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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)

REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Reference is made to the paragraph headed “Continuing Connected Transaction — Exempt Continuing Connected Transactions — Sale of mobile phone accessories to New World Mobility Limited” in the prospectus of the Company dated 23 May 2013.

In view of the new digital printing system for mobile phone cases recently installed at the Group’s central repair and refurbishment centre and certain customer service centres in Hong Kong, the Directors anticipate that the Original Annual Cap of HK\$1,000,000 will not be sufficient to meet the expected sales volume under the NWM Sale Agreement. The Directors therefore propose that the Original Annual Cap be revised and increased to the Revised Annual Cap. The Revised Annual Cap will be HK\$2,500,000 and HK\$7,000,000 for the financial years ending 31 March 2014 and 2015, respectively.

Reference is also made to the paragraph headed “Continuing Connected Transaction — Exempt Continuing Connected Transactions — Consignment of accessories for mobile phones and personal electronic products of certain brands to TDM” in the prospectus of the Company dated 23 May 2013. As a result of subsequent business restructuring, TDM ceased to be involved in the consignment sales of accessories, and TDS (being a fellow subsidiary of TDM) has been responsible for such consignment sales. Accordingly, on 13 December 2013, TSO entered into the TDS Consignment Agreement with TDS, pursuant to which TSO sells accessories for mobile phones and personal electronic products at the retail shops of TDS on a consignment basis in consideration of a consignment fee.

New World Mobility and TDS are connected persons of the Company under the GEM Listing Rules. Accordingly, the NWM Sale Agreement and the TDS Consignment Agreement constitute continuing connected transactions for the Company. As all applicable percentage ratios (as defined under Rule 19.04 of the GEM Listing Rules) in respect of (i) the total estimated annual sales under the NWM Sale Agreement and (ii) the total estimated consignment fees under the TDS Consignment Agreement are respectively less than 25%, and such sales and consignment fees are respectively less than HK\$10,000,000, the NWM Sale Agreement and the TDS Consignment Agreement are subject to the reporting and announcement requirements set out in Rule 20.45 to 20.47, the annual review requirements set out in Rules 20.37 to 20.40 and the requirements set out in Rules 20.35(1) and 20.35(2) of the GEM Listing Rules, but are exempt from the independent shareholders' approval requirement pursuant to Rule 20.34 of the GEM Listing Rules.

INTRODUCTION

The Group has recently installed the new digital printing system for mobile phone cases at its central repair and refurbishment centre and certain customer service centres in Hong Kong. Such system is sourced from an Independent Third Party, and can print photos on mobile phone cases. The Group can then sell mobile phone cases which bear the photos the customers choose. The Group will also sell coupons to individuals and corporate entities, including New World Mobility, so that holders of the coupons can exchange the coupons for mobile phone cases which bear the photos they choose.

NWM SALE AGREEMENT

Reference is made to the paragraph headed “Continuing Connected Transaction — Exempt Continuing Connected Transactions — Sale of mobile phone accessories to New World Mobility Limited” in the Prospectus of the Company dated 23 May 2013.

As disclosed in the Prospectus, TSO entered into the NWM Sale Agreement with New World Mobility on 6 May 2013, pursuant to which TSO has agreed to sell mobile phone accessories to New World Mobility from the Listing Date to 31 March 2015 at cost plus a certain percentage of markup. The price of such mobile phone accessories is determined by TSO and New World Mobility with reference to the current market rate of similar products.

At the time of the issue of the Prospectus, the Board expected that the amount of mobile phone accessories purchased and to be purchased by New World Mobility from TSO for the year ended 31 March 2013 and each of the two years ending 31 March 2015 was and would be less than HK\$1,000,000, and the highest of the applicable percentage ratios calculated with reference to such amount of mobile phone accessories to be purchased would be less than 5%. The above estimation was made by the Board with reference to the historical amount of mobile phone accessories sold by TDM to New World Mobility and the then expected increase in demand and price of such accessories.

Accordingly, the transactions under the NWM Sale Agreement were also expected to be exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31(2) of the GEM Listing Rules.

For the year ended 31 March 2013, the sales of mobile phone accessories from TSO to New World Mobility amounted to approximately HK\$963,000.

Revision of the Original Annual Cap

In view of the digital printing system for mobile phone cases recently installed by the Group and the proposed sale of coupons to New World Mobility for exchange for mobile phone cases with printed photos chosen by the coupon holders, the Directors anticipate that the Original Annual Cap of HK\$1,000,000 will not be sufficient to meet the new expected sales volume under the NWM Sale Agreement. The Directors therefore propose that the Original Annual Cap be revised and increased to the Revised Annual Cap. The Revised Annual Cap will be HK\$2,500,000 and HK\$7,000,000 for the financial years ending 31 March 2014 and 2015, respectively.

The Revised Annual Cap is determined with reference to (i) the historical transactions between the Group and New World Mobility, and (ii) the estimated demand of New World Mobility for mobile phone accessories, including the new demand of the coupons for exchange for mobile phone cases processed by the digital printing system recently installed by the Group.

The Directors (including the independent non-executive directors) are of the view that the basis of determining the Revised Annual Cap is fair and reasonable.

TDS CONSIGNMENT AGREEMENT

Reference is also made to the paragraph headed "Continuing Connected Transaction — Exempt Continuing Connected Transactions — Consignment of accessories for mobile phones and personal electronic products of certain brands to TDM" in the prospectus of the Company dated 23 May 2013. As a result of subsequent business restructuring, TDM ceased to be involved in the consignment sales of accessories, and TDS (being a fellow subsidiary of TDM) has been responsible for such consignment sales. Accordingly, on 13 December 2013, TSO entered into the TDS Consignment Agreement with TDS pursuant to which TSO sells accessories for mobile phones and personal electronic products at the retail shops of TDS on a consignment basis in consideration of a consignment fee. The consignment fee is determined by TSO and TDS with reference to the current market rate of similar consignment arrangement. The terms offered to TSO under the agreement are no less favourable than those offered to other Independent Third Parties in the ordinary course of business. The TDS Consignment Agreement has a term effective as at 1 October 2013 and up to 31 March 2015.

The Board expects that the amount of consignment fee payable by TSO to TDS under the TDS Consignment Agreement for the financial years ending 31 March 2014 and 2015 will be HK\$2,000,000 and HK\$3,800,000, respectively, and the highest of the applicable percentage ratios calculated with reference to such consignment fees will be less than 25%. The above estimation is made by the Board with reference to the historical amount of consignment fees paid by the Group to TDM, and the

expected sale of accessories (including the sale of the coupons for exchange for mobile phone cases processed by the digital printing system recently installed by the Group) on consignment basis under the TDS Consignment Agreement.

For the year ended 31 March 2013, the consignment fee paid by the Group to TDM amounted to approximately HK\$590,000.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAP AND THE TRANSACTIONS UNDER THE SALE AGREEMENTS

New World Mobility is owned by TDM as to 40% interest. TDM and TDS are wholly-owned subsidiaries of Sun Asia Pacific Limited, which is wholly-owned by the Cheung Brothers, the significant shareholders of the Company and Directors. New World Mobility and TDS are associates of the Cheung Brothers and are connected persons of the Company.

New World Mobility is principally engaged in provision of mobile services in Hong Kong. TDS is principally engaged in trading of mobile phones. New World Mobility sources mobile phone accessories such as mobile phone cases, chargers and batteries as well as other kinds of accessories and goods in order to provide gifts to their own customers. TDS has also been responsible for consignment sales of accessories at its retail shops.

TSO is a wholly-owned subsidiary of the Company and is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products as well as sale of accessories therefor. The transactions under the NWM Sale Agreement and TDS Consignment Agreement relate to normal sale of goods entered into in the ordinary course of business of the Group, and enable the Group to profit therefrom.

The terms of the NWM Sale Agreement and the TDS Consignment Agreement are arrived at after arm's length negotiation and are on normal commercial terms. The prices of the accessories under the NWM Sale Agreement and the consignment fee under the TDS Consignment Agreement are determined with reference to the prevailing market rate of similar products and similar consignment arrangement. The Directors (including the Independent Non-executive Directors) considered that the NWM Sale Agreement and the TDS Consignment Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its shareholders as a whole. Mr. Cheung King Shek, the Chairman of the Company, Mr. Cheung King Fung, Sunny, the Executive Director of the Company, Mr. Cheung King Shan and Mr. Cheung King Chuen, Bobby, Non-Executive Directors of the Company, did abstain from voting on the relevant Board resolution in view of their material interests in the NWM Sale Agreement and the TDS Consignment Agreement by virtue of being discretionary objects of the Cheung Family Trust.

The Directors have been carefully monitoring the historical transaction amounts and estimated demand of New World Mobility regarding the continuing connected transactions under the NWM Sale Agreement. New World Mobility intends to purchase coupons from the Group for exchange for mobile phone cases processed by the digital printing system recently installed by the Group as gifts to their

customers. In view of the above, the Directors anticipate that the aggregate value of the continuing connected transactions under the NWM Sale Agreement for each of the two years ending 31 March 2015 would exceed the Original Annual Cap of HK\$1,000,000. The Directors therefore considered to revise and increase the Original Annual Cap.

GENERAL

New World Mobility and TDS are connected persons of the Company under the GEM Listing Rules. Accordingly, the NWM Sale Agreement and TDS Consignment Agreement constitute continuing connected transactions for the Company. As all applicable percentage ratios (as defined under Rule 19.04 of the GEM Listing Rules) in respect of (i) the total estimated annual sales under the NWM Sale Agreement and (ii) the total estimated annual consignment fees under the TDS Consignment Agreement are respectively less than 25%, and such sales and consignment fees are respectively less than HK\$10,000,000, the NWM Sale Agreement and the TDS Consignment Agreement are subject to the reporting and announcement requirements set out in Rule 20.45 to 20.47, the annual review requirements set out in Rules 20.37 to 20.40 and the requirements set out in Rules 20.35(1) and 20.35(2) of the GEM Listing Rules, but are exempt from the independent shareholders' approval requirement pursuant to Rule 20.34 of the GEM Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“Board”	board of the Directors of the Company
“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
“Company”	Telecom Service One Holdings Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars
“Independent Third Party”	a person or company who or which is independent of and not connected (within the meaning of the GEM Listing Rules) with the Company and its connected persons

“Listing Date”	the date on which trading of the Shares first commenced on GEM, which is 30 May 2013
“New World Mobility”	New World Mobility Limited, a company incorporated in Hong Kong with limited liability
“NWM Sale Agreement”	the agreement dated 6 May 2013 between TSO and New World Mobility in respect of sale of mobile phone accessories
“Original Annual Cap”	the annual cap of sale of mobile phone accessories under the NWM Sale Agreement for each of the two years ending 31 March 2015 disclosed in the Prospectus
“Prospectus”	the prospectus of the Company dated and issued on 23 May 2013 in respect of the listing of Shares on GEM by way of placing
“Revised Annual Cap”	the revised annual cap of sale of mobile phone accessories under the NWM Sale Agreement for each of the two years ending 31 March 2015 disclosed in this announcement
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TDM”	Telecom Digital Mobile Limited, a company incorporated in Hong Kong with limited liability
“TDS”	Telecom Digital Services Limited, a company incorporated in Hong Kong with limited liability
“TDS Consignment Agreement”	the agreement dated 13 December 2013 between TSO and TDS in respect of sale of mobile phone accessories by TSO on consignment basis
“TSO”	Telecom Service One Limited, a company incorporated in Hong Kong 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, 13 December 2013

As at the date of this announcement, the chairman and non-executive director of the Company is Mr. Cheung King Shek; the executive director of the Company is Mr. Cheung King Fung Sunny; the non-executive directors of the Company are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and the independent non-executive directors of the Company are Mr. Hui Ying Bun, Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Chu Kin Wang Peleus.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, 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 Stock Exchange Website at www.hkexnews.hk on the “Latest Company Announcements” page for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.tso.cc.