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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: 8336)

CONTINUING CONNECTED TRANSACTIONS
RENEWAL TENANCY AGREEMENTS
RENEWAL LICENCE AGREEMENTS AND
RENEWAL MASTER AGREEMENT WITH TSO

RENEWAL TENANCY AGREEMENTS AND RENEWAL LICENCE AGREEMENTS WITH EAST-ASIA GROUP

On 31 March 2017, GEL, GIL, HKMag, SCL, TPIL and TSL as landlords (wholly-owned subsidiaries of East-Asia) have entered into the Renewal Tenancy Agreements and Renewal 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 54.60% 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 Renewal Tenancy Agreements and Renewal Licence Agreements, is a connected person of the Company. Accordingly, the Renewal Tenancy Agreements and Renewal Licence Agreements constitute continuing connected transactions for the Company.

It is expected that the aggregate rents and the licence fees to be paid/payable by the Group to the East-Asia Group under the Renewal Tenancy Agreements and the Renewal Licence Agreements for year ending 31 March 2018 will not exceed HK\$14,162,900. For the purpose of compliance with the GEM Listing Rules, the aggregate annual rents and licence fees are treated as the annual cap of the transactions.

As all applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) 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 Renewal Tenancy Agreements and the Renewal Licence Agreements and the annual rentals and licence fees are subject to the disclosures in announcement and annual reports and annual review requirements but are exempt from the circular and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

RENEWAL 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 Master Agreement with TSO will expire on 31 March 2017. On 31 March 2017, the Company entered into the Renewal Master Agreement in respect of the Services with TSO for a term of one year commencing on 1 April 2017 and to fix the annual caps for the year ending 31 March 2018 for services (a) and (b) to HK\$5,000,000 and HK\$4,000,000 respectively.

TSO is a wholly-owned subsidiary of TSOH. The Cheung Family Trust indirectly holds 51.60% of TSOH and 54.60% of the issued share capital of the Company. Therefore TSO is a connected person of the Company under the GEM Listing Rules.

As all applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the annual caps for the respective Services under the Renewal Master Agreement are less than 5% but each of the annual considerations is more than HK\$3,000,000, the Renewal Master Agreement and the annual caps for the respective Services are subject to the disclosures in announcement and annual reports and annual review requirements but is exempt from the circular and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the paragraphs headed "2. Leasing of properties by certain subsidiaries of East Asia to our Group" under the section "Continuing Connected Transactions" on pages 167 to 172 in the prospectus of the Company dated 26 May 2014 regarding 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 from the date of listing (i.e. 30 May 2014) to 31 March 2017, 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.

On 31 March 2017, GEL, GIL, HKMag, SCL, TPIL and TSL as landlords (wholly-owned subsidiaries of East-Asia) have entered into the Renewal Tenancy Agreements and Renewal 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 Renewal Tenancy Agreements and the Renewal Licence Agreements, it is expected that the aggregate rents and the licence fees to be paid/payable by the Group to the East-Asia Group under the Renewal Tenancy Agreements and the Renewal Licence Agreements for year ending 31 March 2018 will not exceed HK\$14,162,900. For the purpose of compliance with the GEM Listing Rules, the aggregate annual rents and licence fees are treated as the annual cap of the transactions.

RENEWAL TENANCY AGREEMENTS AND RENEWAL LICENCE AGREEMENTS

(A) *Renewal Tenancy Agreements*

Details of the Renewal 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 2017– 31 March 2018	3,900
2	Shop G5, G/F., Commercial Podium Sincere House, 83 Argyle Street, Kowloon	TDS	GEL	Shop	1 April 2017– 31 March 2018	132,000
3	Room 1–2, 36/F, Tower 2, Metroplaza, Kwai Fong, New Territories	TDS	GEL	Office	1 April 2017– 31 March 2018	123,700
4	Unit C, 10/F, YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	GEL	Office	1 April 2017– 31 March 2018	43,372
5	Portion B of Unit 3608-3612, 36/F, Tower 2, Metroplaza, Kwai Fong, New Territories	MGL	GEL	Office	1 April 2017– 31 March 2018	64,800
6	Unit D, 10/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	GIL	Office	1 April 2017– 31 March 2018	49,728
7	Shop A4, G/F., Kam Wah Mansion, No. 226–242 Cheung Sha Wan Road, Kowloon	TDS	SCL	Shop	1 April 2017– 31 March 2018	80,000
8	Portion of Shop 4, G/F., 93 Lion Rock Road, Kowloon City, Kowloon	TDS	SCL	Shop	1 April 2017– 31 March 2018	44,000
9	19/F., YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	SCL	Office	1 April 2017– 31 March 2018	350,784
10	Room & Portion of 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 2017– 31 March 2018	5,800

Property	Address	Tenants	Landlords	Usage	Term	Monthly rent HK\$
11	Portion of R/T of Flat G, 5/F., Silver Center Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories	CTL	TPIL	Cell site	1 April 2017–31 March 2018	8,700
12	Unit A025, 1/F., Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, New Territories	TDS	TPIL	Shop	1 April 2017–31 March 2018	80,000
13	Shop C28 & C29, 1/F, Kingswood Richly Plaza, 1 Tin Wu Road, New Territories	TDS	TPIL	Shop	1 April 2017–31 March 2018	65,000
14	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 2017–31 March 2018	2,200
15	Roof Level of Unit 3407, New Trend Centre, 704 Prince Edward Road East, San Po Kong, Kowloon	CTL	TSL	Cell site	1 April 2017–31 March 2018	9,100
16	Shop 6, Wing Light Building, 68–76 Castle Peak Road, Yuen Long, New Territories	TDS	TSL	Shop	1 April 2017–31 March 2018	80,000
17	Rua de Pequim, n ^o s 170–174, Edifício Centro Comercial Kong Fat, 16 ^o andar E, Macau	TML	HKMag	Office	1 April 2017–31 March 2018	9,150

(B) Renewal Licence Agreements

The principal terms of the Renewal Licence Agreements are set out below:-

	Address	Usage	Term	Monthly rent HK\$
18	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 September 2017–31 August 2018 (Rentals reduce from April to August 2017 to \$10,500 per month)	10,500

	Address	Usage	Term	Monthly rent HK\$
19	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 September 2017–31 August 2018 (Rentals reduce from April to August 2017 to \$17,500 per month)	17,500

Reasons and benefits for entering into the Renewal Tenancy Agreements and Renewal 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 Renewal 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 Renewal 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 Renewal Tenancy Agreements and the Renewal Licence Agreement are arrived at after arm's length negotiation and are on normal commercial terms. The rentals under the Renewal Tenancy Agreements were determined with reference to the prevailing market rent of similar properties in the nearby locations. The licence fees under the Renewal 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 Renewal Tenancy Agreements and the Renewal 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 Renewal Tenancy Agreements and the Renewal Licence Agreements are fair and reasonable and the Renewal Tenancy Agreements and the Renewal 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 GEM Listing Rules

East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 54.60% 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 Renewal Tenancy Agreements and the Renewal Licence Agreements, is a connected person of the Company. Accordingly, the Renewal Tenancy Agreements and the Renewal Licence Agreements constitute continuing connected transactions for the Company.

As all applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) 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 Renewal Tenancy Agreements, Renewal Licence Agreements and the annual rentals and licence fees are subject to the disclosures in announcement and annual reports and annual review requirements but are exempt from the circular and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

RENEWAL MASTER AGREEMENT WITH TSO

Reference is made to the paragraphs headed “4. Transactions with TSO” under the section “Continuing Connected Transactions” on pages 177 to 182 in the prospectus of the Company dated 26 May 2014 regarding the Master Agreement with TSO entered into between the Company and TSO on 22 May 2014. 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 Master Agreement with TSO will expire on 31 March 2017.

The Group expects that the Services will continue after the expiration of the Master Agreement with TSO. Therefore, the Company and TSO entered into the Renewal Master Agreement for a term of one year commencing from 1 April 2017 and to fix the annual caps for the Services for the year ending 31 March 2018 for services (a) and (b) to HK\$5,000,000 and HK\$4,000,000 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 is 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 would 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
For the nine months ended 31 December 2016	2,892,000

The annual cap in respect of the aggregate repair and refurbishment service fees to be paid by TSO to the Group for the year ending 31 March 2018 is HK\$5,000,000, 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 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
For the nine months ended 31 December 2016	951,000

The annual cap in respect of the consignment fees to be paid by TSO to the Group for the year ending 31 March 2018 is HK\$4,000,000, which is determined with reference to the prevailing market rate of similar consignment arrangement, the historical amounts for the consignment fees paid by TSO to the Group 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 Renewal Master Agreement

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 consumer electronic devices and the sales of related accessories and products. Therefore, it is in the normal and ordinary course of business of TSO to continue the Services with the Group.

The terms of the Renewal Master Agreement 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 Renewal Master Agreement 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 of the Renewal Master Agreements are in the ordinary and usual course of business of the Company, and that the Renewal Master Agreement 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 GEM Listing Rules

TSO is wholly-owned subsidiary of TSOH. The Cheung Family Trust indirectly holds 51.60% of TSOH and 54.60% of the issued share capital of the Company. Therefore TSO is a connected person of the Company under the GEM Listing Rules.

As all applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the annual caps for the respective Services under the Renewal Master Agreement are less than 5% but each of the annual considerations is more than HK\$3,000,000, the Renewal Master Agreement and the annual caps for the respective Services are subject to the disclosures in announcement and annual reports and annual review requirements but is exempt from the circular and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

The Company 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 60% by HKT Limited.

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

East-Asia, an investment holding company, indirectly wholly-owned by the Cheung Family Trust which indirectly holds 54.60% 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:

“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 GEM of the Stock Exchange (stock code: 8336)
“connected person”	has the meaning ascribed to it under the GEM 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
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“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
“Mango Devices”	Mango Combo, Mango Deluxe and Mango Phone
“Master Agreement with TSO”	the master agreement entered into between the Company and TSO on 22 May 2014 setting out the governing terms and conditions in relation to the services provided by TSO and the Group to each other for an extended term up to 31 March 2017
“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 17
“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”	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 East-Asia Group in respect of the renewal tenancy for 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 GEM (Stock Code: 8145)
“TSOH Group”	TSOH and its subsidiaries
“%”	per cent.

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

Hong Kong, 31 March 2017

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 and Mr. Lam Yu Lung.

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 <http://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 <http://www.tdhl.cc>.

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