



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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2016

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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 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

FIRST 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 three months ended 30 June 2016 (the “Period”), together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2016

	Notes	Three months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	21,598	32,776
Cost of sales		<u>(13,069)</u>	<u>(18,427)</u>
Gross profit		8,529	14,349
Other income	5	622	459
Other operating expenses, net	6	(2,449)	(4,430)
Administrative expenses		(2,926)	(3,206)
Finance costs	7	<u>(70)</u>	<u>(67)</u>
Profit before tax		3,706	7,105
Income tax expense	8	<u>(597)</u>	<u>(1,557)</u>
Profit for the period		<u>3,109</u>	<u>5,548</u>
Other comprehensive expense			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations and total other comprehensive expense for the period		<u>(23)</u>	<u>(8)</u>
Total comprehensive income for the period		<u>3,086</u>	<u>5,540</u>
Earnings per share (HK\$)	10		
Basic		<u>0.025</u>	<u>0.046</u>
Diluted		<u>0.025</u>	<u>0.044</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>(Note i)</i>	Translation reserve HK\$'000	Share options reserve HK\$'000	Statutory reserve HK\$'000 <i>(Note ii)</i>	Warrant reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2015 (Audited)	12,000	23,907	70	(60)	—	137	100	18,986	55,140
Profit for the period	—	—	—	—	—	—	—	5,548	5,548
Exchange differences arising on translation of foreign operations	—	—	—	(8)	—	—	—	—	(8)
Total comprehensive (expense) income for the period	—	—	—	(8)	—	—	—	5,548	5,540
At 30 June 2015 (Unaudited)	<u>12,000</u>	<u>23,907</u>	<u>70</u>	<u>(68)</u>	<u>—</u>	<u>137</u>	<u>100</u>	<u>24,534</u>	<u>60,680</u>
At 1 April 2016 (Audited)	<u>12,001</u>	<u>23,944</u>	<u>70</u>	<u>(100)</u>	<u>522</u>	<u>137</u>	<u>100</u>	<u>17,453</u>	<u>54,127</u>
Profit for the period	—	—	—	—	—	—	—	3,109	3,109
Exchange differences arising on translation of foreign operations	—	—	—	(23)	—	—	—	—	(23)
Total comprehensive (expense) income for the period	—	—	—	(23)	—	—	—	3,109	3,086
Effect of share options									
— share options lapsed	—	—	—	—	(39)	—	—	39	—
At 30 June 2016 (Unaudited)	<u>12,001</u>	<u>23,944</u>	<u>70</u>	<u>(123)</u>	<u>483</u>	<u>137</u>	<u>100</u>	<u>20,601</u>	<u>57,213</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.

- (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 the 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 three months ended 30 June 2016

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 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 2016. 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 2016. 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 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Repairing service income	20,143	30,297
Sales of accessories	<u>1,455</u>	<u>2,479</u>
	<u>21,598</u>	<u>32,776</u>

4. SEGMENT INFORMATION

The Group is engaged in a single segment, the provision of repair and refurbishment services for mobile phones 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 2015, the Group's operations were located in Hong Kong, PRC and Macau. More than 96% (2015: 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 three months ended 30 June 2016.

5. OTHER INCOME

	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Management fee income ^(Note i)	170	131
Consignment goods handling income ^(Note ii)	118	150
Bank interest income	311	49
Exchange gain, net	4	6
Others	<u>19</u>	<u>123</u>
	<u>622</u>	<u>459</u>

Notes:

- (i) The amount represents management fee income 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 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Reimbursement of expenses for service centres	118	—
Service centres management income	—	210
Logistic service income	2	2
Miscellaneous income charges	—	26
	<u>120</u>	<u>238</u>
Other operating expenses of service centres	<u>(2,569)</u>	<u>(4,668)</u>
Other operating expenses, net	<u>(2,449)</u>	<u>(4,430)</u>

7. FINANCE COSTS

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on bank borrowings	<u>70</u>	<u>67</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 three months ended 30 June 2016 (2015: 17%). No provision for Taiwan income 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. DIVIDEND

The Board has resolved not to declare any dividend for the three months ended 30 June 2016 (2015: nil).

10. EARNINGS PER SHARE

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

	Three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(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>3,109</u>	<u>5,548</u>
	Three months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,012	120,000
Effect of dilutive potential ordinary share:		
— warrants	3,214	3,673
— share options	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>123,226</u>	<u>123,673</u>

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 ended 30 June 2016.

11. 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, telecommunications 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 maximising long-term shareholder value.

Financial Review

Revenue

The Group's revenue for the three months ended 30 June 2016 was approximately HK\$21,598,000 (2015: HK\$32,776,000), representing a decrease of 34.1% over the corresponding period of the previous year. The decrease in the Group's revenue was mainly due to the decrease in repair jobs of a corporate customer. Revenue from that corporate customer for the Period was approximately HK\$1,468,000 (2015: HK\$8,967,000). In addition, the termination of the service agreement of a corporate customer in August 2015 also resulted in the decrease of the Group's revenue of the Period in compare to the corresponding period of previous year.

Cost of Sales

The Group's cost of sales comprises mainly direct labour cost and parts cost. During the three months ended 30 June 2016, cost of sales decreased to approximately HK\$13,069,000 (2015: HK\$18,427,000), representing a decrease of 29.1%. 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 three months ended 30 June 2016 was approximately HK\$4,642,000 (2015: HK\$7,764,000), representing a decrease of 40.2%. The decrease was mainly due to the decrease in work orders. The Group's direct labour cost for the three months ended 30 June 2016 was approximately HK\$8,427,000 (2015: HK\$10,662,000), representing a decrease of 21.0%. The decrease was mainly due to the decrease in manpower.

Gross Profit and Gross Profit Margin

The gross profit for the three months ended 30 June 2016 was approximately HK\$8,529,000 (2015: HK\$14,349,000), representing a decrease of 40.6% over the corresponding period of previous year. Gross profit margin decreased by 4.3% to 39.5% from 43.8%.

Other Income

Other income for the three months ended 30 June 2016 was approximately HK\$622,000 (2015: HK\$459,000), representing an increase of 35.5%. The increase was mainly attributable to the increase in bank interest income.

Net Operating Expenses and Administrative Expenses

Other operating expenses, net for the three months ended 30 June 2016 were approximately HK\$2,449,000 (2015: HK\$4,430,000), representing a decrease of 44.7% over the corresponding period of the previous year. The decrease was mainly due to the decrease in rental expenses for closure of a repair centre due to the termination of the service agreement of a corporate customer in August 2015.

Administrative expenses for the three months ended 30 June 2016 were approximately HK\$2,926,000 (2015: HK\$3,206,000), representing a decrease of 8.7% over the corresponding period of the previous year. The decrease was mainly due to decrease in logistic expenses for less work orders.

Profit for the Period

Profit for the Period was approximately HK\$3,109,000 (2015: HK\$5,548,000), representing a decrease of 44.0% from the corresponding period of the previous year. The decrease was mainly due to decrease in revenue.

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the three months ended 30 June 2016 (2015: nil).

OUTLOOK

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 continues to explore any new business opportunities, review and implement the integration of resources regularly and focus on the optimisation of the existing capacity of the service centres in Hong Kong, Macau and the PRC with better advance scheduling and improved operating efficiency to enable new business capabilities.

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 30 June 2016, 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 ^{Note A}	66,000,000	55%
Mr. Cheung King Shan	Beneficial owner	6,000,000	5%
	Beneficiary of a trust ^{Note A}	66,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,000,000	5%
	Beneficiary of a trust ^{Note A}	66,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	6,000,000	5%
	Beneficiary of a trust ^{Note A}	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 ^{Note A}	100	100%
East-Asia Pacific Limited	Beneficiary of a trust ^{Note A}	6	100%
Telecom Service Limited	Beneficiary of a trust ^{Note A}	2,000,000	100%
H.K. Magnetronic Co. Limited	Beneficiary of a trust ^{Note A}	50,000	100%
Oceanic Rich Limited	Beneficiary of a trust ^{Note A}	10,000	100%
Glossy Investment Limited	Beneficiary of a trust ^{Note A}	10,000	100%
Glossy Enterprises Limited	Beneficiary of a trust ^{Note A}	10,000	100%
Yiutai Industrial Company Limited	Beneficiary of a trust ^{Note A}	1,000	100%
Txtcom Limited	Beneficiary of a trust ^{Note A}	100	100%
Telecom Properties Investment Limited	Beneficiary of a trust ^{Note A}	24	100%
Telecom Digital Limited (incorporated in Macau)	Beneficiary of a trust ^{Note A}	MOP100,000	100%
Hellomoto Limited	Beneficiary of a trust ^{Note A}	1,000	100%
Marina Trading Inc.	Beneficiary of a trust ^{Note A}	1	100%
Telecom Digital Limited	Beneficiary of a trust ^{Note A}	2	100%
Silicon Creation Limited	Beneficiary of a trust ^{Note A}	100	100%
Kung Wing Enterprises Limited	Beneficiary of a trust ^{Note A}	1,000,000	100%
東莞恭榮房地產管理服務有限公司	Beneficiary of a trust ^{Note A}	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 30 June 2016, 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, no share option was granted under the Share Option Scheme.

As at 30 June 2016, an aggregate of 848,000 shares were issuable for the outstanding share options granted under the Scheme, representing approximately 0.71% 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	Balance
				as at 1 April 2016	during the Period Lapsed	as at 30 June 2016
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>	916,000	(68,000)	848,000

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.

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 30 June 2016.

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 30 June 2016, no warrants had 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 30 June 2016, 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:

The late Ms. Law Lai Ying Ida was 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 the late Ms. Law Lai Ying Ida, Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki was/is deemed to be interested in 72,000,000 shares which were/are interested by their respective husbands.

Save as disclosed above, as at 30 June 2016, 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 30 June 2016, 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 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 first quarterly results for the Period.

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

Hong Kong, 9 August 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.