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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**

### **TRANSACTIONS WITH TDHL GROUP**

On 31 March 2020, TSO entered into the separate individual services agreements for 2020/21 with TDD, TDS, TSN and D1 in respect of the (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDD; (b) consignment of accessories for mobile phones and personal electronic products of TSO by TDS; (c) provision of logistic services to TSO by TSN, (d) provision of repair and refurbishment services for a brand of mobile phones by TSO to D1 and (e) provision of grading and refurbishment services for used mobile phones by TSO to TDS respectively for a term of one year commencing on 1 April 2020 and to fix the annual caps for the year ending 31 March 2021 for the transactions with TDHL Group to HK\$4,500,000.

TDD, TDS, TSN and D1 are wholly-owned subsidiaries of 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 annual cap for (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDD; (b) consignment of accessories for mobile phones and personal electronic products of TSO by TDS; (c) provision of logistic services to TSO by TSN, (d) provision of repair and refurbishment services for a brand of mobile phones by TSO to D1 and (e) provision of grading and refurbishment services for used mobile phones by TSO to TDS are less than 25% and the aggregate annual fee is less than HK\$10,000,000, the annual fees and the transactions with TDHL Group are exempt from the circular (including independent financial advice) and shareholders' approval requirements, but are subject to announcement, annual reporting and annual review under Chapter 14A of the Listing Rules.

## TRANSACTIONS WITH TDHL GROUP

Reference is made to the announcement of the Company dated 31 March 2019 regarding the separate individual services agreements entered into between TDD, TDS, TSN and D1 with TSO for the transactions between TSO and TDHL Group for a term up to 31 March 2020.

The transactions between TSO and TDHL Group will be continued after the expiration of the services agreements. Therefore, on 31 March 2020, TSO entered into the separate individual services agreements for 2020/21 with TDD, TDS, TSN and D1 in respect of the (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDD; (b) consignment of accessories for mobile phones and personal electronic products of TSO by TDS; (c) provision of logistic services to TSO by TSN, (d) provision of repair and refurbishment services for a brand of mobile phones by TSO to D1 and (e) provision of grading and refurbishment services for used mobile phones by TSO to TDS respectively for a term of one year commencing on 1 April 2020 and to fix the annual caps for the year ending 31 March 2021 for the transactions with TDHL Group to HK\$4,500,000.

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

TSO has been providing repair and refurbishment services for pagers and Mango Devices to TDD since 2013. The service fees charged by TSO are on a “per device” basis. The service fees are determined by TSO and the TDD with reference to the prevailing market rate (in terms of, among others, profit margin) of similar services, the numbers of pagers and Mango Devices which are expected to be used by the customers of TDD and the historical amounts paid by TDD to TSO. Due to the popularity of various channels of mobile communication, TDHL anticipates that the total number of paging 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 TDD to TSO for the previous years were set out below:-

|  | HK\$      |
|--|-----------|
| Year ended 31 March 2017                   | 5,846,000 |
| Year ended 31 March 2018                   | 3,576,000 |
| Year ended 31 March 2019                   | 3,918,000 |
| For the nine months ended 31 December 2019 | 1,157,000 |

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

TDS 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 amount and value of the consigned goods which is expected to be sold by TSO and the historical amounts paid by TSO to TDS.

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

|  | <i>HK\$</i> |
|--|-------------|
| Year ended 31 March 2017                   | 961,000     |
| Year ended 31 March 2018                   | 734,000     |
| Year ended 31 March 2019                   | 565,000     |
| For the nine months ended 31 December 2019 | 560,000     |

(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 and the historical amounts paid by TSO to TSN.

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

|  | <i>HK\$</i> |
|--|-------------|
| Year ended 31 March 2017                   | 741,000     |
| Year ended 31 March 2018                   | 676,000     |
| Year ended 31 March 2019                   | 738,000     |
| For the nine months ended 31 December 2019 | 598,000     |

(d) *Provision of repair and refurbishment services for a brand of mobile phones by TSO to D1*

TSO has been providing repair and refurbishment services for a brand of mobile phones to D1 since 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 D1 with reference to the prevailing market rate (in terms of, among others, profit margin) of similar services and the forecast or estimation on the number of mobile phones of the relevant brand to be used by the customers. The historical amount for such services fees received by TSO from D1 for the nine months ended 31 December 2019 was HK\$298,000.

(e) *Provision of grading and refurbishment services for used mobile phones by TSO to TDS*

TSO has been providing grading and refurbishment services for used mobile phones trade in by TDS since 1 November 2019. The services fees charged by TSO are on a “per mobile phone” basis and determined by the forecast and estimation on the number and brands of the used mobile phones to be collected by TDS.

## **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 TDD 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 in Hong Kong and is entitled to source the repair and refurbishment services of such brand and TSO was appointed by the relevant brand to provide the services prior to the appointment of D1. TDHL Group is providing mobile phones trade in services to its customers, therefore, TDS appointed TSO to provide grading and refurbishment services for those used mobile phones. 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 for 2020/21 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 for 2020/21 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 for 2020/21 with TDHL Group is in the ordinary and usual course of business of the Company, and that the services agreements for 2020/21 including the annual caps for the transactions with TDHL Group 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 annual cap for (a) provision of repair and refurbishment services for pagers and Mango Devices by TSO to TDD; (b) consignment of accessories for mobile phones and personal electronic products of TSO by TDS; (c) provision of logistic services to TSO by TSN, (d) provision of repair and refurbishment services for a brand of mobile phones by TSO to D1 and (e) provision of grading and refurbishment services for used mobile phones by TSO to TDS are less than 25% and the aggregate annual fee is less than HK\$10,000,000, the annual fees and the transactions with TDHL Group are exempt from the circular (including independent financial advice) and shareholders' approval requirements, but are subject to announcement, annual reporting and annual review 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 other consumer goods 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.

## DEFINITIONS

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

|                       |   |
|-----------------------|---|
| “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 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 |
| “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   |
| “East-Asia Group”     | East-Asia and its subsidiaries  |
| “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 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 the East-Asia 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  |
| “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 |
| “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

“0%”

per cent.

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

Hong Kong, 31 March 2020

*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.*