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

CONTINUING CONNECTED TRANSACTIONS

TRANSACTIONS WITH EAST-ASIA GROUP

On 31 March 2023, GEL, GIL, Marina, SCL, TPIL and TSL (wholly-owned subsidiaries of East-Asia) each individually as landlord/licensor entered into the 2023/24 Tenancy Agreements and 2023/24 Licence Agreements with CTL, TDM and TDS (wholly-owned subsidiaries of the Company) each individually as tenant/licensee respectively, in relation to the tenancy/licensing of the Properties and Carparking Spaces. In addition, SCL and TDS entered into Properties Repair Service Agreement on 31 March 2023.

GEL, GIL, Marina, SCL, TPIL and TSL are wholly-owned subsidiaries of East-Asia, which is indirectly wholly-owned by the Cheung Family Trust that holds 54.49% of the issued share capital of the Company. Therefore, each of the GEL, GIL, Marina, SCL, TPIL and TSL, being a party of the 2023/24 Tenancy Agreements, 2023/24 Licence Agreements and Properties Repair Service Agreement, is a connected person of the Company. As such, the transactions contemplated under the 2023/24 Tenancy Agreements, 2023/24 Licence Agreements and Properties Repair Service Agreement constitute continuing connected transactions for the Company.

It is expected that the aggregate annual fees for the transactions with East-Asia Group to be paid/payable by the Group to the East-Asia Group for the year ending 31 March 2024 will not exceed HK\$18,370,000. For the purpose of compliance with the Listing Rules, the aggregate annual fees are treated as the annual cap of the transactions.

As all applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual fees are less than 5% but aggregate annual fee is more than HK\$3,000,000, the aggregate annual fees for the transactions with East-Asia 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.

TRANSACTIONS WITH SUN ASIA GROUP

The Group will continue various transactions with Sun Asia Group for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024, the scope of transactions includes (i) leasing of the properties by OIL, CKKP and CTL to TKS, TKC, CKKCK, CKC F&B and CKK Cafe; (ii) provision of streaming real-time quote service by TDD to TKS; (iii) provision of IT support services by TDS to TKS; (iv) provision of building management services by OIL to CKC F&B and CKK Cafe; and (v) consignment of KRL Group's products by TDS and MM for KRL Group.

TKS, TKC, CLL, CKKCK, CKC F&B and CKK Cafe are wholly-owned subsidiaries of Sun Asia, and Sun Asia is indirectly wholly-owned by the Cheung Brothers (the beneficiary of the Cheung Family Trust) which indirectly holds 54.49% of the issued share capital of the Company. Therefore, each of the TKS, TKC, CLL, CKKCK, CKC F&B and CKK Cafe is an associate of the Cheung Brothers and thus a connected person of the Company. Accordingly, the transactions with Sun Asia Group constitute continuing connected transactions for the Company. The annual caps for the transactions with Sun Asia Group is fixed based on the aggregate annual fees and the goods to be purchased or sold for the respective transactions for the year ending 31 March 2024 to HK\$9,940,000.

As all applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual fees for the transactions with Sun Asia Group are less than 5% but aggregate annual fee is more than HK\$3,000,000, the aggregate annual fee of the transactions with Sun Asia 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.

TRANSACTIONS WITH TSO

On 31 March 2023, TDD, TDS, TSN, OIL and D1 entered into the separate individual agreements for 2023/24 with TSO in respect of the (a) provision of repair and refurbishment services for pagers by TSO to TDD; (b) provision of logistic services to TSO by TSN, (c) provision of repair and refurbishment services for a brand of mobile phones by TSO to D1; (d) provision of grading and refurbishment services for used mobile phones by TSO to TDS; and (e) leasing of a property and provision of building management services by OIL to TSO respectively for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024. The annual caps for the year ending 31 March 2024 for the above transactions with TSO is fixed to HK\$4,520,000.

TSO is a wholly-owned subsidiary of TSOH which is indirectly owned by the Cheung Family Trust as to 51.43%. As the Cheung Family Trust indirectly holds 54.49% of the issued share capital of the Company, TSO is a connected person of the Company under the Listing Rules.

As all applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual fees for the above-mentioned transactions with TSO are less than 5% but aggregate annual fee is more than HK\$3,000,000, the aggregate annual fee of the transactions with 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.

TRANSACTIONS WITH EAST-ASIA GROUP

(i) 2023/24 Tenancy Agreements and 2023/24 Licence Agreements

References are made to the announcements of the Company dated 1 April 2022 and 4 April 2022 in relation to the 2022/23 Tenancy Agreements and 2022/23 Licence Agreements entered into between the East-Asia Group and the Group in which setting out the terms and conditions for leasing of properties in Hong Kong and PRC for a term of one year commencing from 1 April 2022 and expiring on 31 March 2023.

On 31 March 2023, GEL, GIL, Marina, SCL, TPIL and TSL (wholly-owned subsidiaries of East-Asia) each individually as landlord/licensor entered into the 2023/24 Tenancy Agreements and 2023/24 Licence Agreements with CTL, TDM and TDS (wholly-owned subsidiaries of the Company) each individually as tenant/licensee respectively, in relation to the tenancy/licensing of the Properties and Carparking Spaces.

The Group has been leasing properties in Hong Kong and PRC from certain subsidiaries of East-Asia for the use by the Group as office, shops, cell sites, customer service center and IT support office and car parks for logistic team. The monthly rent/licence fees under the Tenancy/Licence Agreements, which were determined on an arm's length basis and with reference to the prevailing market rent/licence fees of comparable properties and carparking spaces in the nearby locations, were set out in the respective Tenancy/Licence Agreements. The Group paid the monthly rent/licence fees under the Tenancy/Licence Agreements, and in the same manner as the Tenancy/Licence Agreements with independent third parties.

During the term of the rental period, the parties shall provide reasonable estimates of the transaction amount (including total rental amount involved in the leases entered into under the Tenancy/Licence Agreements each year (if applicable)) for the following year on the basis of the properties supply plan to be agreed between the parties at the same time. The estimated rent and licence fees shall be determined by both parties through negotiation by reference to the prevailing market rates for comparable properties and carparking spaces in the vicinity of the leased properties.

The principle terms of the 2023/24 Tenancy Agreements and 2023/24 Licence Agreements are set out below:

(A) 2023/24 Tenancy Agreements

Property	Address	Tenant	Landlord	Usage	Term	Monthly rent HK\$
1	Shop G5, G/F., Commercial Podium Sincere House, 83 Argyle Street, Kowloon	TDS	GEL	Shop	1 April 2023– 31 March 2024	155,000
2	Room 3601-3602, and Portion B of 3612, 36/F, Tower 2, Metroplaza, Kwai Fong, New Territories	TDS	GEL	Office	1 April 2023– 31 March 2024	154,702

Property	Address	Tenant	Landlord	Usage	Term	Monthly rent HK\$
3	Unit C, 10/F, YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	GEL	Office	1 April 2023– 31 March 2024	51,117
4	Unit D, 10/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	GIL	Office	1 April 2023– 31 March 2024	58,608
5	Shop A4, G/F., Kam Wah Mansion, No. 226-242 Cheung Sha Wan Road, Kowloon	TDS	SCL	Shop	1 April 2023– 31 March 2024	98,000
6	Portion of Shop 4, G/F., 93 Lion Rock Road, Kowloon City, Kowloon	TDS	SCL	Shop	1 April 2023– 31 March 2024	53,500
7	19/F., YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	TDS	SCL	Office	1 April 2023– 31 March 2024	413,424
8	Roof Level of Ho King Commercial Centre, 2-16 Fa Yuen Street, Mong Kok, Kowloon	CTL	TPIL	Cell site	1 April 2023– 31 March 2024	2,800
9	Unit A025, 1/F., Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories	TDS	TPIL	Shop	1 April 2023– 31 March 2024	98,000
10	Shop C28 & C29, 1/F, Kingswood Richly Plaza, 1 Tin Wu Road, New Territories	TDS	TPIL	Shop	1 April 2023– 31 March 2024	77,000
11	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 2023– 31 March 2024	2,800
12	Shop 6, Wing Light Building, 68-76 Castle Peak Road, Yuen Long, New Territories	TDS	TSL	Shop	1 April 2023– 31 March 2024	98,000
13	Portion A of Ground Floor, Cheong K. Building, 84-86 Des Voeux Road Central, Hong Kong	TDS	SCL	Shop	1 April 2023– 31 March 2024	72,000

Property	Address	Tenant	Landlord	Usage	Term	Monthly rent HK\$
14	Unit 1801 to Unit 1809 and Unit 1812 to Unit 1820, Shen Rong Building, No.1045 Fuqiang Road, Futian District, Shenzhen City, The People's Republic of China	TDM	Marina	Customer service center and IT support office	1 April 2023–31 March 2024	105,000

(B) 2023/24 Licence Agreements

Car-Parking Space	Address	Licensee	Licensor	Usage	Term	Monthly licence fee HK\$
1	Carparking Space Nos. 5, 6 and 7 on 2/F. of YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	TDS	GIL	Carparking space	1 April 2023–31 March 2024	11,400
2	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	TDS	GEL	Carparking space	1 April 2023–31 March 2024	19,000

(ii) Provision of properties refurbishment, repair and maintenance services by SCL to TDS

SCL has been providing services to TDS for properties refurbishment, repair and maintenance for the retail shops of the Group. In consideration for such services, TDS will pay a fixed monthly service fee of HK\$60,000 to SCL which is determined with reference to the prevailing market rate of the similar services in market for the works to be required by the Group. The service fees charged by SCL shall be fair and reasonable and shall be based on normal commercial terms and on an arm's length basis. The Group will consult with no less than two independent third parties for quotations and market transaction prices of the same type of services.

It is expected that the aggregate annual fees for the transactions with East-Asia Group to be paid/payable by the Group to the East-Asia Group for the year ending 31 March 2024 will not exceed HK\$18,370,000. For the purpose of compliance with the Listing Rules, the aggregate annual fees are treated as the annual cap of the transactions.

Reasons and benefits for entering into 2023/24 Tenancy Agreements, 2023/24 Licence Agreements and Properties Repair Service Agreement

The Properties have been rented by the Group for the use as shops, cell sites, customer service center and IT support office and office premises. The Group considers that the Properties are suitable for the business of the Group. Thus, the Group entered into the 2023/24 Tenancy Agreements to secure the continuous use of the Properties as shops, cell sites, customer service center and IT support office and office premises.

The Group has been using the offices located at YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong for its operations. Thus, the Company entered into the 2023/24 Licence Agreements to secure the continuous use of the carparking spaces at YHC Tower for use by the Group's logistic vehicle fleet.

SCL employed a team of licenced workers who has the experience in conducting properties refurbishment, repair and maintenance services. The Group operated a total of 77 shops as at 31 March 2023. Therefore, the Group engaged SCL to carry out the property refurbishment, repair and maintenance works for the retail shops of the Group.

The terms of the 2023/24 Tenancy Agreements, 2023/24 Licence Agreements and Properties Repair Service Agreement are arrived at after arm's length negotiation and are on normal commercial terms. The rental under the 2023/24 Tenancy Agreements were determined with reference to the prevailing market rent of similar properties in the nearby locations. The licence fees under the 2023/24 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 service fees under Properties Repair Service Agreement are determined with reference to the cost of the similar services in market. The Directors (except the Cheung Brothers being the Directors who have material interests in the 2023/24 Tenancy Agreements, 2023/24 Licence Agreements and Properties Repair Service Agreement will abstain 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 2023/24 Tenancy Agreements, 2023/24 Licence Agreements and Properties Repair Service Agreement are fair and reasonable and 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.

Listing Rules Implications

GEL, GIL, Marina, SCL, TPIL and TSL are wholly-owned subsidiaries of East-Asia, which is indirectly wholly-owned by the Cheung Family Trust that holds 54.49% of the issued share capital of the Company. Therefore, each of the GEL, GIL, Marina, SCL, TPIL and TSL, being a party of the 2023/24 Tenancy Agreements, 2023/24 Licence Agreements and Properties Repair Service Agreement, is a connected person of the Company. As such, the transactions contemplated under the 2023/24 Tenancy Agreements, 2023/24 Licence Agreements and Properties Repair Service Agreement constitute continuing connected transactions for the Company.

Pursuant to Hong Kong Financial Reporting Standard 16 "Leases", the Company will recognise leases that having a lease term of 12 months or less as short-term leases. Accordingly, the rental payment and licence fee to be made by the Group under the Tenancy/Licence Agreements will be recognised as expenses in the consolidated statement of profit or loss of the Group.

It is expected that the aggregate annual fees for the transactions with East-Asia Group to be paid/payable by the Group to the East-Asia Group for the year ending 31 March 2024 will not exceed HK\$18,370,000. For the purpose of compliance with the Listing Rules, the aggregate annual fees are treated as the annual cap of the transactions.

As all applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual fees are less than 5% but aggregate annual fee is more than HK\$3,000,000, the aggregate annual fees for the transactions with East-Asia 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.

TRANSACTIONS WITH SUN ASIA GROUP

References are made to the announcements of the Company dated 1 April 2022 and 5 January 2023 in relation to the transactions between the Sun Asia Group and the Group in which setting out the scope of transactions for a term of one year commencing from 1 April 2022 and expiring on 31 March 2023.

The Group will continue various transactions with Sun Asia Group for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024, the scope of transactions includes (i) leasing of a property by CTL to TKS; (ii) leasing of a property by CKKP to CKKCK; (iii) leasing of the properties by OIL to TKC, CKC F&B and CKK Cafe; (iv) provision of streaming real-time quote service by TDD to TKS; (v) provision of IT support services by TDS to TKS; (vi) provision of building management services by OIL to CKC F&B and CKK Cafe; and (vii) consignment of KRL Group's products by TDS and MM for KRL Group. The annual caps for the transactions with Sun Asia Group is fixed based on the aggregate annual fees and the goods to be purchased or sold for the respective transactions for the year ending 31 March 2024 to HK\$9,940,000.

(i) Leasing of a property by CTL to TKS

CTL will continue to lease the property 15 to TKS as office for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024. The rental was determined with reference to the prevailing market rent of comparable properties in nearby location. TKS paid the monthly rental in accordance with the tenancy agreement and in the same manner as the tenancy agreement with independent third parties.

During the term of the rental period, the parties shall provide reasonable estimates of the transaction amount (including total rental amount involved in the leases entered into under the tenancy agreement each year (if applicable)) for the following year on the basis of the property supply plan to be agreed between the parties at the same time. The estimated rent shall be determined by both parties through negotiation by reference to the prevailing market rates of comparable properties in the vicinity of the leased property.

The principle terms of the tenancy are set out below:

Property	Address	Tenant	Landlord	Usage	Term	Monthly rent HK\$
15	Unit A, 10/F, YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon	TKS	CTL	Office	1 April 2023– 31 March 2024	75,339

(ii) Leasing of a property by CKKP to CKKCK

CKKP will continue to lease the property 16 to CKKCK as food factory for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024. The rental was determined with reference to the prevailing market rent of comparable properties in nearby location. CKKCK paid the monthly rental in accordance with the tenancy agreement and in the same manner as the tenancy agreement with independent third parties.

During the term of the rental period, the parties shall provide reasonable estimates of the transaction amount (including total rental amount involved in the leases entered into under the tenancy agreement each year (if applicable)) for the following year on the basis of the property supply plan to be agreed between the parties at the same time. The estimated rent shall be determined by both parties through negotiation by reference to the prevailing market rates of comparable properties in the vicinity of the leased property.

The principle terms of the tenancy are set out below:

Property	Address	Tenant	Landlord	Usage	Term	Monthly rent HK\$
16	Portion A of Unit 905, 9/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	CKKCK	CKKP	Food Factory	1 April 2023– 31 March 2024	15,700

(iii) *Leasing of the properties by OIL to TKC, CKC F&B and CKK Cafe*

OIL will continue to lease the property 17, 18 and 19 to TKC, CKC F&B and CKK Cafe as office and restaurants for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024 respectively. The rental was determined with reference to the prevailing market rent of comparable properties in nearby location. TKC, CKC F&B and CKK Cafe paid the monthly rental in accordance with the tenancy agreements and in the same manner as the tenancy agreements with independent third parties.

During the term of the rental period, the parties shall provide reasonable estimates of the transactions amount (including total rental amount involved in the leases entered into under the tenancy agreements each year (if applicable)) for the following year on the basis of the properties supply plan to be agreed between the parties at the same time. The estimated rent shall be determined by both parties through negotiation by reference to the prevailing market rates of comparable properties in the vicinity of the leased property.

The principle terms of the tenancy are set out below:

Property	Address	Tenant	Landlord	Usage	Term	Monthly rent HK\$
17	Room 401, 4/F, 58 Tsun Yip Street, Kwun Tong, Kowloon	TKC	OIL	Office	1 April 2023– 31 March 2024	1,000
18	3/F, 58 Tsun Yip Street, Kwun Tong, Kowloon	CKC F&B	OIL	Restaurant	1 April 2023– 31 March 2024	300,000 (Note)
19	4/F, 58 Tsun Yip Street, Kwun Tong, Kowloon	CKK Cafe	OIL	Restaurant	1 April 2023– 31 March 2024	200,000 (Note)

Note: 50% rent reduction from 1 April 2023 to 31 July 2023.

(iv) Provision of streaming real-time quote services by TDD to TKS

TDD shares the streaming real-time quote services provided by HKEx Information Services Limited with TKS via mobile applications. The fee shall be determined at arm's length negotiation between the parties and is calculated on a per-user basis with reference to the prevailing market rate of the said services. The market price of the services shall be determined according to the price charged by TDD to independent third parties for the provision of same kind of services.

The historical amounts for provision of streaming real-time quote services fees paid by TKS to TDD for the previous years were set out below:-

	<i>HK\$</i>
Year ended 31 March 2020	1,097,000
Year ended 31 March 2021	909,000
Year ended 31 March 2022	1,202,000
For the nine months ended 31 December 2022	797,000

(v) Provision of IT support services by TDS to TKS

TDS assists TKS to develop software applications and provide related information technology support services. In consideration for such services, TDS receives a fixed monthly service fee determined with reference to the remuneration cost of the relevant personnel designated for the provision of the IT support. The monthly service fees of HK\$50,000 would be received by TDS from TKS for such services.

(vi) Provision of building management fees by OIL to CKC F&B and CKK Cafe

OIL will on-top provide building management services to CKC F&B and CKK Cafe, for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024 respectively. In consideration for such management services, OIL will receive a fixed monthly service fee which shall be determined at arm's length negotiation between the parties on a cost-plus basis and are calculated with reference to the estimated labour and overhead costs to be incurred by OIL to maintain the building management services. The monthly service fees of HK\$49,070 and HK\$36,660 would be received by OIL from CKC F&B and CKK Cafe respectively in accordance with the tenancy agreement and in the same manner as the tenancy agreement with independent third parties.

(vii) Consignment of KRL Group's products by Mango Mall and TDS for KRL Group

Mango Mall and TDS have allowed KRL Group to sell KRL Group's products (mainly food products) at the online shopping platform and 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, ranging from 6% to 28%, of the selling price of the consigned goods, shall be paid by KRL Group to Mango Mall and TDS for the consignment arrangement. Such consignment fee has been determined by KRL Group, Mango Mall and TDS with reference to the consignment fees, which also amount to fixed percentages of the selling prices of the consigned goods, charged by the Group to independent third parties which sell their comparable consigned goods on the online shopping platform and retail shops of the Group; and if there are no comparable consigned goods, the gross profit margins of the sales of other comparable products by the Group on its online shopping platform and shops would be taken. The annual consignment fees for the year ending 31 March 2024 determined based on the amount and value of the products which are expected to be sold by Mango Mall and TDS have been fixed to be HK\$1,000,000.

The consignment fees received by MM and TDS from KRL Group for the previous year were set out below:-

	<i>HK\$</i>
Year ended 31 March 2020	272,000
Year ended 31 March 2021	498,000
Year ended 31 March 2022	445,000
For the nine months ended 31 December 2022	658,000

Reasons and benefits of the transactions with Sun Asia Group

The property 15 would be rented by TKS for the use as office premises, TKS considers that the property 15 is suitable for its business. CKKCK will continue to rent the property 16 because it considers that is suitable for its business to run a food factory. The property 17, 18 and 19 would be rented by TKC CKC, F&B and CKK Cafe for the use as restaurants and office premises respectively, all of them considers that the properties location is suitable for their business operation. In addition, OIL has been providing building management services to CKC F&B and CKK Cafe, as OIL is the landlord of relevant properties, OIL is obligated to provide building management services to its tenants. In relation to the provision of streaming real-time quote services, IT support services, TDD and TDS have the unique technical support experience for the business of TKS, therefore, TKS appointed TDD and TDS to provide such services in order to accommodate the development of its businesses. MM and TDS have been purchasing a wide range of products for its online shopping platform and retail shops and different kinds of food products for choices of their customers. KRL Group being the suppliers to provide food products to MM and TDS who have been sourcing suitable products for their promotion programme.

The transactions with Sun Asia Group 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 transactions with Sun Asia Group 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 transactions with Sun Asia Group are in the ordinary and usual course of business of the Group, and that the transactions with Sun Asia Group including the aggregate annual caps are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Listing Rules Implications

TKS, TKC, CLL, CKKCK, CKC F&B and CKK Cafe are wholly-owned subsidiaries of Sun Asia, and Sun Asia is indirectly wholly-owned by the Cheung Brothers (the beneficiary of the Cheung Family Trust) which indirectly holds 54.49% of the issued share capital of the Company. Therefore, each of the TKS, TKC, CLL, CKKCK, CKC F&B and CKK Cafe is an associate of the Cheung Brothers and thus a connected person of the Company. Accordingly, the transactions with Sun Asia Group constitute continuing connected transactions for the Company. The annual caps for the transactions with Sun Asia Group is fixed based on the aggregate annual fees for the respective transactions for the year ending 31 March 2024 to HK\$9,940,000.

As all applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual fees for the transactions with Sun Asia Group are less than 5% but aggregate annual fee is more than HK\$3,000,000, the aggregate annual fee of the transactions with Sun Asia 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.

TRANSACTIONS WITH TSO

On 31 March 2023, TDD, TDS, TSN, OIL and D1 entered into the separate individual agreements for 2023/24 with TSO in respect of the (a) provision of repair and refurbishment services for pagers by TSO to TDD; (b) provision of logistic services to TSO by TSN; (c) provision of repair and refurbishment services for a brand of mobile phones by TSO to D1; (d) provision of grading and refurbishment services for used mobile phones by TSO to TDS; and (e) leasing of a property and provision of building management services by OIL to TSO respectively for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024. The annual caps for the year ending 31 March 2024 for the above transactions with TSO is fixed to HK\$4,520,000.

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

TSO has been providing repair and refurbishment services for pagers to TDD. The service fees charged by TSO shall be fair and reasonable and shall be based on normal commercial terms and on an arm's length basis. The service fees are calculated on a "per device" basis and are determined by TSO and TDD on a cost plus basis. TSO estimated the cost primarily comprising (i) the labour costs and overhead costs with reference to the complexity and time of work processes required in the repair and refurbishment; (ii) the number of work orders; (iii) the number of staff required and their salaries and (iv) the rental and overhead of the requested work space in the relevant workshops and service centre. After arriving at an estimated cost, TSO added a mark-up in the range of the then prevailing markups charged by TSO to independent third parties for comparable repair and refurbishment services.

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

	<i>HK\$</i>
Year ended 31 March 2020	1,511,000
Year ended 31 March 2021	1,162,000
Year ended 31 March 2022	987,000
For the nine months ended 31 December 2022	594,000

(b) 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" and "quantity of goods" basis. The Group will get quotations from no less than two popular independent logistics services providers of the same type of services as reference when considering the charging rate.

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

	<i>HK\$</i>
Year ended 31 March 2020	781,000
Year ended 31 March 2021	265,000
Year ended 31 March 2022	399,000
For the nine months ended 31 December 2022	583,000

(c) *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. The service fees shall be determined at arm's length negotiation between the parties on a cost-plus basis and are calculated on a "per mobile phone" basis. TSO estimated the cost primarily comprising (i) the labour costs and overhead costs, with reference to the complexity and time of work processes required in the repair and refurbishment; (ii) the number of work orders; (iii) the number of staff required and their salaries and (iv) the rental and overhead of the requested work space in the relevant workshops and service centre. After arriving at an estimated cost, TSO added a mark-up in the range of the then prevailing mark-ups charged by TSO to independent third parties for comparable repair and refurbishment services.

The historical amounts for repair and refurbishment services fees paid by D1 to TSO for the previous years were set out below: -

	<i>HK\$</i>
Year ended 31 March 2020	374,000
Year ended 31 March 2021	289,000
Year ended 31 March 2022	281,000
For the nine months ended 31 December 2022	211,000

(d) *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. The service fees shall be determined at arm's length negotiation between the parties on a cost-plus basis and are calculated on a "per mobile phone" basis. TSO estimated the cost primarily comprising (i) the labour costs and overhead costs, with reference to the complexity and time of work processes required in the repair and refurbishment; (ii) the number of work orders; (iii) the number of staff required and their salaries and (iv) the rental and overhead of the requested work space in the relevant workshops and service centre. After arriving at an estimated cost, TSO added a markup in the range of the then prevailing mark-ups charged by TSO to independent third parties for comparable grading and refurbishment services.

The historical amounts for grading and refurbishment services fees paid by TDS to TSO for the previous years were set out below: -

	<i>HK\$</i>
Year ended 31 March 2020	156,000
Year ended 31 March 2021	515,000
Year ended 31 March 2022	104,000
For the nine months ended 31 December 2022	67,000

(e) *leasing of a property and provision of building management services by OIL to TSO*

OIL as landlord will continue to lease the property 20 to TSO as repair and refurbishment services centre and provide the building management services to TSO directly for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024. The rental was determined with reference to the prevailing market rent of comparable properties in nearby location. The building management fee of the property 20 is HK\$36,660 which will be paid on a monthly basis from TSO to OIL. The building management fee shall be determined at arm's length negotiation between the parties on a cost-plus basis and are calculated with reference to the estimated labour and overhead costs to be incurred by OIL to maintain the building management services. TSO paid the monthly rental and building management fee in accordance with the tenancy agreement and in the same manner as the tenancy agreement with independent third parties.

During the term of the rental period, the parties shall provide reasonable estimates of the transaction amount (including total rental amount and building management fee involved in the leases entered into under the tenancy agreement each year (if applicable)) for the following year on the basis of the properties supply plan to be agreed between the parties at the same time. The estimated rent and building management fee shall be determined by both parties through negotiation by reference to the prevailing market rates of comparable properties in the vicinity of the leased property.

The principle terms of the tenancy are set out below:

Property	Address	Tenant	Landlord	Usage	Term	Monthly rent <i>HK\$</i>	Monthly building management fee <i>HK\$</i>
20	8/F, 58 Tsun Yip Street, Kwun Tong, Kowloon	TSO	OIL	Services centre	1 April 2023–31 March 2024	139,308	36,660

Reasons and benefits of entering into the services/tenancy agreements for 2023/24 with TSO

TDD is a paging operator and will provide pagers to its customers, therefore, TDD appointed TSO to provide repair and refurbishment services for pagers to TDD.

D1 is the sole distributor of a brand of mobile phones and is entitled to source the repair and refurbishment services for such brand.

TDS has the services for trade-in used mobile phones, therefore, TDS appointed TSO to provide grading and refurbishment services for those used mobile phones.

TSN has a vehicle fleet to provide logistic services. TSO is required to collect defective devices and deliver repaired devices between office, service centres and collection points. Therefore, TSO appointed TSN to provide logistic services.

The property 20 would be rented by OIL to TSO for the use as repair and refurbishment services centre, TSO considers that the property location is suitable for the business operation. In addition, TSO engaged OIL to provide building management services, as OIL is the landlord of relevant properties, it is obligated to provide building management services to its tenants.

The principal activities of TSO are the provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories. Therefore, it is in the normal and ordinary course of business of TSO to continue and /or provide the services with the Group.

The terms of the services/tenancy agreements for 2023/24 with TSO are arrived at after arm's length negotiation and are on normal commercial terms. The Directors (except the Cheung Brothers who have material interest in the services/tenancy agreements for 2023/24 with TSO and who abstained from participating in the approval of the relevant Board resolutions due to conflict of interests), including the independent non-executive Directors, are of the view that the entering into the services/tenancy agreement for 2023/24 with TSO are in the ordinary and usual course of business of the Group, and that the services/tenancy agreements for 2023/24 with TSO including the aggregate annual caps for the transactions with TSO are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Listing Rules Implications

TSO is a wholly-owned subsidiary of TSOH which is indirectly owned by the Cheung Family Trust as to 51.43%. As the Cheung Family Trust indirectly holds 54.49% of the issued share capital of the Company, TSO is a connected person of the Company under the Listing Rules.

As all applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual fees for the above-mentioned transactions with TSO are less than 5% but aggregate annual fee is more than HK\$3,000,000, the aggregate annual fee of the transactions with 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.

PRICING POLICY AND MECHANISMS IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

Under the pricing policy of the Group in relation to continuing connected transactions, the Group shall determine, review and evaluate the amounts payable/receivable under the respective continuing connected transactions with East-Asia Group, TSO and Sun Asia Group with reference to the rates quoted by or to other independent third parties of comparable goods or services, in order to ensure that the amounts under such transactions are determined and conducted on normal commercial terms. Where it is impracticable to refer to the rates offered by or to independent third parties for comparable goods or services, the Group shall take into consideration the specifications of the goods or services, cost structure, profit margin, transaction amount, market condition and past performance of historical transactions between the Group and the respective connected persons in determining the rate for the amounts payable/receivable for the goods or services contemplated under for the respective continuing connected transactions with East-Asia Group, TSO and Sun Asia Group. In such circumstance, if the Group provides or acquires such goods or services to or from independent third parties in the future, the abovementioned methods, procedures and considerations for determining the price and transaction terms shall be also applicable to such transactions with independent third parties, so that the continuing connected transactions will still be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the shareholders as a whole.

INTERNAL CONTROL PROCEDURES

The abovementioned amount will be submitted to the independent non-executive Directors for their annual review on the pricing so as to ensure its fairness and reasonableness. The Directors consider such methods and procedures detailed above can ensure that the transactions will be conducted on normal commercial terms and will not prejudice the interests of the Company and its Shareholders.

In order to ensure the effectiveness of the control procedures and that the transactions are in fact conducted on normal commercial terms and the transaction amounts do not exceed annual caps, the Company adopts the following mechanism:

- project managers are designated to collect the market rate from transactions between the Group and the independent third parties or public domain by conducting online research and/or obtaining quotations from independent third parties from time to time;
- the accounting manager of the Company is designated to check whether the transaction amounts recorded in the accounting system of the Company are consistent with the pricing mechanism monthly;

- in order to ensure that the transaction amounts do not exceed annual caps, the accounting manager is designated and responsible to review and check in the second week of each month the aggregate transaction amounts of continuing connected transactions in the preceding months during the financial year. When the aggregate transaction amounts exceeded 80% of the annual caps, the chief financial officer will liaise with the project managers to consider if revision of annual caps is required and appropriate actions shall be taken accordingly;
- the independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions to confirm that such transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
- the Company's external auditors will conduct an annual review on the continuing connected transactions.

GENERAL INFORMATION

The Company is listed on Main Board of the Stock Exchange. The Group is principally engaged in the telecommunications and related business in Hong Kong, including (i) retail sales of mobile phones and other consumer goods and related services; (ii) distribution of mobile phones and related services; and (iii) provision of operation services to Sun Mobile Limited, an associate owned as to 40% by the 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 54.49% of the issued share capital of the Company. Therefore, East-Asia is a connected person of the Company.

GEL, GIL, Marina, SCL, TPIL and TSL, are wholly-owned subsidiaries of East-Asia and their principal business activities are properties investment.

Sun Asia, an investment holding company, is indirectly wholly-owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust which indirectly holds 54.49% of the issued share capital of the Company. Therefore, Sun Asia is a connected person of the Company.

CLL, CKKCK, CKC F&B and CKK Cafe, are wholly-owned subsidiaries of Sun Asia, are principally engaged in the operation of restaurants and food factory in Hong Kong.

TKS, a wholly-owned subsidiary of Sun Asia, is a licensed corporation under the Hong Kong Securities and Futures Ordinance and is licensed for dealing in securities and futures contracts. The principal activities of TKS are provision of securities and futures contracts dealing agency service.

TKC, a wholly-owned subsidiary of Sun Asia, is a licensed corporation under the Money Lenders Ordinance and is licensed for money lending business.

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

DEFINITIONS

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

“2022/23 Licence Agreements”	the licence agreements dated 1 April 2022 entered into between the subsidiaries of the Company and the subsidiaries of East-Asia in respect of the terms for use of Carparking Spaces from 1 April 2022 to 31 March 2023
“2022/23 Tenancy Agreements”	all the separate individual tenancy agreements dated 1 April 2022 entered into between the subsidiaries of the Company and the subsidiaries of East-Asia in respect of the tenancy for the Properties from 1 April 2022 to 31 March 2023
“2023/24 Licence Agreements”	the licence agreements dated 31 March 2023 entered into between the subsidiaries of the Company and the subsidiaries of East-Asia in respect of the terms for use of Carparking Spaces from 1 April 2023 to 31 March 2024
“2023/24 Tenancy Agreements”	all the separate individual tenancy agreements dated 31 March 2023 entered into between the subsidiaries of the Company and the subsidiaries of East-Asia in respect of the tenancy for the Properties from 1 April 2023 to 31 March 2024
“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”	Messrs. Cheung King Shek, Cheung King Shan, Cheung King Chuen Bobby and Cheung King Fung Sunny
“Cheung Family Trust”	a discretionary trust established for the benefit of the Cheung Brothers and their family members
“CKC F&B”	CKC Food and Beverage Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of KRL and in turn wholly-owned by Sun Asia which is ultimately owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust and thus a connected person of the Company

“CKK Cafe”	CKK Cafe Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of KRL and in turn wholly-owned by Sun Asia which is ultimately owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust and thus a connected person of the Company
“CKKCK”	CKK Central Kitchen Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of KRL and in turn wholly-owned by Sun Asia which is ultimately owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust and thus a connected person of the Company
“CKKP”	CKK Properties Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“CLL”	Chief Link Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of KRL and in turn wholly-owned by Sun Asia which is ultimately owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust and thus a connected person of the Company
“Company”	Telecom Digital Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6033)
“connected person”	has the meaning ascribed to it under the Listing Rules
“CTL”	Carries Technology Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“D1”	Distribution One Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“East-Asia”	East-Asia Pacific Limited, a company incorporated in the British Virgin Islands with limited liability, which is indirectly wholly-owned by the Cheung Family Trust and thus a connected person of the Company
“East-Asia Group”	East-Asia and its subsidiaries

“GEL”	Glossy Enterprises Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“GIL”	Glossy Investment Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by East-Asia which is indirectly wholly-owned by the Cheung Family Trust, and thus a connected person of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“KRL”	King’s Restaurant Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Sun Asia which is ultimately owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust and thus a connected person of the Company
“KRL Group”	KRL and its subsidiaries
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“Mango Mall” or “MM”	Mango Mall Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Marina”	Marina Trading Inc., a company incorporated in the British Virgin Islands 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
“OIL”	Onbo International Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China
“Properties”	the Property 1 to Property 14
“Properties Repair Service Agreement”	a service agreement for the provision of properties refurbishment, repair and maintenance services for a term of one year commencing from 1 April 2023 and expiring on 31 March 2024

“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
“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)
“Sun Asia”	Sun Asia Pacific Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust and thus a connected person of the Company
“Sun Asia Group”	Sun Asia and its subsidiaries
“TDD”	Telecom Digital Data Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“TDM”	Telecom Digital Mobile Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“TDS”	Telecom Digital Services Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Tenancy/Licence Agreements”	2023/2024 Tenancy Agreements and 2023/2024 Licence Agreements
“TKC”	Telecom King Credit Limited (formerly known as Advance King Capital Limited), a company incorporated in Hong Kong and wholly-owned by Sun Asia, which is ultimately owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust and thus a connected person of the Company
“TKS”	Telecom King Securities Limited (formerly known as TD King Securities Limited), a company incorporated in Hong Kong and wholly-owned by Sun Asia, which is ultimately owned by the Cheung Brothers who are the beneficiary of the Cheung Family Trust and thus a connected person 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 Services 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 with limited liability and wholly-owned by TSOH
“TSOH”	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)
“TSOH Group”	TSOH and its subsidiaries
“%”	per cent

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

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

Hong Kong, 31 March 2023

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. Lam Yu Lung, Mr. Lau Hing Wah and Mr. Lo Kam Wing.

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