



Telecom Service One Holdings Limited

電訊首科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8145)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

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

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 2015 (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 2015

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	31,019	34,719	93,332	93,663
Cost of sales		<u>(17,480)</u>	<u>(17,645)</u>	<u>(53,176)</u>	<u>(47,734)</u>
Gross profit		13,539	17,074	40,156	45,929
Other income	5	678	408	2,013	1,659
Other operating expenses, net	6	(3,519)	(3,852)	(11,841)	(10,769)
Administrative expenses		(3,709)	(5,528)	(11,186)	(11,768)
Finance costs	7	<u>(57)</u>	<u>(69)</u>	<u>(175)</u>	<u>(109)</u>
Profit before tax		6,932	8,033	18,967	24,942
Income tax expense	8	<u>(1,180)</u>	<u>(1,744)</u>	<u>(2,914)</u>	<u>(4,688)</u>
Profit for the period		<u>5,752</u>	<u>6,289</u>	<u>16,053</u>	<u>20,254</u>
Item that may be subsequently reclassified to profit or loss: Exchange differences arising on translation of foreign operations		<u>(45)</u>	<u>(5)</u>	<u>(63)</u>	<u>—</u>
Other comprehensive expense for the period		<u>(45)</u>	<u>(5)</u>	<u>(63)</u>	<u>—</u>
Total comprehensive income for the period		<u>5,707</u>	<u>6,284</u>	<u>15,990</u>	<u>20,254</u>
Earnings per share (HK\$)	10				
Basic		<u>0.05</u>	<u>0.05</u>	<u>0.13</u>	<u>0.17</u>
Diluted		<u>0.05</u>	<u>0.05</u>	<u>0.13</u>	<u>0.17</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2015

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>Note (i)</i>	Translation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>Note (ii)</i>	Warrant reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014 (audited)	12,000	23,907	70	(60)	133	100	—	36,482	72,632
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	—	20,254	20,254
Payment of dividends <i>Note 9</i>	—	—	—	—	—	—	—	(42,000)	(42,000)
At 31 December 2014 (unaudited)	<u>12,000</u>	<u>23,907</u>	<u>70</u>	<u>(60)</u>	<u>133</u>	<u>100</u>	<u>—</u>	<u>14,736</u>	<u>50,886</u>
At 1 April 2015 (audited)	<u>12,000</u>	<u>23,907</u>	<u>70</u>	<u>(60)</u>	<u>137</u>	<u>100</u>	<u>—</u>	<u>18,986</u>	<u>55,140</u>
Profit for the period	—	—	—	—	—	—	—	16,053	16,053
Exchange differences arising on translation of foreign operations	—	—	—	(63)	—	—	—	—	(63)
Total comprehensive income for the period	—	—	—	(63)	—	—	—	16,053	15,990
Recognition of equity-settled share-based payments expenses <i>Note 11</i>	—	—	—	—	—	—	583	—	583
Issue of shares upon exercise of share options	1	37	—	—	—	—	(7)	—	31
Lapse of share options	—	—	—	—	—	—	(25)	25	—
Payment of dividends <i>Note 9</i>	—	—	—	—	—	—	—	(24,003)	(24,003)
At 31 December 2015 (unaudited)	<u>12,001</u>	<u>23,944</u>	<u>70</u>	<u>(123)</u>	<u>137</u>	<u>100</u>	<u>551</u>	<u>11,061</u>	<u>47,741</u>

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, 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 relevant Taiwan regulations, the statutory reserve may be used to offset against accumulated losses of the relevant Taiwan company. The amount of transfer is subject to the approval of the board of directors of the relevant Taiwan company.

In addition, in accordance with the People’s Republic of China (the “PRC”) laws applicable to wholly-foreign owned investment enterprises, subsidiary of the Company operating in the PRC is required to set up a general reserve fund and appropriate at least 10% of relevant company’s annual profit after tax, as determined under the PRC accounting rules and regulations, to the general reserve fund until the balance of the reserve equals to 50% of its registered capital. This fund can be used to make good losses and to convert into paid-up capital.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2015

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business is 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 functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currencies for certain subsidiaries are Renminbi, Macau Pataca and New Taiwan dollars. For the purpose of presenting the condensed consolidated financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the consolidated financial statements for the year ended 31 March 2015. 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 2015. 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		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Repairing service income	23,850	31,804	81,953	85,046
Sales of accessories	7,169	2,915	11,379	8,617
	<u>31,019</u>	<u>34,719</u>	<u>93,332</u>	<u>93,663</u>

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 2014, the Group's operations are located in Hong Kong, PRC and Macau. More than 97% (2014: 98%) of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong during the nine months ended 31 December 2015.

5. OTHER INCOME

	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Management fee income <i>Note (i)</i>	269	122	540	325
Consignment goods handling income <i>Note (ii)</i>	105	112	411	434
Bank interest income	169	40	683	510
Others	135	134	379	390
	<u>678</u>	<u>408</u>	<u>2,013</u>	<u>1,659</u>

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		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reimbursement of expenses for service centres	171	193	599	493
Service centres management income	—	—	—	218
Logistic service income	2	65	7	264
Miscellaneous income	69	178	118	899
	<u>242</u>	<u>436</u>	<u>724</u>	<u>1,874</u>
Other operating expenses of service centres	<u>(3,761)</u>	<u>(4,288)</u>	<u>(12,565)</u>	<u>(12,643)</u>
Other operating expenses, net	<u>(3,519)</u>	<u>(3,852)</u>	<u>(11,841)</u>	<u>(10,769)</u>

7. FINANCE COSTS

	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on bank borrowings	<u>57</u>	<u>69</u>	<u>175</u>	<u>109</u>

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 taxable profits for the nine months ended 31 December 2015 (2014: 17%). No provision for Taiwan profits tax has been made as there were no taxable profits for each period.

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

Macau Complementary Income Tax is calculated at the progressive rate on the estimated 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		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:				
2013/14 interim (HK\$0.25 per share)	—	—	—	30,000
2014/15 interim (HK\$0.10 per share)	—	12,000	—	12,000
2014/15 final (HK\$0.15 per share)	—	—	18,002	—
2015/16 interim (HK\$0.05 per share)	<u>6,001</u>	<u>—</u>	<u>6,001</u>	<u>—</u>
	<u>6,001</u>	<u>12,000</u>	<u>24,003</u>	<u>42,000</u>

On 22 September 2015, a final dividend of HK\$0.15 per share for the year ended 31 March 2015 was paid to the shareholders of the Company.

On 30 November 2015, an interim dividend of HK\$0.05 per share for the six months ended 30 September 2015 was paid to the shareholders of the Company.

On 2 February 2016, the Board has resolved not to declare any interim dividend for the nine months ended 31 December 2015.

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		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	<u>5,752</u>	<u>6,289</u>	<u>16,053</u>	<u>20,254</u>
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,021,913	120,000,000	120,011,016	120,000,000
Effect of dilutive potential ordinary shares:				
— warrants	977,240	—	2,991,362	394,921
— share options	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>120,999,153</u>	<u>120,000,000</u>	<u>123,002,378</u>	<u>120,394,921</u>

The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of the share for the three months ended 31 December 2014.

The computation of diluted earnings per share 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 2015.

11. SHARE-BASED PAYMENT

In July 2015, 1,426,000 share options were granted to employees under the Company's share option scheme. The exercise price of the share options of HK\$2.59 was being not less than the highest of (i) the closing price of HK\$2.18 per share on 7 July 2015 ("Date of Grant"); (ii) the average closing price of HK\$2.588 per share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.1 per share. The fair value at the Date of Grant is estimated using a binomial pricing model, taking into account the terms and conditions upon which the share options were granted. The contractual life of each share option granted is 3 years. There is no cash settlement of the share options. The fair value of share options granted during the nine months ended 31 December 2015 was estimated on the Date of Grant using the following assumptions:

Dividend yield (%)	6.38
Expected volatility (%)	78.48
Risk-free interest rate (%)	0.62
Expected life of share options (years)	3
Estimated fair value of each share option (HK\$)	0.57

Expected volatility was determined by using the historical volatility of the comparable companies' share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK\$583,000 for the nine months ended 31 December 2015 (2014: nil) in the condensed consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company.

Details of share options granted, exercised, lapsed and outstanding under the share option scheme of the Company during the Period are as follows:

	Expiry date	2015		2014	
		Exercise price in HK\$ per share	Number of share options	Exercise price in HK\$ per share	Number of share options
As at 1 April		—	—	—	—
Granted		2.59	1,426,000	—	—
Exercised		2.59	(12,000)	—	—
Lapsed		2.59	(444,000)	—	—
As at 31 December	6 July 2018	<u>2.59</u>	<u>970,000</u>	<u>—</u>	<u>—</u>

In respect of the share options exercised during the Period, the weighted average share price at the date of exercise is HK\$2.45 (2014: nil).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established repair service provider in Hong Kong, with an operating history since 1999. The Group is principally engaged in providing repair and refurbishment services for mobile phones and consumer electronic devices as well as sale of related accessories and products therefor. The Group has 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. 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 maximizing long-term shareholder value.

FINANCIAL REVIEW

Revenue

The Group's revenue for the nine months ended 31 December 2015 was approximately HK\$93,332,000 (2014: HK\$93,663,000), representing a slight decrease of 0.4% over the corresponding period of the previous year. The decrease in the Group's revenue was mainly due to a drop in revenue generated from the repair and refurbishment business.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the nine months ended 31 December 2015, cost of sales was approximately HK\$53,176,000 (2014: HK\$47,734,000), representing an increase of 11.4%. The increase in cost of sales was attributable to the increase in both parts cost and labour cost. The Group's parts cost for the nine months ended 31 December 2015 was approximately HK\$21,896,000 (2014: HK\$17,092,000), representing an increase of 28.1%. The increase was because the Group received more work orders which required the Group to purchase spare parts and components and such costs were not reimbursed. The Group's direct labour cost for the nine months ended 31 December 2015 was approximately HK\$31,274,000 (2014: HK\$30,632,000), representing an increase of 2.1%. The increase was mainly due to the pay raise.

Gross Profit and Gross Profit Margin

The gross profit for the nine months ended 31 December 2015 was approximately HK\$40,156,000 (2014: HK\$45,929,000), representing a decrease of 12.6% over the corresponding period of previous year. Gross profit margin decreased by 6.0% to 43.0% from 49.0%.

Other Income

Other income for the nine months ended 31 December 2015 was approximately HK\$2,013,000 (2014: HK\$1,659,000), representing an increase of 21.3%. 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 management fee and bank interest income.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the nine months ended 31 December 2015 were approximately HK\$11,841,000 (2014: HK\$10,769,000), representing an increase of 10.0% over the corresponding period of the previous year. The increase was mainly due to the decrease in operating income. The Group received a one-off rental subsidy from a corporate customer in last year.

Administrative expenses for the nine months ended 31 December 2015 were approximately HK\$11,186,000 (2014: HK\$11,768,000), representing a slight decrease of 4.9% over the corresponding period of previous year. The decrease was mainly due to decrease in Directors' remuneration.

Profit before Tax

The Group had recorded a profit before tax of approximately HK\$18,967,000 for the nine months ended 31 December 2015 (2014: HK\$24,942,000), representing a decrease of 24.0% from the corresponding period of the previous year. The decrease was mainly due to increase in cost of sales.

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 2015 (2014: nil).

OUTLOOK

Global recovery is still hampered by some new challenges. Subject to a number of uncertainties and downside risks, the economy is expected to weaken in the coming year. Given the uncertainties and challenges faced by the global economies, the Group shall continue on streamlining management process, integrating external and internal resources, enhancing business process and management models. 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.

OTHER INFORMATION

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

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

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

As at 31 December 2015, 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
Mr. Cheung King Shek	Beneficial owner	6,000,000	5%
	Beneficiary of a trust <i>Note A</i>	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust <i>Note A</i>	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust <i>Note A</i>	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust <i>Note A</i>	66,000,000	55%

(ii) *Associated corporations*

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

Long Position

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

Note A:

The 66,000,000 shares representing approximately 55% 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 2015, 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.

During the Period, share options to subscribe for a total of 1,426,000 ordinary shares of HK\$0.1 each of the Company were granted under the Scheme.

As at 31 December 2015, an aggregate of 970,000 shares are issuable for the outstanding share options granted under the Scheme, representing approximately 0.81% 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 1 April 2015	Granted	Exercised	Lapsed	as at 31 December 2015
Eligible employees <i>Note (i)</i>	7 July 2015	HK\$2.59 <i>Note (ii)</i>	7 July 2015– 6 July 2018 <i>Note (iii)</i>	—	1,426,000	(12,000) <i>Note (iv)</i>	(444,000)	970,000

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 do not have any vesting period.
- (iv) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$2.45.

Except 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 2015.

Non-listed Warrants

On 17 February 2014, the Company and the placing agent entered into a placing agreement in respect of the placing of 12,000,000 warrants of the Company to not less than six independent places at a price of HK\$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.1 each at a subscription price of HK\$1.64 in a three-year period commencing from the date of issue of the warrants, subject to adjustment upon occurrence of certain events. The placing was completed on 3 March 2014.

As at 31 December 2015 and the date of this announcement, no warrants have been exercised by any registered warrant holders of the Company.

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.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2015, 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
East-Asia Pacific Limited <i>Note A above</i>	Beneficial owner	66,000,000	55%
Amazing Gain Limited <i>Note A above</i>	Interest in a controlled corporation	66,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Limited <i>Note A above</i>	Trustee (other than a bare trustee)	66,000,000	55%
Ms. Law Lai Ying Ida <i>Note B</i>	Interest of spouse	72,000,000	60%
Ms. Tang Fung Yin Anita <i>Note B</i>	Interest of spouse	72,000,000	60%
Ms. Yeung Ho Ki <i>Note B</i>	Interest of spouse	72,000,000	60%

Note B:

Ms. Law Lai Ying Ida is the wife of Mr. Cheung King Shek. Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Law Lai Ying Ida, Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 72,000,000 shares which are interested by their respective husbands.

Save as disclosed above, as at 31 December 2015, 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 2015, 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.

Interests of Compliance Adviser

As notified by the Company's compliance adviser, China Everbright Capital Limited ("China Everbright"), other than disclosed below, as at 31 December 2015, neither China Everbright nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules:

- (i) the compliance adviser agreement entered into between the Company and China Everbright in May 2013; and
- (ii) the non-listed warrants placing agreement entered into between the Company and China Everbright Securities (HK) Limited (an associate of China Everbright) on 17 February 2014.

Corporate Governance Practices

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code", formerly contained in Appendix 15 of the GEM Listing Rules until 31 December 2015) throughout the Period except the deviation mentioned in the following paragraph.

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

Review of Results

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus. Mr. Chu Kin Wang Peleus is the chairman of the Audit Committee. The Audit Committee has reviewed the Group’s unaudited third quarterly results for the Period.

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

Hong Kong, 2 February 2016

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

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

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