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Telecom Service One Holdings Limited

電訊首科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8145)

ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS EXCEEDED

Reference is made to the announcement of the Company dated 31 December 2015 in relation to the Sub-tenancy Agreement entered into by TSO with TDSL on 31 December 2015, which constituted a continuing connected transaction of the Company.

As the actual total rentals paid by the Group to the connected persons (which included GEL, GIL, HKMag, Marina, ORL and TDSL) for the year ended 31 March 2017 exceeded the Annual Cap, pursuant to Rule 20.52 of the GEM Listing Rules, the Company is required to re-comply with the announcement requirements under Chapter 20 of the GEM Listing Rules.

As one or more applicable percentage ratios (other than the profits ratio) under Rule 19.07 of the GEM Listing Rules in respect of the total annual rentals under the Connected Tenancy Agreements were less than 25% and such total annual rentals were less than HK\$10,000,000, such Connected Tenancy Agreements were exempt from the circular (including independent financial advice) and shareholders' approval requirements, but were subject to requirements regarding announcement, annual reporting and annual review under Chapter 20 of the GEM Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 31 December 2015 in relation to the Sub-tenancy Agreement entered into by TSO with TDSL on 31 December 2015, which constituted a continuing connected transaction of the Company. Pursuant to the Sub-tenancy Agreement, TDSL (which is a connected person of the Company) subleased a portion of shop to TSO (which is a wholly-owned subsidiary of the Company). The Sub-tenancy Agreement was for a term of one year from 1 January 2016 to 31 December 2016 at a monthly rent of HK\$41,800 (inclusive of government rates and management fee).

Pursuant to Rule 20.79 of the GEM Listing Rules, the transaction contemplated under the Sub-tenancy Agreement was required to be aggregated with the transactions under the then existing tenancy agreements between the TSO and other connected persons of the Company (which were also continuing connected transactions of the Company). As disclosed in the announcement of the Company dated 11 August 2016 in relation to continuing connected transactions (the “**Announcement**”), the aggregate annual caps for the Sub-tenancy Agreement and the then existing tenancy agreements between TSO and TSO (Macau) as tenants and the other connected persons of the Company (which included GEL, GIL, HKMag, Marina and ORL) based on the total annual rentals payable thereunder during their respective terms of tenancy or sub-tenancy for the year ended 31 March 2017 would be HK\$6,852,000 (the “**Annual Cap**”). As disclosed in the Announcement, other than a then tenancy agreement which would be terminated on 15 August 2016 and the Sub-tenancy Agreement which would expire on 1 January 2017, all such other tenancy agreements would expire on 1 April 2017.

After the Sub-tenancy Agreement expired on 1 January 2017, TSO continued to use the sub-leased portion of the relevant shop and pay the monthly rental to TDSL for the three months from 1 January 2017 to 31 March 2017.

It came to the attention of the Company that the total rentals paid by the Company to TDSL and other connected persons in the year ended 31 March 2017 amounted to approximately HK\$6,979,000, which was approximately HK\$127,000 over the Annual Cap of HK\$6,852,000.

REASONS FOR THE TOTAL RENTAL EXCEEDING THE ANNUAL CAP

The total rentals paid by the Group in the year ended 31 March 2017 to the connected persons of the Company, which amounted to approximately HK\$6,979,000, have slightly exceeded the Annual Cap by approximately HK\$127,000, because after the Sub-tenancy Agreement expired on 1 January 2017, TSO continued to use the sub-leased portion of the relevant shop and pay the monthly rental of HK\$41,800 to TDSL month by month for the three months from 1 January 2017 to 31 March 2017. Therefore the Annual Cap was exceeded since March 2017.

As disclosed in the announcement of the Company dated 31 March 2017, on 31 March 2017, each of the then tenancy agreements between the Group as tenants and the connected persons of the Company as landlords, which expired on 1 April 2017, was renewed by a renewal tenancy agreement for a further term to 31 March 2018, and the Sub-tenancy Agreement was also formally renewed by a renewal sub-tenancy agreement for a further term to 31 March 2018.

As certain tenancy agreements, which constituted continuing connected transactions of the Company, were renewed on 11 August 2016 so that all tenancy agreements (other than the Sub-tenancy Agreement) which constituted continuing connected transactions of the Company would expire on 1 April 2017, the date of expiry of the Sub-tenancy Agreement was mistakenly to be taken as also on 1 April 2017. This oversight was discovered near the end of

March 2017 when the Company was in the process of preparing the above renewal tenancy agreements and the announcement of the Company dated 31 March 2017 in respect of the renewal of the tenancy agreements.

MEASURES ADOPTED BY THE COMPANY FOR FUTURE COMPLIANCE

After the Company was listed on 30 May 2013, save as the above oversight, the Company had supervised and managed continuing connected transactions so as to comply with the requirements under the GEM Listing Rules in a timely manner. When the Group entered into new tenancy agreements with the connected persons of the Company or renewed such tenancy agreements, the Group had revised the annual caps for such continuing connected transactions and strictly complied with the announcement requirements under the GEM Listing Rules.

In order to avoid any occurrence of similar oversight as above in the future, the Company has set the expiry date of the tenancy and sub-tenancy agreements which constitute continuing connected transactions on the same date, i.e. 31 March 2018, so as to facilitate the Company to monitor such continuing connected transactions and comply with the requirements under the GEM Listing Rules in a timely manner.

IMPLICATIONS AND BREACH OF THE GEM LISTING RULES

As the actual total rentals paid by the Group to the connected persons (which included GEL, GIL, HKMag, Marina, ORL and TDSL) for the year ended 31 March 2017 exceeded the Annual Cap, pursuant to Rule 20.52 of the GEM Listing Rules, the Company is required to re-comply with the announcement requirements under Chapter 20 of the GEM Listing Rules.

As one or more applicable percentage ratios (other than the profits ratio) under Rule 19.07 of the GEM Listing Rules in respect of the total annual rentals under the then tenancy and sub-tenancy agreements (the “**Connected Tenancy Agreements**”, the detailed terms of which had been disclosed in the announcement of the Company dated 11 August 2016), which constituted continuing connected transactions of the Company, were less than 25% and such total annual rentals were less than HK\$10,000,000, the Connected Tenancy Agreements were exempt from the circular (including independent financial advice) and shareholders’ approval requirements, but were subject to requirements regarding announcement, annual reporting and annual review under Chapter 20 of the GEM Listing Rules.

The Board, including the independent non-executive Directors, is of the view that the Connected Tenancy Agreements were entered into in the ordinary and usual course of business of the Company and on normal commercial terms, the terms of the Connected Tenancy Agreements are fair and reasonable and in the interests of the Company and shareholders as a whole.

The Company's failure to re-comply with the announcement requirement under Chapter 20 of the GEM Listing Rules in respect of the Connected Tenancy Agreements constituted a breach of Rule 20.52(1) of the GEM Listing Rules. The Company had not published any announcement about the exceeding of the Annual Cap as the amount exceeding the Annual Cap was approximately HK\$127,000 and the exceeding of the Annual Cap would be disclosed in the annual report of the Company for the year ended 31 March 2017. Moreover when the oversight was noted, the relevant tenancy agreements were all about to expire and an announcement in respect of the Renewal of the Connected Transactions was to be published on 31 March 2017.

GENERAL INFORMATION

The Company is listed on GEM and is principally engaged in investment holding. The principal activities of the Group are the provision of repair and refurbishment services for mobile phones and consumer electronic devices and the sales of related accessories and products therefor.

TDHL is listed on the Main Board of the Stock Exchange and is principally engaged in the telecommunications and related business in Hong Kong, including (i) retail sales of mobile phones and pre-paid SIM cards and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to Sun Mobile Limited, associated owned as to 40% by TDHL Group and as to 60% by HKT Limited.

GEL, GIL, HKMag, Marina and ORL are wholly-owned subsidiaries of East-Asia. East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.49% of the shares of the Company in issue. TDSL is wholly-owned subsidiary of TDHL which is indirectly owned by the Cheung Family Trust as to 54.52%. As such, each of GEL, GIL, HKMag, Marina, ORL and TDSL is a connected person of the Company under the GEM Listing Rules.

DEFINITIONS

In this announcement, the following definitions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Cheung Brothers”	Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny

“Cheung Family Trust”	a discretionary trust established for the benefit of certain family members of the Cheung family, the discretionary objects of which include the Cheung Brothers, all being Directors
“Company”	Telecom Service One Holdings Limited (Stock Code: 8145), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Directors”	the directors of the Company
“East-Asia”	East-Asia Pacific Limited, a company incorporated in British Virgin Islands with limited liability and indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“GEL”	Glossy Enterprises Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.49% of the shares of the Company in issue, and thus a connected person of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“GIL”	Glossy Investment Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.49% of the shares of the Company in issue, and thus a connected person of the Company
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong Dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKMag”	H.K. Magnetronic Company Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.49% of the shares of the Company in issue, and thus a connected person of the Company

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Marina”	Marina Trading Inc., a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.49% of the shares of the Company in issue, and thus a connected person of the Company
“ORL”	Oceanic Rich Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.49% of the shares of the Company in issue, and thus a connected person of the Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-tenancy Agreement”	the sub-tenancy agreement dated 31 December 2015 entered into between TDSL and TSO
“TDHL”	Telecom Digital Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6033)
“TDSL”	Telecom Digital Services Limited, a company incorporated in Hong Kong with limited liability, and wholly-owned by TDHL, which is indirectly owned by the Cheung Family Trust as to 54.52% which indirectly holds 51.49% of the shares of the Company in issue, and thus a connected person of the Company

“TSO”	Telecom Service One Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Company
“TSO (Macau)”	Telecom Service One (Macau) Limited, a company incorporated in Macau with limited liability and wholly-owned by the Company
“%”	per cent.

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

Hong Kong, 19 September 2017

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; the non-executive Directors are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and the independent non-executive Directors are Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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 date 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.