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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: 3997)

**CONTINUING CONNECTED TRANSACTIONS
2018/19 TENANCY AGREEMENTS AND
2018/19 MASTER AGREEMENT**

(1) 2018/19 TENANCY AGREEMENTS WITH EAST-ASIA GROUP

On 29 March 2018, GEL, GIL, HKMag, Marina and ORL as landlords have entered into the 2018/19 Tenancy Agreements with TSO and TSO (Macau) (wholly-owned subsidiaries of the Company) as tenants respectively in relation to the tenancy of the Properties.

GEL, GIL, HKMag, Marina and ORL are wholly-owned subsidiaries of East-Asia. East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of the shares of the Company in issue. As such, each of GEL, GIL, HKMag, Marina and ORL is a connected person of the Company under the Listing Rules. Accordingly, the 2018/19 Tenancy Agreements constitute continuing connected transactions for the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2018/19 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 one or more applicable percentage ratios (other than the profits ratio) in respect of the total annual rentals under the 2018/19 Tenancy Agreements and the Existing Tenancy Agreements are less than 25% and such total annual rentals is less than HK\$10,000,000, the 2018/19 Tenancy Agreements, the Existing Tenancy Agreements and the annual rentals are exempt from the circular (including independent financial advice) and shareholders' approval requirements, but are subject to requirements regarding announcement, annual review and reporting under Chapter 14A of the Listing Rules.

(2) 2018/19 MASTER AGREEMENT WITH TDHL

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

TDHL is indirectly owned by the Cheung Family Trust as to 54.50%, and the Cheung Family Trust indirectly holds 51.48% of the issued share capital of the Company. Therefore, TDHL 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 are less than 5% but the aggregate annual fee is more than HK\$3,000,000, the 2018/19 Master Agreement and the aggregate annual fee are exempt from the circular (including independent financial advice) and shareholders' approval requirements, but are subject to requirements regarding announcement, annual review and reporting under Chapter 14A of the Listing Rules.

(1) 2018/19 TENANCY AGREEMENTS WITH EAST-ASIA GROUP

On 29 March 2018, GEL, GIL, HKMag, Marina and ORL as landlords have entered into the 2018/19 Tenancy Agreements with TSO and TSO (Macau) (wholly-owned subsidiaries of the Company) as tenants respectively in relation to the tenancy of the Properties.

First 2018/19 Tenancy Agreement

Landlord:	ORL
Tenant:	TSO
Property A:	Unit 1807, 18/F., Riley House, No.88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
Usage:	head office, repair centre and warehouse
Saleable area:	5,511 sq. ft. (net)
Term:	from 1 April 2018 to 31 March 2019 (both days inclusive)
Monthly rent:	HK\$79,420 (exclusive of government rates, government rent and building management fee)
Deposit:	HK\$238,260

Second 2018/19 Tenancy Agreement

Landlord:	GIL
Tenant:	TSO
Property B:	Unit 1805 & Portion B of Unit 1806, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
Usage:	head office, repair centre and warehouse
Saleable area:	8,380 sq. ft. (net)
Term:	from 1 April 2018 to 31 March 2019 (both days inclusive)
Monthly rent:	HK\$120,824 (exclusive of government rates, government rent and building management fee)
Deposit:	HK\$362,472

Third 2018/19 Tenancy Agreement

Landlord: HKMag
Tenant: TSO (Macau)
Property C: Rua de Pequim, n^os 170–174, Edificio Centro Commercial Kong Fat, 16^o andar portion of D1 and portion of E1, em Macau
Usage: repair centre
Saleable area: 915 sq. ft. (net)
Term: from 1 April 2018 to 31 March 2019 (both days inclusive)
Monthly rent: HK\$15,372 (inclusive of building management fee)
Deposit: HK\$46,116

Fourth 2018/19 Tenancy Agreement

Landlord: GEL
Tenant: TSO
Property D: Unit 1005, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon Hong Kong
Usage: repair centre
Saleable area: 772 sq. ft. (gross)
Term: from 1 April 2018 to 31 March 2019 (both days inclusive)
Monthly rent: HK\$32,424 (exclusive of government rates, government rent and building management fee)
Deposit: HK\$97,272

Fifth 2018/19 Tenancy Agreement

Landlord: GIL
Tenant: TSO
Property E: Unit 1006, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong
Usage: repair centre
Saleable area: 1,021 sq. ft. (gross)
Term: from 1 April 2018 to 31 March 2019 (both days inclusive)
Monthly rent: HK\$42,882 (exclusive of government rates, government rent and building management fee)
Deposit: HK\$128,646

Sixth 2018/19 Tenancy Agreement

Landlord: ORL
Tenant: TSO
Property F: 12/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong
Usage: repair centre
Saleable area: 4,357 sq. ft. (gross)
Term: from 1 April 2018 to 31 March 2019 (both days inclusive)
Monthly rent: HK\$182,994 (exclusive of building management fee and air-conditioning charges but inclusive of government rates and government rent)
Deposit: HK\$548,982

Revised aggregate annual caps under 2018/19 Tenancy Agreements and Existing Tenancy Agreements

Upon entering into the 2018/19 Tenancy Agreements, the revised aggregate annual caps for the 2018/19 Tenancy Agreements and the Existing Tenancy Agreements based on the total annual rentals payable thereunder during their respective terms of tenancy for the year ending 31 March 2019 will be as follows:

	For the year ending 31 March 2019 HK\$'000
First 2018/19 Tenancy Agreement	953
Second 2018/19 Tenancy Agreement	1,450
Third 2018/19 Tenancy Agreement	185
Fourth 2018/19 Tenancy Agreement	389
Fifth 2018/19 Tenancy Agreement	515
Sixth 2018/19 Tenancy Agreement	2,196
First Existing Tenancy Agreement	357
Second Existing Tenancy Agreement	230
Third Existing Tenancy Agreement	462
	6,737

Further details of the Existing Tenancy Agreements are as follows:

Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and area
<i>First Existing Tenancy Agreement</i>					
Unit 703, 7/F., Ginza Plaza, No.2A Sai Yeung Choi Street South, Kowloon, Hong Kong	GIL	31 May 2017	from 1 July 2017 to 31 March 2019	HK\$29,716 per month (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 782 sq. ft. (gross)
<i>Second Existing Tenancy Agreement</i>					
Portion of Unit A, 23/F Kyoto Plaza, No.491-499 Lockhart Road, Hong Kong	GEL	31 May 2017	from 1 July 2017 to 31 March 2019	HK\$19,200 per month (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 640 sq. ft. (gross)
<i>Third Existing Tenancy Agreement</i>					
Unit B, 23/F Kyoto Plaza, No.491 - 499 Lockhart Road, Hong Kong	ORL	31 May 2017	from 1 July 2017 to 31 March 2019	HK\$38,520 per month (exclusive of government rates, government rent and building management fee)	repair centre saleable area: 1,284 sq. ft. (gross)

Reason and benefits of entering into 2018/19 Tenancy Agreements

The Properties have been rented by TSO and TSO (Macau) for use as its head office, repair centre and warehouse and the Group considers that the Properties are suitable for the business of the Group. Thus, TSO and TSO (Macau) entered into the 2018/19 Tenancy Agreements to secure the continuous use of the Properties as its head office, repair centre and warehouse.

The terms of the 2018/19 Tenancy 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 Directors (except the Cheung Brothers being the Directors who have material interests in the 2018/19 Tenancy 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 are fair and reasonable and the 2018/19 Tenancy 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

GEL, GIL, HKMag, Marina and ORL are wholly-owned subsidiaries of East-Asia. East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of the shares of the Company in issue. As such, each of GEL, GIL, HKMag, Marina and ORL is a connected person of the Company under the Listing Rules. Accordingly, the 2018/19 Tenancy Agreements constitute continuing connected transactions for the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2018/19 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 one or more applicable percentage ratios (other than the profits ratio) in respect of the total annual rentals under the 2018/19 Tenancy Agreements and the Existing Tenancy Agreements are less than 25% and such total annual rentals is less than HK\$10,000,000, the 2018/19 Tenancy Agreements, the Existing Tenancy Agreements and the annual rentals are exempt from the circular (including independent financial advice) and shareholders' approval requirements, but are subject to requirements regarding announcement, annual review and reporting under Chapter 14A of the Listing Rules.

(2) 2018/19 MASTER AGREEMENT WITH TDHL

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

TSO expects that the Services will continue with TDHL after the expiration of the Renewal Master Agreement. Therefore, TSO and TDHL entered into the 2018/19 Master Agreement for a term of one year commencing from 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.

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

TSO has been providing repair and refurbishment services for pagers and Mango Devices to the TDHL Group. The service fees charged by TSO are on a “per device” basis. The service fees are determined by TSO and the TDHL Group with reference to the prevailing market rate (in terms of, among others, profit margin) of similar services and the historical amounts paid by TDHL Group to TSO. Due to the popularity of various channels of mobile communication, TDHL 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 TDHL Group to TSO for the previous years were set out below:-

	HK\$
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 aggregate repair and refurbishment service fees to be paid by TDHL 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 TDHL Group.

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

TDS (a wholly-owned subsidiary of TDHL) has allowed TSO to sell the accessories for mobile phones and personal electronic products of certain brands at retail shops of TDHL 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 paid by TSO to TDHL Group.

The historical amounts for the consignment fees paid by TSO to the TDHL Group for the previous years were set out below:-

	HK\$
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 paid by TSO to the TDHL Group 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 paid by TSO to the TDHL 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 2018/19 Master Agreement

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

The terms of the 2018/19 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 2018/19 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 2018/19 Master Agreement is in the ordinary and usual course of business of the Company, and that the 2018/19 Master Agreement including the Annual Caps for the Services is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Implications under the Listing Rules

TDHL is indirectly owned by the Cheung Family Trust as to 54.50% and the Cheung Family Trust indirectly holds 51.48% of the issued share capital of the Company. Therefore, TDHL 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 are less than 5% but the aggregate annual fee is more than HK\$3,000,000, the 2018/19 Master Agreement and the aggregate annual fee are exempt from the circular (including independent financial advice) and shareholders' approval requirements, but are subject to requirements regarding announcement, annual review and reporting under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

TDHL is listed on Main Board of the Stock Exchange. TDHL 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, associated owned as to 40% by TDHL Group and as to 60% by HKT Limited.

East-Asia, an investment holding company, is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of the issued share capital of the Company, and is therefore 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 Master Agreement”	the 2018/19 Master Agreement entered into between TSO and TDHL on 29 March 2018 in relation to services provided by TSO and TDHL Group to each other for an extended term up to 31 March 2019
“2018/19 Tenancy Agreements”	First to Sixth 2018/19 Tenancy Agreements
“Annual Cap(s)”	the annual fees for the year ending 31 March 2019, for each of (a) provision of repair and refurbishment services by TSO to TDHL Group (i.e. HK\$4,000,000) and (b) consignment of accessories for mobile phones and personal electronic products of TSO (i.e. HK\$2,000,000)
“Board”	board of the Directors
“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 the Cheung Brothers and their family members, of which the Cheung Brothers are among the discretion object
“Company”	Telecom Service One Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 3997)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“East-Asia”	East-Asia Pacific Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“East-Asia Group”	East-Asia and its subsidiaries
“Existing Tenancy Agreements”	First to Third Existing Tenancy Agreements
“Fifth 2018/19 Tenancy Agreement”	the tenancy agreement dated 29 March 2018 entered into between GIL and TSO in respect of the renewal tenancy for Property E

“First 2018/19 Tenancy Agreement”	the tenancy agreement dated 29 March 2018 entered into between ORL and TSO in respect of the renewal tenancy for Property A
“Fourth 2018/19 Tenancy Agreement”	the tenancy agreement dated 29 March 2018 entered into between GEL and TSO in respect of the renewal tenancy for Property D
“GEL”	Glossy Enterprises Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of the shares of the Company in issue, and thus a connected person of the Company
“GIL”	Glossy Investment Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of the shares of the Company in issue, 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 indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of the shares of the Company in issue, and thus a connected person of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mango Devices”	the specific devices designed by the TDHL Group for their Mobitex based services
“Marina”	Marina Trading Inc., a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of the shares of the Company in issue, and thus a connected person of the Company
“Mobitex”	an open systems interconnection model based open standard, national public access wireless packet-switched data network and a kind of wireless data technology

“ORL”	Oceanic Rich Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.48% of the shares of the Company in issue, and thus a connected person of the Company
“PRC”	The People’s Republic of China
“Properties”	Properties A to F
“Property A”	Unit 1807, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
“Property B”	Unit 1805 & Portion B of Unit 1806, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
“Property C”	Rua de Pequim, n°s 170–174, Edifício Centro Commercial Kong Fat, 16° andar portion of D1 and portion of E1, em Macau
“Property D”	Unit 1005, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon Hong Kong
“Property E”	Unit 1006, 10/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong
“Property F”	12/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong
“Renewal Master Agreement”	the master agreement entered into between TSO and TDHL on 31 March 2017 setting out the governing terms and conditions in relation to the renewal of the Services provided by TSO and TDHL Group to each other for an extended term up to 31 March 2018
“Second 2018/19 Tenancy Agreement”	the tenancy agreement dated 29 March 2018 entered into between GIL and TSO in respect of the renewal tenancy for Property B
“Services”	provision of repair and refurbishment services by TSO to TDHL Group and consignment of accessories for mobile phones and personal electronic products of TSO
“Sixth 2018/19 Tenancy Agreement”	the tenancy agreement dated 29 March 2018 entered into between ORL and TSO in respect of the renewal tenancy for Property F

“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TDHL”	Telecom Digital Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 6033)
“TDHL Group”	TDHL and its subsidiaries
“TDS”	Telecom Digital Services Limited, a company incorporated in Hong Kong with limited liability, and wholly-owned by TDHL, which is indirectly owned by the Cheung Family Trust as to 54.50% which indirectly holds 51.48% of the shares of the Company in issue, and thus a connected person of the Company
“Third 2018/19 Tenancy Agreement”	the tenancy agreement dated 29 March 2018 entered into between HKMag and TSO (Macau) in respect of renewal tenancy for Property C
“TSO”	Telecom Service One Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Company
“TSO (Macau)”	Telecom Service One (Macau) Limited, a company incorporated in Macau with limited liability and wholly-owned by the Company
“%”	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 Service One Holdings Limited
Cheung King Shek
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, chairman of the Company and non-executive Director is Mr. Cheung King Shek; chief executive officer of the Company 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. Tso Ka Yi.

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