



Telecom Service One Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8145

THIRD QUARTERLY REPORT

2017/18

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

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Telecom Service One Holdings Limited (the “Company”) collectively and individually accept full responsibility includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 English text of this report shall prevail over the Chinese text in case of inconsistencies.

The Financial Statements

THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 31 December 2017 (the “Period”), together with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2017

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	23,861	29,081	76,811	76,840
Cost of sales		(10,812)	(14,270)	(36,155)	(41,441)
Gross profit		13,049	14,811	40,656	35,399
Other income	5	525	500	1,762	1,613
Other operating expenses, net	6	(2,345)	(2,416)	(7,333)	(7,947)
Administrative expenses		(2,942)	(5,394)	(10,375)	(11,761)
Finance costs	7	—	(16)	(1)	(132)
Profit before tax		8,287	7,485	24,709	17,172
Income tax expense	8	(1,375)	(1,434)	(4,230)	(2,939)
Profit for the period		6,912	6,051	20,479	14,233
Other comprehensive expense <i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(11)	(46)	(4)	(73)
Total comprehensive income for the period		6,901	6,005	20,475	14,160
Earnings per share (HK\$)	10				
Basic		0.0539	0.0496	0.1599	0.1167
Diluted		0.0538	0.0487	0.1597	0.1142

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Share capital	Share premium	Other reserve	Translation reserve	Share option reserve	Statutory reserve	Warrant reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000 <i>Note (i)</i>	HK\$'000	HK\$'000	HK\$'000 <i>Note (i)</i>	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016 (audited)	12,001	23,944	70	(100)	522	137	100	17,453	54,127
Profit for the period	–	–	–	–	–	–	–	14,233	14,233
Exchange differences arising on translation of foreign operations	–	–	–	(73)	–	–	–	–	(73)
Total comprehensive (expense) income for the period	–	–	–	(73)	–	–	–	14,233	14,160
Dividends <i>Note 9</i>	–	–	–	–	–	–	–	(6,001)	(6,001)
Issue of shares upon exercise of warrants	200	3,100	–	–	–	–	–	–	3,300
Lapse of share options	–	–	–	–	(56)	–	–	56	–
At 31 December 2016 (unaudited)	12,201	27,044	70	(173)	466	137	100	25,741	65,586
At 1 April 2017 (audited)	12,800	36,315	70	(163)	456	–	–	34,382	83,860
Profit for the period	–	–	–	–	–	–	–	20,479	20,479
Exchange differences arising on translation of foreign operations	–	–	–	(4)	–	–	–	–	(4)
Total comprehensive (expense) income for the period	–	–	–	(4)	–	–	–	20,479	20,475
Dividends <i>Note 9</i>	–	–	–	–	–	–	–	(3,845)	(3,845)
Recognition of equity-settled share-based payment expenses <i>Note 11</i>	–	–	–	–	69	–	–	–	69
Effect of share option									
– Issue of shares upon exercise	18	310	–	–	(7)	–	–	–	321
– Lapse	–	–	–	–	(36)	–	–	36	–
At 31 December 2017 (unaudited)	12,818	36,625	70	(167)	482	–	–	51,052	100,880

Notes:

- (i) 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.

- (ii) 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 relevant registered capital. Subject to certain restrictions as set out in the respective 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. No statutory reserve for TSO TW in 2017 has been provided as TSO TW deregistered in December 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

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 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 located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business is at Units 1805–1807, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

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

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are provision of repair and refurbishment services for mobile phones and consumer electronic devices and sale of mobile phone accessories.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currencies for certain subsidiaries are Renminbi (“RMB”), New Taiwan dollars (“NT\$”), 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 AND ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group for the nine months ended 31 December 2017 have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and other relevant Hong Kong Accounting Standards and Interpretations, Hong Kong Financial Reporting Standards (collectively, the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the consolidated financial statements for the year ended 31 March 2017.

The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 April 2017. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the condensed consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. An analysis of the Group's revenue for the periods is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Repairing service income	23,506	23,065	74,998	64,091
Sales of accessories	355	6,016	1,813	12,749
	23,861	29,081	76,811	76,840

4. SEGMENT INFORMATION

The Group is engaged in a single segment, the provision of repair and refurbishment services for mobile phone and consumer electronic devices and the sales of related accessories and products 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 2016, the Group's operations were located in Hong Kong, the People's Republic of China (the "PRC") and Macau. More than 98% (2016: 97%) of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets were located in Hong Kong during the nine months ended 31 December 2017.

5. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Management fee income ^{Note (i)}	105	97	296	418
Consignment goods handling income ^{Note (ii)}	62	111	247	353
Bank interest income	152	144	728	656
Exchange gain	86	—	86	—
Others	120	148	405	186
	525	500	1,762	1,613

Notes:

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

6. OTHER OPERATING EXPENSES, NET

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Reimbursement of expenses for service centres	3	97	52	310
Logistic service income	—	—	—	5
Miscellaneous income	58	66	211	66
	61	163	263	381
Other operating expenses of service centres	(2,406)	(2,579)	(7,596)	(8,328)
Other operating expenses, net	(2,345)	(2,416)	(7,333)	(7,947)

7. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest on bank borrowings	—	16	1	132

8. INCOME TAX EXPENSE

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for each period.

The applicable income tax rate in Taiwan is 17% of the estimated assessable profits for each period. No provision for Taiwan profits tax has been made as TSO TW did not have any assessable profits in 2016 and was deregistered in December 2016.

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 taxable profits. No provision for Macau Complementary Income Tax has been made as there were no taxable profits for each period.

9. DIVIDENDS

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Dividends recognised as distribution during the period:				
2015/16 second interim dividend (HK\$0.05 per share)	—	—	—	6,001
2017/18 first interim dividend (HK\$0.01 per share)	—	—	1,282	—
2017/18 second interim dividend (HK\$0.02 per share)	2,563	—	2,563	—
	2,563	—	3,845	6,001

At a meeting held on 6 February 2018, the Board declared the third interim dividend of HK\$0.02 per share for the nine months ended 31 December 2017 (2016: Nil).

10. EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings				
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	6,912	6,051	20,479	14,233

	Three months ended 31 December		Nine months ended 31 December	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	128,182,000	122,012,000	128,100,836	122,012,000
Effect of dilutive potential ordinary shares:				
— warrants	—	2,373,256	—	2,569,786
— share options	220,781	—	148,614	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	128,402,781	124,385,256	128,249,450	124,581,786

The computation of diluted earnings per share for the three months and nine months ended 31 December 2016 does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for the shares for the three months and nine months ended 31 December 2016.

The weighted average number of ordinary shares in issue during the Period represented the weighted average of 180,000 ordinary shares (2016: Nil) issued upon the share options exercised during the Period.

11. SHARE-BASED PAYMENT TRANSACTIONS

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 directors 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 7 July 2015, the Company granted an aggregate of 1,426,000 share options to the eligible employees of the Company, to subscribe, in aggregate, for up to 1,426,000 ordinary shares of HK\$0.1 each of the share capital of the Company under the Share Option Scheme.

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.

At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 2,160,000, representing approximately 1.69% of the ordinary shares in issue at that date.

The following table discloses movements of the Company's share options held by employees during the Period:

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 31 December 2017	Exercise period	Exercise price per share
Employees	7 July 2015	800,000	—	60,000	—	740,000	7 July 2015– 6 July 2018	HK\$2.59
Employees	6 July 2017	—	2,560,000	960,000	180,000	1,420,000	6 July 2017– 5 July 2019	HK\$1.78
Exercisable at the end of the Period						2,160,000		
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 100,000 share options were lapsed upon resignation of respective employees during the Period.

The fair values of share options granted on 7 July 2015 and 6 July 2017 were calculated using the Binomial model. The inputs into the model were as follows:

	Options granted on 7 July 2015	Options granted on 6 July 2017
Share price at date of grant	HK\$2.18	HK\$1.75
Exercise price	HK\$2.59	HK\$1.78
Expected volatility	78.48%	48.24%
Expected life	3 years	2 years
Risk-free rate	0.62%	0.91%
Expected dividend yield	6.38%	6.01%
Exit rate	10.00%	22.81%
Estimated fair value for each share option	HK\$0.57	HK\$0.0423

Expected volatility was determined by using the historical volatility of the share price of certain companies in the similar industry over the previous years.

Share-based payment expenses of approximately HK\$69,000 (2016: Nil) were recognised by the Group for the period ended 31 December 2017 in relation to share options granted by the Company.

12. USE OF PROCEEDS

The net proceeds from the placing and listing were approximately HK\$14.9 million, which was based on the final placing price of HK\$1.00 per share and the actual expenses on the listing and placing of shares of the Company. As disclosed in the Prospectus, HK\$13.4 million will be used for the acquisition of a commercial property in Hong Kong for use as a customer service centre. The balance of HK\$1.5 million will be reserved as general working capital.

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

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

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 consumer electronic devices and the sales of related accessories and products therefor. The Group has been appointed by corporate customers comprising manufacturers of mobile phones and personal electronic products, telecommunications service providers and global services companies as their service provider to provide repair and refurbishment services for their products and to their customers. As at the date of this report, the Group operates seven service centres in Hong Kong and one service centre in Macau.

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. The Group's business objective is to boost the growth by enhancing the scope of the Group's repair and refurbishment services, strengthening the product knowledge and technical capability and expanding the scale of accessories business. At the same time, the Group will continue to explore other business opportunities for development that could support the goal of maximising long-term shareholder value.

As announced on 17 August 2017, the Company had submitted a formal application to the Stock Exchange for the proposed transfer of listing from GEM to the Main Board of the Stock Exchange. The application is currently under the vetting of the Stock Exchange.

FINANCIAL REVIEW

Revenue

The Group's revenue comprises repairing service income and income from sale of accessories. The Group's revenue for the Period was approximately HK\$76,811,000 (2016: HK\$76,840,000), representing a slight decrease of approximately 0.04% over the corresponding period of the previous year. The decrease in the Group's revenue was mainly attributable to the decrease in income from sale of accessories and offset by the increase in repairing service income.

Management Discussion and Analysis (Continued)

Repairing service income for the Period was approximately HK\$74,998,000 (2016: HK\$64,091,000), representing an increase of approximately 17.0% over the corresponding period of the previous year. The increase in repairing service income was primarily as a result of the increase in job orders placed by a corporate customer, which started to engage the Group to provide repairing services in August 2016. Revenue from sales of accessories for the Period decreased approximately 85.8% to approximately HK\$1,813,000 as compared to approximately HK\$12,749,000 over the corresponding period of the previous year. The decrease was mainly due to the decrease 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 nine months ended 31 December 2017, cost of sales was approximately HK\$36,155,000 (2016: HK\$41,441,000), representing a decrease of approximately 12.8%. The decrease in cost of sales was attributable to the decrease in both parts cost and labour cost. The Group's parts cost for the nine months ended 31 December 2017 was approximately HK\$11,914,000 (2016: HK\$15,996,000), representing a decrease of approximately 25.5%. The decrease was because the Group received less work orders which required the Group to purchase spare parts and components and such costs were not reimbursed. In addition, cost of accessories also decreased for the down-turn of accessories business. The Group's direct labour cost for the nine months ended 31 December 2017 was approximately HK\$24,241,000 (2016: HK\$25,445,000), representing a decrease of approximately 4.7%. The decrease was mainly due to the reduction of manpower.

Gross Profit and Gross Profit Margin

The gross profit for the Period was approximately HK\$40,656,000 (2016: HK\$35,399,000), representing an increase of approximately 14.9% over the corresponding period of previous year. Gross profit margin increased by approximately 6.8% to approximately 52.9% from approximately 46.1%. The increase in gross profit margin was primarily because of the increase in new work orders (for pre-loading of apps), such new work orders of pre-loading apps did not require the Group to purchase spare parts to perform such work orders.

Management Discussion and Analysis (Continued)

Other Income

Other income for the nine months ended 31 December 2017 was approximately HK\$1,762,000 (2016: HK\$1,613,000), representing an increase of approximately 9.2%. Other income is mainly contributed by management fee, consignment goods handling income and bank interest income. The increase was mainly attributable to the increase in storage charge and a one-off special repair job assigned by a corporate customer.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the nine months ended 31 December 2017 were approximately HK\$7,333,000 (2016: HK\$7,947,000), representing a decrease of approximately 7.7% over the corresponding period of the previous year. The decrease was mainly due to the decrease in rental expenses for relocation of a repair centre for a corporate customer in March 2017.

Administrative expenses for the nine months ended 31 December 2017 were approximately HK\$10,375,000 (2016: HK\$11,761,000), representing a decrease of approximately 11.8% over the corresponding period of previous year. The decrease was mainly due to decrease in exchange loss and offset by the increase in professional fees incurred for the transfer of listing application.

Profit before Tax

The Group had recorded a profit before tax of approximately HK\$24,709,000 for the nine months ended 31 December 2017 (2016: HK\$17,172,000), representing an increase of approximately 43.9% from the corresponding period of the previous year. The increase was mainly due to increase in gross profit.

Management Discussion and Analysis (Continued)

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the nine months ended 31 December 2017 (2016: Nil).

THIRD INTERIM DIVIDEND

The third interim dividend of HK\$0.02 per share (2016: Nil) will be paid on or about Friday, 2 March 2018 to shareholders whose names appear on the register of members of the Company on Monday, 26 February 2018.

OUTLOOK

During the period under review, the Group's core businesses have been developed steadily. The repairing service income reported sustained growth. However, in view of what will likely remain intense market competition and challenging economic conditions ahead, the management will be prudent when conducting business and in identifying growth opportunities in coming year.

Other Information

THIRD INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared the payment of the third interim dividend of HK\$0.02 per share for the Period. The third interim dividend will be payable in cash to shareholders whose names appear on the register of members of the Company on Monday, 26 February 2018.

For the purpose of determining shareholders' entitlement to the third interim dividend, the register of members of the Company will be closed from Friday, 23 February 2018 to Monday, 26 February 2018 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the third 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, 22 February 2018.

The third interim dividend is expected to be paid on or about Friday, 2 March 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.

Other Information (Continued)

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

As at 31 December 2017, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) The Company

Long Position

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue ^{Note A}
Mr. Cheung King Shek	Beneficial owner	6,000,000	4.68%
	Beneficiary of a trust ^{Note B}	66,000,000	51.49%
Mr. Cheung King Shan	Beneficial owner	6,000,000	4.68%
	Beneficiary of a trust ^{Note B}	66,000,000	51.49%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	4.68%
	Beneficiary of a trust ^{Note B}	66,000,000	51.49%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	4.68%
	Beneficiary of a trust ^{Note B}	66,000,000	51.49%

Other Information (Continued)

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

(ii) Associated corporations

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

Long Position

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

Other Information (Continued)

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

(ii) Associated corporations (Continued)

Note A: The calculation is based on 128,182,000 shares of the Company in issue as at 31 December 2017.

Note B: The 66,000,000 shares representing approximately 51.49% 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 31 December 2017, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of attracting and retaining the best quality personnel for the development of the 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 has been approved by the shareholders of the Company on 2 May 2013, and came into effect after the Company was listed on GEM of the Stock Exchange.

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.

Other Information (Continued)

SHARE OPTION SCHEME (Continued)

As at 31 December 2017, an aggregate of 2,160,000 shares were issuable for the outstanding share options granted under the Scheme, representing approximately 1.69% 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	Changes during the Period				Balance as at
				as at 1 April 2017	Granted	Exercised	Cancelled	Lapsed	31 December 2017
Eligible employees ^{Note (i)}	7 July 2015	HK\$2.59 _{Note (ii)}	7 July 2015– 6 July 2018 ^{Note (iii)}	800,000	–	–	–	(60,000)	740,000
Eligible employees ^{Note (i)}	6 July 2017	HK\$1.78 _{Note (ii)}	6 July 2017– 5 July 2019 ^{Note (iii)}	–	2,560,000 _{Note (iv)}	(180,000) _{Note (iv)}	(920,000) _{Note (iv)}	(40,000)	1,420,000
				800,000	2,560,000	(180,000)	(920,000)	(100,000)	2,160,000

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 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.
- (v) All share options granted on 6 July 2017 do not have any vesting period.

Other Information (Continued)

SHARE OPTION SCHEME (Continued)

Notes: (Continued)

- (vi) The shares which may be issued upon exercise of the 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.
- (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\$2.28.
- (viii) The exercise price of the cancelled options was HK\$1.78.

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 31 December 2017.

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).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors who were in office during the Period, all of them have confirmed that they have complied with the required standard of dealings during the Period.

Other Information (Continued)

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

As at 31 December 2017, 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 GEM 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 ^{Note A}
East-Asia Pacific Limited ^{Note B}	Beneficial owner	66,000,000	51.49%
Amazing Gain Limited ^{Note B}	Interest in a controlled corporation	66,000,000	51.49%
J. Safra Sarasin Trust Company (Singapore) Limited ^{Note B}	Trustee (other than a bare trustee)	66,000,000	51.49%
Ms. Tang Fung Yin Anita ^{Note C}	Interest of spouse	72,000,000	56.17%
Ms. Yeung Ho Ki ^{Note C}	Interest of spouse	72,000,000	56.17%

Note C: 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 72,000,000 shares of the Company in which their respective husbands are interested.

Other Information (Continued)

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

Long Position (Continued)

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2017, 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") contained in Appendix 15 of the GEM Listing Rules throughout the Period except the deviation mentioned in the following paragraph.

According to the Code Provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Period, the 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.

Other Information (Continued)

UPDATE ON DIRECTORS' INFORMATION

Changes of Directors' information since the Company's last published interim report are set out below:

- Mr. Chu Kin Wang Peleus resigned as an independent non-executive director of China Huishan Dairy Holdings Company Limited (stock code: 6863, a company listed on the Main Board of the Stock Exchange) with effect from 15 December 2017.
- Mr. Chu Kin Wang Peleus resigned as an independent non-executive director, chairman of audit committee, member of each of nomination committee and remuneration committee of the Company with effect from 27 December 2017.
- Mr. Tso Ka Yi was appointed as an independent non-executive director, chairman of audit committee, member of each of nomination committee and remuneration committee of the Company with effect from 15 January 2018.

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.

Other Information (Continued)

REVIEW OF RESULTS (Continued)

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 third quarterly results for the Period.

By Order of the Board

Telecom Service One Holdings Limited

Cheung King Shek

Chairman

Hong Kong, 6 February 2018

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