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Telecom Digital Holdings Limited
電訊數碼控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6033)

CONTINUING CONNECTED TRANSACTIONS
2018/19 TENANCY AGREEMENTS
2018/19 LICENCE AGREEMENTS AND
2018/19 MASTER AGREEMENT WITH TSO

2018/19 TENANCY AGREEMENTS AND 2018/19 LICENCE AGREEMENTS WITH EAST-ASIA GROUP

On 29 March 2018, GEL, GIL, HKMag, SCL, TPIL and TSL as landlords (wholly-owned subsidiaries of East-Asia) have entered into the 2018/19 Tenancy Agreements and 2018/19 Licence Agreements with CTL, MGL, TDS, TML and TSN (wholly-owned subsidiaries of the Company) as tenants respectively in relation to the tenancy of the Properties and the Carparking Spaces.

East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 54.50% of the issued share capital of the Company. Therefore, each of the following wholly-owned subsidiaries of East-Asia, namely, GEL, GIL, HKMag, SCL, TPIL and TSL, being a party to the 2018/19 Tenancy Agreements and 2018/19 Licence Agreements, is a connected person of the Company. Accordingly, the 2018/19 Tenancy Agreements and 2018/19 Licence Agreements constitute continuing connected transactions for the Company.

It is expected that the aggregate annual rental and the licence fees payable by the Group to the East-Asia Group under the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements for year ending 31 March 2019 will not exceed HK\$15,467,000. For the purpose of compliance with the Listing Rules, the aggregate annual rental and licence fees are treated as the annual cap of the transactions.

As all applicable percentage ratios (other than the profits ratio) in respect of the annual rentals and licence fees are less than 5% but total annual rentals are more than HK\$3,000,000, the 2018/19 Tenancy Agreements, the 2018/19 Licence Agreements, the annual rentals and licence fees are subject to the announcement, annual review and reporting requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2018/19 MASTER AGREEMENT WITH TSO

The continuing connected transactions regarding the (a) provision of repair and refurbishment services by TSO to the Group and (b) consignment of accessories for mobile phones and personal electronic products of TSO under the Renewal Master Agreement with TSO will expire on 31 March 2018. On 29 March 2018, the Company entered into the 2018/19 Master Agreement with TSO in respect of the Services with TSO for a term of one year commencing on 1 April 2018 and to fix the annual caps for the year ending 31 March 2019 for services (a) and (b) to HK\$4,000,000 and HK\$2,000,000 respectively.

TSO is a wholly-owned subsidiary of TSOH which is indirectly owned by the Cheung Family Trust as to 51.48%. As the Cheung Family Trust indirectly holds 54.50% of the issued share capital of the Company, TSO is a connected person of the Company under the Listing Rules.

As all applicable percentage ratios (other than the profits ratio) in respect of the annual caps for the respective Services under the 2018/19 Master Agreement with TSO are less than 5% but the aggregate annual fee is more than HK\$3,000,000, the 2018/19 Master Agreement with TSO and the aggregate annual fee for the Services are subject to the announcement, annual review and reporting requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Master Tenancy Agreement entered into between the Company and East-Asia on 22 May 2014 setting out the basic terms and conditions of leasing of properties in Hong Kong and Macau for a term up to 31 March 2017 and the announcement of the Company dated 31 March 2017 regarding the Renewal Tenancy Agreements and Renewal Licence Agreements for a term up to 31 March 2018.

On 29 March 2018, GEL, GIL, HKMag, SCL, TPIL and TSL as landlords (wholly-owned subsidiaries of East-Asia) have entered into the 2018/19 Tenancy Agreements and 2018/19 Licence Agreements with CTL, MGL, TDS, TML and TSN (wholly-owned subsidiaries of the Company) as tenants respectively in relation to the tenancy of the Properties and the Carparking Spaces.

After entering into the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements, it is expected that the aggregate annual rental and the licence fees to be paid/payable by the Group to the East-Asia Group under the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements for year ending 31 March 2019 will not exceed HK\$15,467,000. For the purpose of compliance with the Listing Rules, the aggregate annual rental and licence fees are treated as the annual cap of the transactions.

2018/19 TENANCY AGREEMENTS AND 2018/19 LICENCE AGREEMENTS

(A) 2018/19 Tenancy Agreements

Details of the 2018/19 Tenancy Agreements are set out below:-

Property	Address	Tenants	Landlords	Usage	Term	Monthly rent <i>HK\$</i>
1	Roof of 17/F, Cheron Court, Hung Hom, Kowloon	CTL	GEL	Cell site	1 April 2018– 31 March 2019	4,200
2	Shop G5, G/F., Commercial Podium Sincere House, 83 Argyle Street, Kowloon	TDS	GEL	Shop	1 April 2018– 31 March 2019	145,000
3	Room 1–2, 36/F, Tower 2, Metroplaza, Kwai Fong, New Territories	TDS	GEL	Office	1 April 2018– 31 March 2019	160,116
4	Unit C, 10/F, YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	GEL	Office	1 April 2018– 31 March 2019	46,470
5	Portion B of Unit 3608-3612, 36/F, Tower 2, Metroplaza, Kwai Fong, New Territories	MGL	GEL	Office	1 April 2018– 31 March 2019	69,948
6	Unit D, 10/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	GIL	Office	1 April 2018– 31 March 2019	53,280
7	Shop A4, G/F., Kam Wah Mansion, No. 226–242 Cheung Sha Wan Road, Kowloon	TDS	SCL	Shop	1 April 2018– 31 March 2019	88,000
8	Portion of Shop 4, G/F., 93 Lion Rock Road, Kowloon City, Kowloon	TDS	SCL	Shop	1 April 2018– 31 March 2019	48,000
9	19/F., YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	SCL	Office	1 April 2018– 31 March 2019	375,840
10	Room & Roof top of Flat G, 5/F., Silver Centre Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories	CTL	TPIL	Cell site	1 April 2018– 31 March 2019	10,000

Property	Address	Tenants	Landlords	Usage	Term	Monthly rent HK\$
11	Unit A025, 1/F., Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, New Territories	TDS	TPIL	Shop	1 April 2018– 31 March 2019	88,000
12	Shop C28 & C29, 1/F, Kingswood Richly Plaza, 1 Tin Wu Road, New Territories	TDS	TPIL	Shop	1 April 2018– 31 March 2019	71,500
13	Roof Level of Flat E on 22/F. of Block 5, Hong Kong Garden (Phase 1), 101 Castle Peak Road, Tsing Lung Tau, New Territories	CTL	TSL	Cell site	1 April 2018– 31 March 2019	2,500
14	Shop 6, Wing Light Building, 68–76 Castle Peak Road, Yuen Long, New Territories	TDS	TSL	Shop	1 April 2018– 31 March 2019	88,000
15	Rua de Pequim, n ^o s 170–174, Edifício Centro Comercial Kong Fat, 16 ^o andar E, Macau	TML	HKMag	Office	1 April 2018– 31 March 2019	10,000

(B) 2018/19 Licence Agreements

The principal terms of the 2018/19 Licence Agreements are set out below which superseded the terms of the Renewal Licence Agreements:-

Carparking Space	Address	Usage	Term	Monthly rent HK\$
16	Carparking Space Nos. 5, 6 and 7 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 April 2018– 31 March 2019	10,500
17	Carparking Space Nos. 45, 46, 47, 48 and 49 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Carparking space	1 April 2018– 31 March 2019	17,500

Reasons and benefits for entering into the 2018/19 Tenancy Agreements and 2018/19 Licence Agreements

The Properties have been rented by the Group for the use as shops, cell sites and office premises. The Group considers that the Properties are suitable for the business of the Group. Thus, the Group entered into the 2018/19 Tenancy Agreements to secure the continuous use of the Properties as shops, cell sites and office premises.

The Group has been using the offices located at YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong as headquarters of its operations. Thus, the Company entered into the 2018/19 Licence Agreements to secure the continuous use of the carparking spaces at YHC Tower for use by the Group's logistic vehicle fleet.

The terms of the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements are arrived at after arm's length negotiation and are on normal commercial terms. The rentals under the 2018/19 Tenancy Agreements were determined with reference to the prevailing market rent of similar properties in the nearby locations. The licence fees under the 2018/19 Licence Agreements were determined with reference to the prevailing market licence fees of the carparking spaces located at YHC Tower and similar properties in the nearby locations. The Directors (except the Cheung Brothers being the Directors who have material interests in the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements and who abstained from participating in the approval of the relevant Board resolutions due to conflict of interests), including the independent non-executive Directors, considered that the terms of the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements are fair and reasonable and the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

Implications under the Listing Rules

East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 54.50% of the issued share capital of the Company. Therefore, each of the following wholly-owned subsidiaries of East-Asia, namely, GEL, GIL, HKMag, SCL, TPIL and TSL, being a party to the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements, is a connected person of the Company. Accordingly, the 2018/19 Tenancy Agreements and the 2018/19 Licence Agreements constitute continuing connected transactions of the Company.

As all applicable percentage ratios (other than the profits ratio) in respect of the annual rentals and licence fees are less than 5% but total annual rentals are more than HK\$3,000,000, the 2018/19 Tenancy Agreements, the 2018/19 Licence Agreements, the annual rentals and licence fees are subject to the announcement, annual review and reporting requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2018/19 MASTER AGREEMENT WITH TSO

Reference is made to the announcement of the Company dated 31 March 2017 regarding the Renewal Master Agreement with TSO entered into between the Company and TSO on 31 March 2017. The (a) provision of repair and refurbishment services by TSO to the Group and (b) consignment of accessories for mobile phones and personal electronic products of TSO under the Renewal Master Agreement with TSO will expire on 31 March 2018.

The Group expects that the Services will continue after the expiration of the Renewal Master Agreement with TSO. Therefore, the Company and TSO entered into the 2018/19 Master Agreement with TSO for a term of one year commencing from 1 April 2018 and to fix the annual caps for the Services for the year ending 31 March 2019 for services (a) and (b) to HK\$4,000,000 and HK\$2,000,000 respectively.

(a) Provision of repair and refurbishment services by TSO to the Group

TSO has been providing repair and refurbishment services for pagers and Mango Devices to the Group. The service fees charged by TSO are on a “per device” basis. The service fees are determined by TSO and the Group with reference to the prevailing market rate (in terms of, among others, profit margin) of similar services and the historical amounts paid by the Group to TSO. Due to the popularity of various channels of mobile communication, the Company anticipates that the total number of paging and Mobitex based services subscribers will continue to experience a decrease in future and so as to the repair and refurbishment services for the pagers and Mango Devices.

The historical amounts for the aggregate repair and refurbishment service fees paid by the Group to TSO for the previous years were set out below:-

	<i>HK\$</i>
Year ended 31 March 2015	5,350,000
Year ended 31 March 2016	9,139,000
Year ended 31 March 2017	5,846,000
For the nine months ended 31 December 2017	2,882,000

The annual cap in respect of the repair and refurbishment service fees to be paid by the Group to TSO for the year ending 31 March 2019 is HK\$4,000,000, which is determined with reference to the prevailing market rate of similar services, and the number of pagers and Mango devices which is expected to be used by the customers of the Group.

(b) Consignment of accessories for mobile phones and personal electronic products of TSO

TDS has allowed TSO to sell the accessories for mobile phones and personal electronic products at the retail shops of the Group on a consignment basis in consideration of a consignment fee. The consignment fee, which is based on a fixed percentage of the sales of consigned goods, shall be paid by TSO to TDS for the consignment arrangement. Such consignment fee has been determined by TSO and TDS with reference to the prevailing market rate of similar consignment arrangements and the historical amounts received by the Group from TSO.

The historical amounts for the consignment fees received by the Group from TSO for the previous years were set out below:-

	<i>HK\$</i>
Year ended 31 March 2015	2,278,000
Year ended 31 March 2016	2,093,000
Year ended 31 March 2017	961,000
For the nine months ended 31 December 2017	543,000

The annual cap in respect of the consignment fees to be received by the Group from TSO for the year ending 31 March 2019 is HK\$2,000,000, which is determined with reference to the prevailing market rate of similar consignment arrangement, the historical amounts for the consignment fees received by the Group from TSO for the previous years, and the amount and value of the consigned goods which is expected to be sold by TSO.

Reasons and benefits of entering into the 2018/19 Master Agreement with TSO

TSO has been providing repair and refurbishment services for pagers and Mango Devices to the Group and also selling the accessories for mobile phones and personal electronic products of certain brands at retail shops of the Group since 2013. The principal activities of TSO are the provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories. Therefore, it is in the normal and ordinary course of business of TSO to continue the Services with the Group.

The terms of the 2018/19 Master Agreement with TSO are arrived at after arm's length negotiation and are on normal commercial terms. The Directors (except the Cheung Brothers who have material interest in the 2018/19 Master Agreement with TSO and who abstained from participating in the approval of the relevant Board resolutions due to conflict of interests), including the independent non-executive Directors, are of the view that the entering into the 2018/19 Master Agreement with TSO are in the ordinary and usual course of business of the Company, and that the 2018/19 Master Agreement with TSO including the annual caps for Services is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Implications under Listing Rules

TSO is a wholly-owned subsidiary of TSOH which is indirectly owned by the Cheung Family Trust as to 51.48%. As the Cheung Family Trust indirectly holds 54.50% of the issued share capital of the Company, TSO is a connected person of the Company under the Listing Rules.

As all applicable percentage ratios (other than the profits ratio) in respect of the annual caps for the respective Services under the 2018/19 Master Agreement with TSO are less than 5% but the aggregate annual fee is more than HK\$3,000,000, the 2018/19 Master Agreement with TSO and the aggregate annual fee for the Services are subject to the announcement, annual review and reporting requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company is listed on Main Board of the Stock Exchange. The Group 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, an associate owned as to 40% by the Group and as to 60% by HKT Limited.

TSOH is listed on Main Board of the Stock Exchange and is principally engaged in investment holding. The principal activities of TSOH Group including TSO are provision of repair and refurbishment services for mobile phones and other personal electronic products as well as sales of related accessories.

East-Asia, an investment holding company, is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 54.50% of the issued share capital of the Company. Therefore, East-Asia is a connected person of the Company.

DEFINITIONS

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

“2018/19 Licence Agreements”	the licence agreements dated 29 March 2018 entered into between the Group and the subsidiaries of East-Asia in respect of the terms for use of the Carparking Spaces for a term from 1 April 2018 to 31 March 2019
“2018/19 Master Agreement with TSO”	the master agreement entered into between TSO and the Company on 29 March 2018 in relation to the Services provided by TSO and the Group to each other for an extended term up to 31 March 2019
“2018/19 Tenancy Agreements”	all the separate individual tenancy agreement dated 29 March 2018 entered into between the subsidiaries of the Company and the subsidiaries of East-Asia in respect of the renewal tenancy for the Properties
“Board”	the board of Directors
“Carparking Spaces”	the carparking space nos. 5, 6, 7, 45, 46, 47, 48 and 49 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
“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 Cheung Brothers

“Company”	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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“CTL”	Carries Technology Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“East-Asia”	East-Asia Pacific Limited, a company incorporated in the British Virgin Islands with limited liability, which is indirectly wholly-owned by the Cheung Family Trust and thus a connected person of the Company
“East-Asia Group”	East-Asia and its subsidiaries
“GEL”	Glossy Enterprises Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“GIL”	Glossy Investment Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by East-Asia which is 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, the lawful currency of Hong Kong
“HKMag”	H.K. Magnetronic Company Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mango Devices”	the specific devices designed by East-Asia Group for its Mobitex based services

“Master Tenancy Agreement”	the master tenancy agreement entered into between the Company and East-Asia on 22 May 2014, setting out the terms and conditions of leasing of properties in Hong Kong and Macau, pursuant to which separate individual agreements in terms not contrary to the master tenancy agreement would be entered into between the Group and the East-Asia Group from time to time
“Mobitex”	an open systems interconnection model based open standard, national public access wireless packet-switched data network and a kind of wireless data technology
“MGL”	Mango Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Properties”	the Property 1 to Property 15
“Renewal Licence Agreements”	the licence agreements dated 31 March 2017 entered into between the Group and East-Asia Group in respect of the use of the Carparking Spaces for a term from 1 September 2017 to 31 August 2018
“Renewal Master Agreement with TSO”	the master agreement entered into between the Company and TSO on 31 March 2017 setting out the governing terms and conditions in relation to the renewal of the Services for an extended term up to 31 March 2018
“Renewal Tenancy Agreements”	all the separate individual tenancy agreement dated 31 March 2017 entered into between the subsidiaries of the Company and the subsidiaries of East-Asia in respect of the renewal tenancy of the Properties
“SCL”	Silicon Creation Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“Services”	provision of repair and refurbishment services by TSO to the Group and consignment of accessories for mobile phones and personal electronic products of TSO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“TDS”	Telecom Digital Services Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

“TML”	Telecom (Macau) Limited, a company incorporated in Macau Special Administrative Region of the People’s Republic of China and a wholly-owned subsidiary of the Company
“TPIL”	Telecom Properties Investment Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“TSL”	Telecom Service Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“TSN”	Telecom Service Network Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“TSO”	Telecom Service One Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of TSOH
“TSOH”	Telecom Service One 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: 3997)
“TSOH Group”	TSOH and its subsidiaries
“%”	per cent.

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

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

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby, Mr. Cheung King Fung Sunny, Mr. Wong Wai Man and Ms. Mok Ngan Chu, and the independent non-executive Directors are Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah.

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