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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

2019/20 TENANCY AGREEMENTS WITH EAST-ASIA GROUP

On 30 March 2019, GEL, GIL and ORL as landlords have entered into the 2019/20 Tenancy Agreements with TSO (a wholly-owned subsidiary of the Company) as tenant respectively in relation to the tenancy of the Properties.

GEL, GIL and ORL are wholly-owned subsidiaries of East-Asia. East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.43% of the shares of the Company in issue. As such, each of GEL, GIL and ORL is a connected person of the Company under the Listing Rules. Accordingly, the 2019/20 Tenancy Agreements constitute continuing connected transactions for the Company.

It is expected that the aggregate annual rental payable by the Group to the East-Asia Group under the 2019/20 Tenancy Agreements for year ending 31 March 2020 will not exceed HK\$3,937,000. For the purpose of compliance with the Listing Rules, the aggregate annual rental is treated as the annual cap of the transactions.

As one or more applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual rental under the 2019/20 Tenancy Agreements are less than 5% but the aggregate annual rental is more than HK\$3,000,000, the 2019/20 Tenancy Agreements and the aggregate annual rental 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.

TRANSACTIONS WITH TDHL GROUP

On 30 March 2019, TDD, TDS, TSN and D1 have entered into the separate individual service agreement with TSO in respect of the (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL Group; (b) consignment of accessories for mobile phones and personal electronic products of TSO; (c) provision of logistic services to TSO by TSN and (d) provision of repair and refurbishment services for mobile phones by TSO to TDHL Group respectively for a term of one year commencing on 1 April 2019 and to fix the annual caps for the year ending 31 March 2020 for the transactions (a), (b), (c) and (d) with TDHL Group to HK\$4,000,000, HK\$2,000,000, HK\$800,000 and HK\$500,000 respectively.

TDD, TDS and TSN are wholly-owned subsidiaries of TDHL. D1 is owned as to 72% by TDHL. TDHL is indirectly owned by the Cheung Family Trust as to 54.49%, and the Cheung Family Trust indirectly holds 51.43% of the issued share capital of the Company. As such, each of TDD, TDS, TSN and D1 is a connected person of the Company under the Listing Rules. Accordingly, the transactions with TDHL Group constitute continuing connected transactions for the Company.

As all applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual cap for (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL Group and (d) provision of repair and refurbishment services for mobile phones by TSO to TDHL Group are less than 5% but aggregate annual fees are more than HK\$3,000,000, the aggregate annual fees and the repair and refurbishment services for pagers, Mango Devices and mobile phones provided to TDHL Group 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.

As all applicable percentage ratios (other than the profits ratio) in respect of the annual caps for each of (b) consignment of accessories for mobile phones and personal electronic products of TSO and (c) provision of logistic services to TSO by TSN are less than 5% and each of the annual fees is less than HK\$3,000,000, each of the annual fees and the transactions (b) and (c) with TDHL Group are exempted from the requirements under Chapter 14A of the Listing Rules.

2019/20 TENANCY AGREEMENTS WITH EAST-ASIA GROUP

Reference is made to the announcements of the Company dated 31 May 2017 and 29 March 2018 in relation to the New Tenancy Agreements and 2018/19 Tenancy Agreements entered into between the East-Asia Group and the Group in which setting out the terms and conditions for leasing of the Properties, among others, for a term up to 31 March 2019.

On 30 March 2019, GEL, GIL and ORL as landlords have entered into the 2019/20 Tenancy Agreements with TSO (a wholly-owned subsidiary of the Company) as tenant respectively in relation to the tenancy of the Properties.

The principle terms of the 2019/20 Tenancy Agreements are listed as below:

First 2019/20 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:	7,220 sq. ft. (gross)
Term:	from 1 April 2019 to 31 March 2020 (both days inclusive)
Monthly rent:	HK\$79,420 (exclusive of government rates, government rent and building management fee)
Deposit:	HK\$238,260

Second 2019/20 Tenancy Agreement

Landlord: GIL
Tenant: TSO
Property B: 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: 2,966 sq. ft. (gross)
Term: from 1 April 2019 to 31 March 2020 (both days inclusive)
Monthly rent: HK\$32,626 (exclusive of government rates, government rent and building management fee)
Deposit: HK\$97,878

Third 2019/20 Tenancy Agreement

Landlord: ORL
Tenant: TSO
Property C: Units 1201-1203 and Units 1205-1206, 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 2019 to 31 March 2020 (both days inclusive)
Monthly rent: HK\$152,495 (exclusive of building management fee and air-conditioning charges but inclusive of government rates and government rent)
Deposit: HK\$457,485

Fourth 2019/20 Tenancy Agreement

Landlord: GEL
Tenant: TSO
Property D: Portion of Unit A, 23/F., Kyoto Plaza, Nos. 491-499 Lockhart Road, Causeway Bay, Hong Kong
Usage: repair centre
Saleable area: 640 sq. ft. (gross)
Term: from 1 April 2019 to 31 March 2020 (both days inclusive)
Monthly rent: HK\$21,120 (exclusive of government rates, government rent and building management fee)
Deposit: HK\$63,360

Fifth 2019/20 Tenancy Agreement

Landlord: ORL
Tenant: TSO
Property E: Unit B, 23/F., Kyoto Plaza, Nos. 491-499 Lockhart Road, Causeway Bay, Hong Kong
Usage: repair centre
Saleable area: 1,284 sq. ft. (gross)
Term: from 1 April 2019 to 31 March 2020 (both days inclusive)
Monthly rent: HK\$42,372 (exclusive of government rates, government rent and building management fee)
Deposit: HK\$127,116

ANNUAL CAPS UNDER 2019/20 TENANCY AGREEMENTS

Upon entering into the 2019/20 Tenancy Agreements, the annual caps for the 2019/20 Tenancy Agreements based on the total annual rentals payable thereunder during their respective terms of tenancy for the year ending 31 March 2020 will be as follows:

	For the year ending 31 March 2020
	<i>HK\$'000</i>
First 2019/20 Tenancy Agreement	953
Second 2019/20 Tenancy Agreement	392
Third 2019/20 Tenancy Agreement	1,830
Fourth 2019/20 Tenancy Agreement	253
Fifth 2019/20 Tenancy Agreement	509
	<hr/> 3,937 <hr/>

Reason and benefits of entering into 2019/20 Tenancy Agreements

The Properties have been rented by TSO 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 entered into the 2019/20 Tenancy Agreements to secure the continuous use of the Properties as its head office, repair centre and warehouse.

The terms of the 2019/20 Tenancy Agreements are arrived at after arm's length negotiation and are on normal commercial terms. The rentals under the 2019/20 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 2019/20 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 2019/20 Tenancy Agreements are fair and reasonable and the 2019/20 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 and ORL are wholly-owned subsidiaries of East-Asia. East-Asia is indirectly wholly-owned by the Cheung Family Trust which indirectly holds 51.43% of the shares of the Company in issue. As such, each of GEL, GIL and ORL is a connected person of the Company under the Listing Rules. Accordingly, the 2019/20 Tenancy Agreements constitute continuing connected transactions for the Company.

As one or more applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual rental under the 2019/20 Tenancy Agreements are less than 5% but the aggregate annual rental is more than HK\$3,000,000, the 2019/20 Tenancy Agreements and the aggregate annual rental 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.

TRANSACTIONS WITH TDHL GROUP

Reference is made to the announcement of the Company dated 29 March 2018 in relation to the 2018/19 Master Agreement entered into between TSO and TDHL Group. The (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL Group and (b) consignment of accessories for mobile phones and personal electronic products of TSO under the 2018/19 Master Agreement will expire on 31 March 2019.

On 30 March 2019, TDD, TDS, TSN and D1 have entered into the separate individual service agreement with TSO in respect of the (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL Group; (b) consignment of accessories for mobile phones and personal electronic products of TSO; (c) provision of logistic services to TSO by TSN and (d) provision of repair and refurbishment services for mobile phones by TSO to TDHL Group respectively for a term of one year commencing on 1 April 2019 and to fix the annual caps for the year ending 31 March 2020 for the transactions (a), (b), (c) and (d) with TDHL Group to HK\$4,000,000, HK\$2,000,000, HK\$800,000 and HK\$500,000 respectively.

(a) Provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL Group

TSO has been providing repair and refurbishment services for pagers and Mango Devices to the TDHL Group since 2013. 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:-

	<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
Year ended 31 March 2018	3,576,000
For the nine months ended 31 December 2018	2,552,000

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 2020 is HK\$4,000,000, which is determined with reference to the prevailing market rate of similar services, and the numbers of pagers and Mango Devices which are 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:-

	<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
Year ended 31 March 2018	734,000
For the nine months ended 31 December 2018	488,000

The annual cap in respect of the consignment fees to be paid by TSO to the TDHL Group for the year ending 31 March 2020 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.

(c) Provision of logistic services to TSO by TSN

TSN has been providing logistic services for delivery of goods (for example, defective devices for repair and refurbishment) between the office, service centers and collection points of TSO. The fees charged by TSN are on a “per delivery” basis. The fees for the services are determined by TSO and TSN with reference to the prevailing market rate of similar services.

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

	<i>HK\$</i>
Year ended 31 March 2015	834,000
Year ended 31 March 2016	1,246,000
Year ended 31 March 2017	741,000
Year ended 31 March 2018	676,000
For the nine months ended 31 December 2018	482,000

The annual cap in respect of the logistics service fees to be received by TDHL Group from TSO for the year ending 31 March 2020 is HK\$800,000, which is determined with reference to the prevailing market rate of similar services and the historical amounts paid by TSO to TDHL Group.

(d) Provision of repair and refurbishment services for mobile phones by TSO to TDHL Group

TSO will provide repair and refurbishment services for mobile phones to TDHL Group commencing on 1 April 2019. The service fees charged by TSO are on a “per mobile phone” basis. The service fees are determined by TSO and TDHL Group with reference to the prevailing market rate (in terms of, among others, profit margin) of similar services.

The annual cap in respect of the repair and refurbishment service fees for mobile phones to be paid by TDHL Group to TSO for the year ending 31 March 2020 is HK\$500,000, which is determined with reference to the prevailing market rate of similar services, and the forecast or estimate on the number of mobile phones of the relevant brand to be used by the customers.

Reasons and benefits of entering into the services agreements with TDHL Group

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. D1 is the sole distributor of a brand of mobile phones and is entitled to source the repair and refurbishment services of such brand. The principal activities of the Group (including 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. It is in the normal and ordinary course of business of TSO to continue and/or provide the services with TDHL Group.

The terms of the services agreements 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 services 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, are of the view that the entering into of the services agreements with TDHL Group is in the ordinary and usual course of business of the Company, and that the services agreements including the annual caps for transactions (a), (b), (c) and (d) are 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 54.49% and the Cheung Family Trust indirectly holds 51.43% 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 aggregate annual cap for (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDHL Group and (d) provision of repair and refurbishment services for mobile phones by TSO to TDHL Group are less than 5% but aggregate annual fees are more than HK\$3,000,000, the aggregate annual fees and the repair and refurbishment services for pagers, Mango Devices and mobile phones provided by TSO 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.

As all applicable percentage ratios (other than the profits ratio) in respect of the annual caps for each of (b) consignment of accessories for mobile phones and personal electronic products of TSO and (c) provision of logistic services to TSO by TSN are less than 5% and each of the annual fees is less than HK\$3,000,000, each of the annual fees and the transactions (b) and (c) with TDHL Group are exempted from the requirements 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) 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 51.43% 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”	the tenancy agreements dated 29 March 2018 entered into between the subsidiaries of East-Asia, TSO and TSO (Macau) Limited in respect of the Properties from 1 April 2018 to 31 March 2019
“2019/20 Tenancy Agreements”	the tenancy agreements dated 30 March 2019 entered into between the subsidiaries of East-Asia and TSO in respect of tenancy for the Properties from 1 April 2019 to 31 March 2020
“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
“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
“D1”	Distribution One Limited, a company incorporated in Hong Kong with limited liability, and a subsidiary owned as to 72% by TDHL, which is indirectly owned by the Cheung Family Trust as to 54.49% which indirectly holds 51.43% of the shares of the Company in issue, and thus a connected person 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 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
“Fifth 2019/20 Tenancy Agreement”	the tenancy agreement dated 30 March 2019 entered into between ORL and TSO in respect of the tenancy for Property E
“First 2019/20 Tenancy Agreement”	the tenancy agreement dated 30 March 2019 entered into between ORL and TSO in respect of the tenancy for Property A
“Fourth 2019/20 Tenancy Agreement”	the tenancy agreement dated 30 March 2019 entered into between GEL and TSO in respect of the 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 51.43% 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 51.43% 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
“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
“Mobitex”	an open systems interconnection model based open standard, national public access wireless packet-switched data network and a kind of wireless data technology
“New Tenancy Agreements”	the tenancy agreements dated 31 May 2017 entered into between TSO and each of GEL and ORL in relation to the tenancies of the Properties D and E
“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 51.43% 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 E
“Property A”	Unit 1807, 18/F., Riley House, No.88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
“Property B”	Portion B of Unit 1806, 18/F., Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong

“Property C”	Units 1201-1203 and Units 1205-1206, 12/F., Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong
“Property D”	Portion of Unit A, 23/F., Kyoto Plaza, Nos. 491-499 Lockhart Road, Causeway Bay, Hong Kong
“Property E”	Unit B, 23/F., Kyoto Plaza, Nos. 491-499 Lockhart Road, Causeway Bay, Hong Kong
“Second 2019/20 Tenancy Agreement”	the tenancy agreement dated 30 March 2019 entered into between GIL and TSO in respect of the tenancy for Property B
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TDD”	Telecom Digital Data 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 54.49% which indirectly holds 51.43% of the shares of the Company in issue, and thus a connected person of the Company
“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 54.49% which indirectly holds 51.43% of the shares of the Company in issue, and thus a connected person of the Company
“Third 2019/20 Tenancy Agreement”	the tenancy agreement dated 30 March 2019 entered into between ORL and TSO in respect of the tenancy for Property C

“TSN”	Telecom Service Network 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 54.49% which indirectly holds 51.43% of the shares of the Company in issue, and thus a connected person of the Company
“TSO”	Telecom Service One Limited, a company incorporated in Hong Kong 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, 31 March 2019

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.