existing competitive advantages of the Group in the industry and understand the primary demands of such customers on the repair and refurbishment services.</li></ul> | <p>The Company met with its existing corporate customers and presented to them the relevant existing competitive advantages of the Group so as to explore any business opportunities. One of the existing corporate customers, which is a global services provider, has recently engaged the Group to provide repair and refurbishment services for mobile phones of a new brand, being the fourth brand of products for which such customer engaged the Group to provide services.</p> |
| <ul style="list-style-type: none"><li>• Explore business opportunities (such as providing the repair and refurbishment services for parts and accessories which have not been provided to the existing customers) to enhance the scope of repair and refurbishment services provided to existing clients.</li></ul>                                                       | <p>The Company has discussed with its largest corporate customer on provision of its services in the People's Republic of China for such customer and is planning to open a customer service centre in Shenzhen to provide repair and refurbishment services for mobile phones and other personal electronic products for such customer.</p>                                                                                                                                            |



- Evaluate and explore potential new personal electronic products (such as LCD monitors and other peripherals which consist of certain common parts and components and apply certain common technologies with the personal electronic products repaired and refurbished by the Group) for which the Group can provide repair and refurbishment services without incurring substantial additional labour costs and other operating expenses.

The Group is keep exploring potential new products to enhance the scope of the repair and refurbishment services.

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

- Choose appropriate calibres in its technical team and customer service team.
- Train the selected customer service staff and technicians by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products.

Over fifty appropriate staff in the technical team and customer service team were chosen.

The selected customer service staff and technicians were trained by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products.

*Expanding the Group's sales on accessories*

- Identify more types of quality accessories with high profit margin.

Handheld chargers and handset cases were identified by the Group as accessories with high profit margin.



- Offer to sell the new accessories identified at the customer service centres of the Group and, on a consignment basis, at the retail shops of Telecom Digital Mobile Limited ("TDM"), a connected person of the Company.  
During the period, the Group has identified some new accessories, such as new types or models of handheld chargers, Bluetooth and handset cases and have been selling such new accessories at the Group's customer service centres and TDM's retail shops.
- Study the sales figures of the accessories sold by the Group and identify the most profitable product mix,  
The Company studied the sales figures of the accessories sold by the Group and identified the most profitable product mix.

#### Use of Proceeds

The net proceeds from the Placing 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.

During the period from 30 May 2013 (being the date of listing) to 30 September 2013 and up to the date of this report, the net proceeds of HK\$14.9 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 intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

## OTHER INFORMATION

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

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

- (i) The Company  
*Long Position:*

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheung King Shek	Beneficial owner	6,000,000	5%
	Beneficiary of a trust (Note A)	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust (Note A)	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust (Note A)	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust (Note A)	66,000,000	55%

## (ii) Associated corporations

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

*Long Position:*

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 Ltd.	Beneficiary of a trust (Note A)	6	100%
Telecom Service Ltd.	Beneficiary of a trust (Note A)	2,000,000	100%
H.K. Magnetronic Co. Ltd.	Beneficiary of a trust (Note A)	50,000	100%
Oceanic Rich Ltd.	Beneficiary of a trust (Note A)	10,000	100%
Glossy Investment Limited	Beneficiary of a trust (Note A)	10,000	100%
Glossy Enterprises Ltd.	Beneficiary of a trust (Note A)	10,000	100%
Yiu Tai Industrial Ltd.	Beneficiary of a trust (Note A)	1,000	100%
Txtcom Ltd.	Beneficiary of a trust (Note A)	100	100%
Telecom Digital Holdings Ltd.	Beneficiary of a trust (Note A)	24	100%
Telecom Digital Ltd. (incorporated in Macau)	Beneficiary of a trust (Note A)	MOP100,000	100%
Telecom Services One (Macau) Ltd.	Beneficiary of a trust (Note A)	MOP100,000	100%
Telecom Service Network Ltd.	Beneficiary of a trust (Note A)	1,000	100%
Hellomoto Ltd.	Beneficiary of a trust (Note A)	1,000	100%
Maria Trading Inc.	Beneficiary of a trust (Note A)	1	100%
Telecom Digital Ltd.	Beneficiary of a trust (Note A)	2	100%
Silicon Creation Ltd.	Beneficiary of a trust (Note A)	100	100%
Kung Wing Enterprises Ltd.	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 Pacific Limited (“East-Asia”). East-Asia is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Ltd., which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited, the trustee of the Cheung Family Trust. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at 30 September 2013, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to Rules 5.48 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 the GEM of the Stock Exchange. No share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 30 September 2013 and the date of this report.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 September 2013 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 executives 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).

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

As at 30 September 2013, the following persons (other than Directors or chief executives 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 on the Stock Exchange:

### Long Position:

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
East-Asia Pacific Limited (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 30 September 2013, the Company had not been notified by any persons (other than Directors or chief executives 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 2013, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## INTEREST OF COMPLIANCE ADVISER

As notified by China Everbright Capital Limited ("China Everbright"), the Company's compliance adviser, 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 (except for the compliance adviser agreement entered into between the Company and China Everbright in May 2013) as at 30 September 2013 and the date of this report.

## 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 six months ended 30 September 2013 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 should be separate and should not be performed by the same individual.

Since the date of listing of shares of the Company on the GEM of the Stock Exchange (i.e. 30 May 2013) (the “Listing Date”) and up to the date of this report (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 Group’s unaudited interim results for the six months ended 30 September 2013.

## NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established on 2 May 2013 with written terms of reference, which were revised in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive of the Company, reviewing and monitoring the implementation of the policy of diversity of the Board.

The Nomination 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. Hui Ying Bun is the chairman of the Nomination Committee.

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

Hong Kong, 7 November 2013

*As at the date of this report, 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 report will remain on the Stock Exchange Website at [www.hkexnews.hk](http://www.hkexnews.hk) on the "Latest Company Announcements" page for at least 7 days from the day of its posting. This report will also be published on the Company's website at [www.tso.cc](http://www.tso.cc).*