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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)

CONTINUING CONNECTED TRANSACTION TENANCY AGREEMENTS

The Board announces that on 31 July 2013, ORL as landlord entered into the New Tenancy Agreements with TSO as tenant in relation to the tenancy of the Properties.

TSO is a wholly-owned subsidiary of the Company. ORL is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 55% of the issued share capital of the Company. As such, ORL is a connected person of the Company under the GEM Listing Rules. Accordingly, the New Tenancy Agreements constitutes continuing connected transactions for the Company. Pursuant to Rule 20.25 of the GEM Listing Rules, the transactions contemplated under the New Tenancy Agreements are required to be aggregated with the transactions under the Existing Tenancy Agreements (which are also continuing connected transactions for the Company). As all applicable percentage ratios in respect of the total annual rentals under the New Tenancy Agreements and the Existing Tenancy Agreements are less than 25% and such total annual rentals are less than HK\$10,000,000, such tenancy agreements 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.

The Board announces that on 31 July 2013, ORL as landlord entered into the New Tenancy Agreements with TSO as tenant in relation to the tenancy of the Properties.

NEW TENANCY AGREEMENTS DATED 31 July 2013

Property A:

Landlord: ORL

Tenant: TSO

Property A: Unit B, 15/F, Kyoto Plaza, No.491-499 Lockhart Road, Causeway Bay, Hong Kong with gross floor area of 1,284 sq. ft.

Usage: repair centre

Term: two years from 1 August 2013 to 31 July 2015 (both days inclusive)

Rent: HK\$35,952 per month, exclusive of rates, management fees and all other outgoings, payable monthly in advance

Rent free period: 31 days from 1 August 2013 to 31 August 2013

Effective rent: HK\$34,454 per month

Deposit: HK\$71,904 which is equivalent to two months' rental

Property B:

Landlord: ORL

Tenant: TSO

Property B: Unit 1201 and Portion of Unit 1202, 12/F, Ginza Plaza, No.2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong with gross floor area of 1,525 sq. ft.

Usage: repair centre

Term: one year and eight months from 1 August 2013 to 31 March 2015 (both days inclusive)

Rent: HK\$42,700 per month, inclusive of Government rents and rates but exclusive of management fees and all other outgoings, payable monthly in advance

Rent free period: 31 days from 1 August 2013 to 31 August 2013

Effective rent: HK\$40,565 per month

Deposit: HK\$85,400 which is equivalent to two months' rental

AGGREGATE ANNUAL CAP OF THE NEW TENANCY AGREEMENTS AND THE EXISTING TENANCY AGREEMENTS

The Aggregate Annual Cap for the New Tenancy Agreements and the Existing Tenancy Agreements based on the total annual rental paid/payable thereunder during their respective terms of tenancy for each of the years ending 31 March 2014, 2015 and 2016 will be as follows:

	For the year ending 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
New Tenancy Agreements	551	944	144
First Existing Tenancy Agreements	606	606	-
Second Existing Tenancy Agreement	419	419	-
Third Existing Tenancy Agreement	793	952	-
Fourth Existing Tenancy Agreements	923	923	-
Fifth Existing Tenancy Agreement	492	492	-
	<u>3,784</u>	<u>4,336</u>	<u>144</u>

Further details of the Existing Tenancy Agreements are as follows:

Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and saleable area (sq. ft.)
<i>First Existing Tenancy Agreements</i>					
Unit 1807, 18/F, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	ORL	5 June 2012	two years and two months from 1 February 2012 to 31 March 2014	HK\$50,540 (exclusive of government rates, government rent and management fee)	head office, repair centre and warehouse 5,511 sq. ft.
		9 August 2012	one year from 1 April 2014 to 31 March 2015		
<i>Second Existing Tenancy Agreement</i>					
Unit B, 23/F, Kyoto Plaza, Nos. 491–499 Lockhart Road, Causeway Bay, Hong Kong	ORL	13 August 2012	two years from 1 April 2013 to 31 March 2015	HK\$34,925 (exclusive of management fee, air-conditioning charges, government rates and government rent)	repair centre 815 sq. ft.
<i>Third Existing Tenancy Agreement</i>					
Portion of Units 1202 & 1203, Units 1205–06, 12/F Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	ORL	29 November 2012	two years from 1 April 2013 to 31 March 2015	HK\$79,296 (exclusive of management fee and air-conditioning charges but inclusive of government rates and government rent)	repair centre 2,832 sq. ft.
<i>Fourth Existing Tenancy Agreements</i>					
Unit 1805 & Portion B of Unit 1806, 18/F, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	GIL	5 June 2012	two years and two months from 1 February 2012 to 31 March 2014	HK\$76,888 (exclusive of government rates, government rent and management fee)	head office and repair centre 9,590 sq. ft.
		9 August 2012	one year from 1 April 2014 to 31 March 2015		
<i>Fifth Existing Tenancy Agreement</i>					
Unit A, 23/F, Kyoto Plaza, Nos. 491–499 Lockhart Road, Causeway Bay, Hong Kong	GEL	13 August 2012	two years from 1 April 2013 to 31 March 2015	HK\$40,990 (exclusive of management fee, air-conditioning charges, government rates and government rent)	repair centre 968 sq. ft.

REASONS FOR THE NEW TENANCY AGREEMENTS

TSO 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 Properties are rented by TSO for use as customer and refurbishment service centres at which mobile phones are collected from end users and refurbished. TSO previously leased a property in Causeway Bay and Mongkok respectively as customer and refurbishment service centres and the relevant leases expired in July 2013. The Group has been operating customer and refurbishment service centres at the buildings at which the Properties are located and considers that the Properties are suitable for the business of the Group. Thus TSO entered into the New Tenancy Agreements to secure the Properties for relocation of its service centres.

The terms of the New Tenancy Agreements are arrived at after arm's length negotiation and are on normal commercial terms. The rentals under the New Tenancy Agreements were determined with reference to the prevailing market rent of similar properties in the nearby locations. The Directors (including the independent non-executive directors) considered that the New Tenancy Agreements 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 New Tenancy Agreements by virtue of being discretionary objects of the Cheung Family Trust.

GENERAL

TSO is a wholly-owned subsidiary of the Company. ORL, being an investment holding company, is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 55% of the issued share capital of the Company. As such, ORL is a connected person of the Company under the GEM Listing Rules. Accordingly, the New Tenancy Agreements constitute continuing connected transactions for the Company. Pursuant to Rule 20.25 of the GEM Listing Rules, the transactions contemplated under the New Tenancy Agreements are required to be aggregated with the transactions under the Existing Tenancy Agreements (which are also continuing connected transactions for the Company). As all applicable percentage ratios in respect of the total annual rentals under the New Tenancy Agreements and the Existing Tenancy Agreements are less than 25% and such total annual rentals are less than HK\$10,000,000, such tenancy agreements 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

“Aggregate Annual Cap”	the maximum amount of annual rental paid/payable by the TSO under the New Tenancy Agreements and the Existing Tenancy Agreements, based on the total annual rental paid/payable thereunder during their respective terms of tenancy for each of the years ending 31 March 2014, 2015 and 2016
“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
“Existing Tenancy Agreements”	the First Existing Tenancy Agreements, the Second Existing Tenancy Agreement, the Third Existing Tenancy Agreement, the Fourth Existing Tenancy Agreements and the Fifth Existing Tenancy Agreement
“Fifth Existing Tenancy Agreement”	the tenancy agreement dated 13 August 2012 entered into between GEL and TSO
“First Existing Tenancy Agreements”	the two tenancy agreements dated 5 June 2012 and 9 August 2012 entered into between ORL and TSO
“Fourth Existing Tenancy Agreements”	the two tenancy agreements dated 5 June 2012 and 9 August 2012 entered into between GIL and TSO
“GEL”	Glossy Enterprises Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GIL”	Glossy Investments Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“New Tenancy Agreements”	the two tenancy agreements both dated 31 July 2013 entered into between ORL and TSO in relation to the tenancy of the Properties
“ORL”	Oceanic Rich Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust
“Properties”	Property A and Property B
“Property A”	Unit B, 15/F, Kyoto Plaza, No.491-499 Lockhart Road, Causeway Bay, Hong Kong with gross floor area of 1,284 sq. ft.
“Property B”	Unit 1201 and Portion of Unit 1202, 12/F, Ginza Plaza, No.2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong with gross floor area of 1,525 sq. ft.
“Second Existing Tenancy Agreement”	the tenancy agreement dated 13 August 2012 entered into between ORL and TSO
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Existing Tenancy Agreement”	the tenancy agreement dated 29 November 2012 entered into between ORL and TSO

“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, 31 July 2013

As at the date of this announcement, chairman and non-executive director of the Company is Mr. Cheung King Shek; executive director of the Company is Mr. Cheung King Fung Sunny; non-executive directors of the Company are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and 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.