

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION
PROPOSED ACQUISITION OF A PROPERTY HOLDING COMPANY

THE ACQUISITION

The Board is pleased to announce that on 16 February 2022, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Provisional Agreement, pursuant to which, the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Share and the Sale Loan at the consideration of HK\$733,000,000 (subject to adjustment, if any).

Upon Completion, the Group will be interested in the entire issued share capital of the Property Holding Company, which will become an indirect wholly-owned subsidiary of the Company and the financial results of which will be consolidated into the financial statements of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100% under the Listing Rules, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details on the Acquisition; (ii) other information regulated to be disclosed under the Listing Rules; and (iii) a notice of the EGM, will be despatched to the Shareholders on or before Tuesday, 8 March 2022.

As the Completion is subject to the fulfillment of the conditions precedent and the satisfactory verification and requisition in respect of the title to the Property, the Acquisition may or may not proceed. Shareholders and any potential investors are advised to take caution in dealing in the securities of the Company.

THE ACQUISITION

The Board is pleased to announce that on 16 February 2022, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Provisional Agreement, pursuant to which, the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Share and the Sale Loan at the consideration of HK\$733,000,000 (subject to adjustment, if any).

THE PROVISIONAL AGREEMENT

The principal terms of the Provisional Agreement are summarised as follows:

- Date* : 16 February 2022
- Parties* : (i) Purchaser: Telecom Digital Investment Limited
- (ii) Vendor: Metro Rider Investment Limited
- (iii) Vendor Guarantor: Mr. Tang Yiu Sing

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and the ultimate beneficial owner(s) of the Vendor are an Independent Third Party(ies).

Assets to be acquired

Pursuant to the Provisional Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the Sale Share, representing the entire issued share capital of the Property Holding Company, and the Sale Loan, being the entire amount of an unsecured non-interest bearing loan owing by the Property Holding Company to the Vendor and an unsecured interest bearing loan owing by the Property Holding Company to its affiliate company as at Completion. The Property Holding Company directly holds the Property (as defined below).

Consideration, payment schedule and adjustment:

The consideration for the Acquisition is HK\$733,000,000 (subject to net total asset value adjustment as mentioned below, if any), of which:

- (1) the consideration for the Sale Loan shall be the amount of the Sale Loan that is outstanding as at Completion. As at 31 December 2021, the Sale Loan was in the amount of approximately HK\$488 million; and
- (2) the consideration for the Sale Share shall be the Consideration less the consideration for the Sale Loan.

Upon execution of the Provisional Agreement, an initial deposit of HK\$40,000,000 shall be paid by the Purchaser to the Vendor. A further deposit of HK\$33,300,000 shall be payable by the Purchaser to the Vendor on or before 1 March 2022. The balance of HK\$659,700,000 shall be payable, subject to adjustment, if any, by the amount of Pro Forma NAV by the Purchaser to the Vendor upon Completion.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account the (i) the preliminary valuation of the Property from banks and (ii) market price of similar properties of similar size, character and location.

The Consideration is subject to adjustment, if any, by the amount of the net total asset value of the Property Holding Company as at the Completion Date. The Vendor shall within 30 days after the Completion Date at its own costs and expenses deliver to the Purchaser a completion accounts ("Completion Accounts") showing the net total asset value of the Property Holding Company as at the Completion Date, which shall be an audited financial statements of the Property Holding Company for the period from 1 January 2022 to and as at the Completion Date.

If based on the Completion Accounts:

- (1) the net total asset value of the Property Holding Company as at the Completion Date is greater than the Pro Forma NAV, the consideration for the Sale Share shall be increased by a sum equal to the amount by which the net total asset value of the Property Holding Company as at the Completion Date is greater than the Pro Forma NAV; or
- (2) the net total asset value of the Property Holding Company as at the Completion Date is less than the Pro Forma NAV, the consideration for the Sale Share shall be reduced by a sum equal to the amount by which the net total asset value of the Property Holding Company as at the Completion Date is less than the Pro Forma NAV.

After any adjustment, any excess in the Consideration paid on Completion shall be refunded by the Vendor to the Purchaser without interest, and any shortfall in the Consideration shall be paid by the Purchaser to the Vendor without interest.

The Consideration will be funded by (i) the Group's working capital; (ii) loans to be obtained from licensed banks in Hong Kong; and (iii) a shareholder's loan provided by CKK Investment and/or Cheung Brothers. Since the shareholder's loan is not required to be secured by any assets of the Group, and as the Directors consider the shareholder's loan is on normal commercial terms or better to the Group, the shareholder's loan is fully-exempted from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Completion:

Completion shall take place on the Completion Date after all the conditions of the Provisional Agreement have been fulfilled or such date as the parties may agree in writing. Upon Completion, the Property Holding Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of which will be consolidated into the accounts of the Company.

Conditions Precedent

Completion shall be conditional upon:

- (i) the Purchaser having completed the due diligence investigation on the business, financial, legal and all other aspects of the Property Holding Company and reasonably satisfied with the results thereof ;
- (ii) the existing legal charge/mortgage against the Property being discharged by the Vendor at the Vendor's own costs and expenses;
- (iii) the Company having complied with and obtained all the requirements, approvals, consents and waivers for the Acquisition as required under the relevant Listing Rules (including but not limited to obtaining the Shareholder's approval);
- (iv) the Vendor, at its own cost, procuring the Property Holding Company to prove and give a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong); and
- (v) all the representations, undertakings and warranties given by the Vendor under the Provisional Agreement and the formal agreement to be entered being and remaining true, accurate, correct and not misleading in all material respects up to the Completion.

In the event any of the above conditions are not being fulfilled on or before the Completion Date, the Purchaser shall be entitled to cancel the transaction under the Provisional Agreement whereupon the Vendor shall return all the deposit paid to the Purchaser forthwith. Thereafter, neither party shall have any further claims against the other party.

The Vendor and the Purchaser shall negotiate in good faith and use all their reasonable endeavors to enter into a formal agreement for sale and purchase on or before 1 March 2022. The formal agreement shall incorporate the terms and conditions in the Provisional Agreement and the customary terms, conditions, warranties, representations, promises and indemnities adopted in transactions similar to the Acquisition based on the terms and conditions set out in the Provisional Agreement. In the event that the Vendor and the Purchaser shall fail to reach an agreement on the terms of the formal agreement on or before 1 March 2022, the Provisional Agreement shall remain valid and in full force and effect and the parties shall continue to fulfill their respective obligations under the Provisional Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group intends to use a portion of the Property as one of its offices and warehouses after expiration of the existing tenancy. The remaining portion will enhance the property investment portfolio of the Group in long run. The Acquisition could provide a good opportunity for the Company to secure a desirable offices and warehouses space in Hong Kong without being affected by the fluctuations in rents and hence is beneficial to the development of the Group's business. The Board is of the view that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION ON THE GROUP

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.

INFORMATION ON THE VENDOR

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and the ultimate beneficial owner(s) of the Vendor are independent of, and not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

INFORMATION OF THE PROPERTY HOLDING COMPANY

The Property Holding Company is an investment holding company incorporated under the laws of Hong Kong with limited liability, whose main asset is the entire interest of the Property.

The Property is a whole building that occupies a total land parcel area of approximately 10,001 square feet and buildings construction area of approximately 97,314 square feet.

FINANCIAL INFORMATION OF THE PROPERTY HOLDING COMPANY

The following unaudited financial information is extracted from the management accounts of the Property Holding Company compiled in accordance with the generally accepted accounting principles of Hong Kong for the two financial years ended 31 December 2020 and 2021:

	31 December 2021 HK\$ '000 (unaudited)	31 December 2020 HK\$ '000 (unaudited)
Revenue	14,236	13,801
Loss before taxation	(5,713)	(6,531)
Loss after taxation	(5,713)	(6,531)

The unaudited net liabilities of the Property Holding Company as at 31 December 2021 were approximately HK\$109,653,000. The above financial information of the Property Holding Company was provided by the Vendor and is subject to the audited financial information of the Property Holding Company, which is not yet available as at the date of this announcement.

IMPLICATION UNDER LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100% under the Listing Rules, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Acquisition; (ii) other information regulated to be disclosed under the Listing Rules; and (iii) a notice of the EGM, will be despatched to the Shareholders on or before Tuesday, 8 March 2022.

As the Completion is subject to the fulfillment of the conditions precedent and the satisfactory verification and requisition in respect of the title to the Property, the Acquisition may or may not proceed. Shareholders and any potential investors are advised to take caution in dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share and Sale Loan pursuant to the terms and conditions of the Provisional Agreement
“Board”	the board of 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
“chief executive(s)”	has the meaning ascribed to it under the Listing Rules
“CKK Investment”	CKK Investment Limited, a company incorporated in the British Virgin Islands with limited liability, is indirectly wholly-owned by the Cheung Family Trust which directly holds 54.49% of the issued share capital 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 main board of the Stock Exchange (stock code: 6033)
“Completion”	completion of the Acquisition pursuant to the Provisional Agreement and the formal agreement to be entered
“Completion Date”	the date of which Completion shall take place
“Consideration”	the consideration for the Acquisition, being HK\$733,000,000
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if though fit, approving the matters in relation to the Acquisition
“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
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	Whole block of Wider Industrial Building, No.58 Tsun Yip Street, Kowloon, Hong Kong
“Pro Forma NAV”	the proforma unaudited net total asset value of the Property Holding Company as at 31 December 2021 provided by the Vendor at the date of the Provisional Agreement
“Property Holding Company”	Onbo International Limited, a company incorporated in Hong Kong with limited liability and the registered owner of the Property
“Provisional Agreement”	the provisional sale and purchase agreement dated 16 February 2022 entered into among the Purchaser, the Vendor and the Vendor Guarantor in relation to the Acquisition
“Purchaser”	Telecom Digital Investment Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Loan”	the shareholder’s loan owing from the Property Holding Company to the Vendor, which is unsecured and non-interest bearing, the amount of which as at 31 December 2021 was approximately HK\$248 million; and a loan owing from the Property Holding Company to Full Profit Trading Limited, an affiliated company of the Property Holding Company, which is unsecured and bearing interest at 2% per annum, the amount of which as at 31 December 2021 was approximately HK\$240 million

“Sale Share”	100% of the issued share capital of the Property Holding Company
“Shareholder(s)”	holders of the shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Vendor”	Metro Rider Investment Limited, a company incorporated in the British Virgin Islands and the sole shareholder of the Property Holding Company
Vendor Guarantor	the guarantor of the Vendor under the Provisional Agreement to guarantee, among others, the due observance and performance of the Vendor of all the agreements, obligations, commitments and undertakings contained in the Provisional Agreement
“%”	per cent.

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

Hong Kong, 16 February 2022

As at the date of this announcement, the executive directors of the Company 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 of the Company 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.