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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Telecom Service One Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined under the section of "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 36 of this circular. A notice convening the EGM to be held at Room C, 11/F YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon on Thursday, 29 July 2021 at 12:00 noon is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish. In such event, the instrument appointing the proxy will be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature checks
- (2) Wearing of surgical face mask
- (3) No distribution of refreshments and corporate gifts

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

25 June 2021

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect each attendee from the risk of infection:

- (1) Compulsory body temperature checks will be conducted on each attendee at the entrance of the EGM venue. Any attendee with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue, or be required to leave the EGM venue.
- (2) The Company requires each attendee to wear a surgical face mask throughout the EGM and in the EGM venue, and to maintain a safe distance between seats.
- (3) No refreshments will be served and no corporate gifts will be distributed.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue, in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using form of proxy with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

If Shareholders have any question relating to the EGM, please contact Union Registrars Limited, the Company's Hong Kong branch share registrar as follows:

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road North Point, Hong Kong
E-mail: info@unionregistrars.com.hk
Tel: 852 2849 3399
Fax: 852 2849 3319

DEFINITIONS

In this circular, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the Properties by the Purchaser from the Vendor pursuant to the terms and conditions of the Provisional Sale and Purchase Agreement
“Amazing Gain”	Amazing Gain Limited, a company incorporated in the BVI with limited liability and wholly-owned by the Cheung Family Trust
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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, of which the Cheung Brothers are among the discretionary objects
“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(s)”	has the meaning given to it under the Listing Rules
“Consideration”	the total consideration of HK\$54,400,000 payable by the Purchaser to the Vendor for the Acquisition as described under the paragraph headed “2. The Provisional Sale and Purchase Agreement” in this circular below
“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
“EGM”	the extraordinary general meeting of the Company to be convened at Room C, 11/F YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon on Thursday, 29 July 2021 at 12:00 noon to consider and, if thought fit, to approve the respective transactions contemplated under the Provisional Sale and Purchase Agreement
“GEM Listing”	the listing of the Shares on GEM of the Stock Exchange

DEFINITIONS

“Government”	the government of Hong Kong
“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
“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Directors, namely Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi, formed to advise the Independent Shareholders as to the terms of the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Solar Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder
“Independent Shareholders”	the Shareholders, other than the Shareholders who have a material interest in the Acquisition, the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder (i.e. the Shareholders other than the Cheung Family Trust and its associates)
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company
“Latest Practicable Date”	21 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 August 2021 or such later date as the parties to the Provisional Sale and Purchase Agreement may agree in writing
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules
“Properties”	the properties comprising Units 1201–1203 and Units 1205–1206 on 12th Floor, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Kowloon, Hong Kong

DEFINITIONS

“Prospectus”	the prospectus of the Company dated 23 May 2013
“Provisional Sale and Purchase Agreement”	the provisional sale and purchase agreement dated 25 May 2021 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Purchaser”	Joyful Ocean Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Remaining Units”	Unit 1201, Unit 1202 and portion A of Unit 1203 in the Properties
“Rental Deposit”	a total rental deposit of HK\$361,833 comprising (i) the rental deposit of HK\$172,512 (equivalent to three months’ rental) paid by the Group to the Vendor for leasing the Self-use Units; and (ii) the rental deposit of HK\$189,321 (equivalent to three months’ rental and building management fee and a quarter of the Government rent and rates) paid by the Independent Third Party tenant to the Vendor for leasing the Remaining Units
“Self-use Units”	portion B of Unit 1203, Unit 1205 and Unit 1206 in the Properties
“SFO”	the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	Greater China Appraisal Limited, an independent professional valuer appointed by the Company for the valuation of the Properties
“Vendor”	Oceanic Rich Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of East-Asia and indirectly wholly-owned by the Cheung Family Trust
“%”	per cent

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.



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)

Chairman and Non-executive Director:

Mr. Cheung King Shek

Chief Executive Officer and Executive Director:

Mr. Cheung King Fung Sunny

Non-executive Directors:

Mr. Cheung King Shan

Mr. Cheung King Chuen Bobby

Independent Non-executive Directors:

Mr. Fong Ping

Ms. Kwok Yuen Man Marisa

Mr. Tso Ka Yi

Registered Office:

Second Floor,
Century Yard,
Cricket Square,
P.O. Box 902,
Grand Cayman,
KY1-1103,
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Unit 2, 2/F,
Shun Fat Industrial Building,
No. 17 Wang Hoi Road,
Kowloon Bay,
Kowloon,
Hong Kong

25 June 2021

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF PROPERTIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 25 May 2021.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition, (ii) the financial information of the Group; (iii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (v) the valuation report of the Properties; (vi) the notice of the EGM; and (vii) other information as required to be disclosed under the Listing Rules.

2. THE PROVISIONAL SALE AND PURCHASE AGREEMENT

On 25 May 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Provisional Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Properties at the Consideration of HK\$54,400,000.

Details of the Provisional Sale and Purchase Agreement are set out below:

Date

25 May 2021 (after trading hours)

Parties

Purchaser: Joyful Ocean Investments Limited

Vendor: Oceanic Rich Limited

As at the Latest Practicable Date, the Purchaser is an indirect wholly-owned subsidiary of the Company. The Vendor is indirectly wholly-owned by the Cheung Family Trust, which indirectly holds 51.43% of the Shares in issue as at the Latest Practicable Date. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the Provisional Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Properties on an “as-is” basis.

The Properties comprise Units 1201–1203 and Units 1205–1206 on 12th Floor, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Kowloon, Hong Kong, which are commercial properties subject to mortgage. The gross floor area of the Properties is approximately 4,357 square feet.

The Properties had been leased to the Group by the Vendor as repair centre during the period from 1 September 2007 to 31 March 2021. On 1 April 2021, the Group has entered into a new tenancy to lease the Self-use Units from the Vendor for a

LETTER FROM THE BOARD

term of one year commencing from 1 April 2021 to 31 March 2022 at a monthly rental of HK\$57,504. The Remaining Units has been leased by the Vendor to an Independent Third Party with a term of three years commencing from 1 July 2021 to 30 June 2024 at a monthly rental of HK\$47,064.

Based on the information provided by the Vendor, the original acquisition cost of the Properties was HK\$23,092,100.

Consideration of the Acquisition

The Consideration for acquiring the Properties is HK\$54,400,000, which shall be payable by the Purchaser to the Vendor in the following manner:

- (a) HK\$5,440,000, representing 10% of the Consideration as deposit (the “**Deposit**”) payable upon signing of the Provisional Sale and Purchase Agreement; and
- (b) HK\$48,960,000, representing the remaining 90% of the Consideration payable upon completion of the Acquisition.

As at the Latest Practicable Date, the Deposit has already been paid by the Company.

All stamp duty (including buyer’s stamp duty and/or ad valorem stamp duty) shall be borne by the Purchaser. It is estimated that the acquisition cost of the Properties together with the stamp duty will be approximately HK\$56,772,000.

Basis of determining the Consideration

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to, among other things, the preliminary property valuation on the Properties in the amount of HK\$54,400,000 carried out by the Valuer as at 30 April 2021 and the prices of commercial properties in the vicinity of the Properties. In valuing the Properties, the Valuer adopted an investment method whereby the rent receivable during the residual period of the existing tenancy is capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancy. For reversionary value of the Properties, the Valuer has mainly made reference to sales of comparable properties with similar character and location.

To assess the independence and competency of the Valuer, the Board has considered the following items: (i) the terms of engagement of the Valuer with the Company; (ii) the qualifications and experience of the Valuer; and (iii) the steps and due diligence measures taken by the Valuer in performing the valuation of the Properties. Based on the assessment of the Board, the Directors are satisfied that the scope of work performed by the Valuer is appropriate to perform the valuation of the Properties and are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. To the best of the

LETTER FROM THE BOARD

Directors' knowledge and belief after reasonable enquiries and having been confirmed by the Valuer, the Valuer is an Independent Third Party, and apart from the normal professional fees payable to it in connection with this and similar valuation work, no arrangement exists whereby the Valuer will receive any fees or benefits from the Company, the Purchaser, the Vendor or their respective substantial shareholders or associates. The Valuer is certified with the relevant professional qualifications required to perform the valuation. The valuation report is jointly signed by a Fellow Member of the Royal Institution of Chartered Surveyors, a Fellow Member of the Hong Kong Institute of Surveyors, who has extensive years of experience in the property valuation and advisory services in Hong Kong and the Greater China region; and a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors, who has extensive years of experience in the property valuation and advisory services in Hong Kong and the Greater China region. In light of the above, the Board considers that the Valuer has sufficient expertise and is independent to perform the valuation of the Properties.

In performing the valuation, the key assumptions adopted by the Valuer include: (i) the owner sells the real property interest on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the real property interest; (ii) the owner of the real property has free and uninterrupted rights to use, transfer or lease the real property for the whole of the unexpired term of the government lease/conditions of exchange; (iii) the real property can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities; and (iv) all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report as set out in Appendix IV to this circular. Other specific assumptions in relation to the Properties include: (i) the unit rate adopted for the Properties is HK\$17,700 per square feet and (ii) the capitalisation rate is 2.6%.

Besides, in the course of the valuation, the Valuer has made reference to various sale transactions of similar real properties within the locality having similar characteristics to the Properties. The selected comparables are office units of the subject building and other commercial buildings with similar usage. The unit rates of these sale transactions range from about HK\$15,000 to HK\$21,000 per square feet on the basis of saleable area. Details of the comparable properties are shown as follows:

Development Name	Wealth Commercial Centre	Mongkok Harbour Centre	Ginza Plaza
Completion Year	1993	1997	1996
Date of Transaction	March 2021	February 2021	June 2019
Approx. Unit Rate on Saleable area (per sq.ft.)	HK\$15,000– HK\$16,000	HK\$17,000	HK\$21,000

LETTER FROM THE BOARD

According to the Valuer, the investment method is the most appropriate valuation approach for assessing the market value of the Properties as it takes into account (i) the current rental income of the Properties by capitalising the rental income from the existing tenancies; and (ii) the ascertained sales unit rate of premises based on properties of similar natures (such as age and usage) within the surrounding area. The capitalisation rate is estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and market sentiment for properties of similar natures. The comparable properties are located within the surrounding area of the Properties and with similar age and usage. In view of the above, the Directors are of the view that the comparable properties chosen by the Valuer are appropriate for the valuation and concur with the Valuer that the investment method is an appropriate and common approach for determining the market value of rental income generating properties in Hong Kong.

Taken into account of (i) the valuation of the Properties by the Valuer; (ii) the rental income receivable from the Properties; (iii) the future prospect of the property market in Hong Kong, and considering the benefits of the Acquisition as set out in the section headed “3. Reasons for and benefits of the Acquisition” in this circular, the Directors (including independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Source of Fund

The Company intends to satisfy the Consideration by utilising HK\$13,400,000 of the net proceeds from the GEM Listing and the remaining HK\$35,560,000 by the internal resources of the Group.

Conditions of the Provisional Sale and Purchase Agreement

Completion of the Acquisition is conditional upon fulfilment of the following conditions:

- (a) the Vendor having provided to the Purchaser evidence of good title of the Properties in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong);
- (b) the discharging of the existing mortgage against the Properties at the Vendor’s own costs and expenses;
- (c) the Company having complied with and obtained all the requirements, approvals, consents and waivers for the Acquisition (with or without conditions imposed thereon) as required under the relevant Listing Rules before completion;

LETTER FROM THE BOARD

- (d) all the conditions (if any) as stipulated in the said approvals, consents or waivers having been satisfied and complied with before completion; and
- (e) the Company having obtained the Independent Shareholders' approval in relation to the Provisional Sale and Purchase Agreement, the Acquisition and other transactions contemplated under the Provisional Sale and Purchase Agreement at a general meeting in accordance with the relevant Listing Rules.

The above conditions cannot be waived by any party to the Provisional Sale and Purchase Agreement.

If any of the abovementioned conditions has not been fulfilled on or before the Long Stop Date, unless otherwise agreed by the parties to the Provisional Sale and Purchase Agreement, the Purchaser may terminate the Provisional Sale and Purchase Agreement by giving notice of termination in writing to the Vendor, in which event the Vendor shall return the Deposit received from the Purchaser under the Provisional Sale and Purchase Agreement forthwith on demand (without interest and costs) to the Purchaser, following which all rights and obligations of the parties shall cease immediately, and no party shall have any claim under the Provisional Sale and Purchase Agreement against the other party afterwards.

Subject to the abovementioned conditions being fulfilled, if the Purchaser fails to complete the Acquisition for whatsoever reason (other than due to the Vendor's default) when all the abovementioned conditions have been fulfilled, the Vendor shall at its absolute discretion forfeit the Deposit paid by the Purchaser without reference to the others. Thereafter, the Vendor shall then be entitled at its absolute discretion to sell the said premises to anyone it thinks fit and the Vendor shall not sue the Purchaser for any liabilities and/or damages or to enforce specific performance. The Purchaser shall be responsible for the stamp duty payable thereof.

If the Vendor fails to complete the Acquisition for whatsoever reason (other than due to the Purchaser's default), the Vendor shall immediately refund to the Purchaser the Deposit and also pay to the Purchaser a sum equivalent to the amount of the Deposit as liquidated damages and the Purchaser shall not take any further action to claim for damages or to enforce specific performance. The Vendor shall be responsible for the stamp duty payable thereof.

As at the Latest Practicable Date, none of the conditions precedent to the Provisional Sale and Purchase Agreement had been fulfilled.

Discharge of mortgage

As at the Latest Practicable Date, the Properties have been mortgaged to Standard Chartered Bank (Hong Kong) Limited to secure a facility of HK\$9.90 million provided to the Vendor by the bank. Based on the information provided by the Vendor, there is no outstanding balance owed by the Vendor to the bank as at the Latest Practicable Date.

LETTER FROM THE BOARD

Completion

Subject to the fulfillment of all the conditions of the Provisional Sale and Purchase Agreement, a formal sale and purchase agreement will be entered into between the Purchaser and the Vendor on or before 30 July 2021 and the completion shall take place on or before 31 August 2021, or such later date as the Purchaser and the Vendor may agree in writing. The Vendor shall deliver the Properties and transfer the Rental Deposit to the Purchaser upon completion.

New tenancy

On 21 May 2021, a tenancy agreement was entered into between the Vendor and an Independent Third Party to lease the Remaining Units with a term commencing from 1 July 2021 to 30 June 2024 (both days inclusive) at a monthly rental income of HK\$47,064. A rental deposit of HK\$189,321 was paid by the Independent Third Party tenant to the Vendor. It is currently intended that, upon the completion of the Acquisition, the Remaining Units will be continued to be rented out by the Group while the Self-use Units will be utilised by the Group as repair centre.

Based on the information provided by the Vendor, the total rental income derived from the Properties in the two financial years ended 31 March 2020 and 31 March 2021 was approximately HK\$1.83 million and HK\$1.83 million respectively. As the Group intends to lease out the Remaining Units after completion, based on the information provided by the Vendor, the net rental income generated from the Remaining Units before and after taxation taking into account all related disbursement such as expenses for managing the property and allowance to maintain it in a condition to command its rents were approximately HK\$0.82 million and HK\$0.68 million for the year ended 31 March 2020 and were approximately HK\$0.82 million and HK\$0.68 million for the year ended 31 March 2021 respectively.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a well-established repair and refurbishment service provider in Hong Kong. Its repair and refurbishment services cover mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, video game consoles and handheld game consoles, and it also sells related accessories and products.

The Group has been operating repair centre at most of the Properties since 1 September 2007 up to the Latest Practicable Date. The Directors believe that the Group has established its network of customers around the area of Ginza Plaza over the years.

As disclosed in the announcement of the Company in relation to the transfer of listing from GEM to the Main Board of the Stock Exchange dated 16 March 2018, the Company has been reserving approximately HK\$13.4 million of the net proceeds from the GEM Listing for the acquisition of a commercial property in Hong Kong for use as a repair centre. Such amount of net proceeds will be utilised in satisfying part of the Consideration.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the Acquisition is beneficial for the Group as it would (i) benefit the Group's financial position by reducing its rental expenses; (ii) reduce the sensitivity of the Group's operating performance to the fluctuation in the market rate of rental of commercial properties at prime locations in Hong Kong; (iii) save the Group's time and cost in identifying a new premises and renovating the new premises to the standard fit for the Group's purpose; (iv) secure the Group's presence of operation at prime location, which will strengthen the confidence of the corporate customers on the Group. At the same time, the new tenancy of the Remaining Units would strengthen the Group's income and cash flow. Save for the reduction in fund flow, the Acquisition has no disadvantages to the Group.

As at the Latest Practicable Date, the Group has no intention or plan to acquire new businesses or dispose of its existing businesses.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Cheung Brothers, namely Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny, who have material interest in the Provisional Sale and Purchase Agreement, have abstained from voting on the board resolutions of the Company approving the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder due to conflict of interest.

4. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Based on the "Unaudited Pro Forma Assets and Liabilities of the Group" as set out in Appendix III to this circular, the unaudited pro forma consolidated non-current assets of the Group as at 30 September 2020 would be increased by approximately HK\$56.8 million to approximately HK\$59.1 million upon completion of the Acquisition, assuming that the Acquisition had taken place on 30 September 2020. Accordingly, the unaudited pro forma consolidated current assets would be decreased by approximately HK\$56.9 million to approximately HK\$45.8 million and the unaudited pro forma consolidated current liabilities would be increased by approximately HK\$189,000 to approximately HK\$8.1 million. The unaudited pro forma consolidated net current assets would also be decreased by approximately HK\$57.0 million to approximately HK\$37.7 million.

It is intended that, after Completion, the Remaining Units would be held for leasing to generate stable income in the future, and thus the Acquisition is expected to have positive effect on the Group's future earnings in the long run. Based on the information available to the Group (including the expected rental income of the Remaining Units, profits tax arising thereto and rental savings), the Group expects to achieve an earnings of approximately HK\$473,000 per annum.

LETTER FROM THE BOARD

5. INFORMATION ON THE PARTIES

The Company and the Group

The Company is an investment holding company. The Group principally engages in providing repair and refurbishment service for mobile phones and consumer electronic devices. Such services are offered to corporate customers, telecommunications services providers and global services companies.

The Purchaser

The Purchaser is a limited liability company incorporated under the laws of Hong Kong, and an indirect wholly-owned subsidiary of the Company, which is a property holding company.

The Vendor

The Vendor is a limited liability company incorporated under the laws of Hong Kong. The Vendor is a wholly-owned subsidiary of East-Asia and indirectly wholly-owned by the Cheung Family Trust, which indirectly holds 51.43% of the Shares in issue as at the Latest Practicable Date. The Vendor is a property holding company.

6. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Vendor is indirectly wholly-owned by the Cheung Family Trust, which indirectly holds 51.43% of the Shares in issue as at the Latest Practicable Date. As such, the Vendor is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee, comprising namely Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on whether the terms of the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the EGM to approve the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Company has appointed Red Solar Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder.

The EGM will be convened and held for the Independent Shareholders to, among other things, consider and, if thought fit, approve the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, (i) the Cheung Family Trust indirectly holds the entire issued share capital of East-Asia; (ii) East-Asia holds 51.43% of the Shares in issue. The Cheung Family Trust is a discretionary trust established for the benefit of the Cheung Brothers and their family members. As such, East-Asia is an associate of the Cheung Family Trust.

As discussed above, the Cheung Family Trust and the Cheung Brothers are considered to have a material interest in the Acquisition by virtue of the relationship with the Vendor. As such, the Cheung Family Trust, the Cheung Brothers and their respective associates (including East-Asia) shall abstain from voting in respect of the resolution(s) approving the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has a material interest in the Acquisition and therefore no other Shareholder is required to abstain from voting on the resolution(s) approving the Provisional Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder at the EGM.

7. EGM

The Company will convene the EGM at Room C, 11/F YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon on Thursday, 29 July 2021 at 12:00 noon for the Independent Shareholders to consider and approve, among other things, the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. The voting on resolution to be proposed at the EGM will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

The Company will publish an announcement on the results of the EGM with respect to whether or not the proposed resolution has been passed as an ordinary resolution by the Independent Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the branch share registrar of the Company, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the

LETTER FROM THE BOARD

form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

To determine the entitlement of the members of the Company to attend and vote at the EGM to be held on Thursday, 29 July 2021, the register of members of the Company will be closed from Monday, 26 July 2021 to Thursday, 29 July 2021, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 23 July 2021.

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder, as well as the principal factors and reasons considered by it in arriving thereat. The text of such letter is set out on pages 18 to 36 of this circular.

The Board (including the members of the Independent Board Committee after taking into account of the advice of the Independent Financial Adviser) considers that the terms of the Provisional Sale and Purchase Agreement, which have been reached after arm's length negotiations among the parties thereto, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the members of the Independent Board Committee after taking into account of the advice of the Independent Financial Adviser) recommends the Independent Shareholders to vote in favour of the ordinary resolution approving the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution(s) to be proposed at the EGM.

9. GENERAL

As completion of the Acquisition is conditional upon fulfilment of the conditions precedent set out in the Provisional Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

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



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)

25 June 2021

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF PROPERTIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular issued by the Company dated 25 June 2021 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to provide recommendations to the Independent Shareholders as to whether the terms of the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote after taking into account the advice of the Independent Financial Adviser.

Red Solar Capital Limited has been appointed as the Independent Financial Adviser to advise us in relation to the entering into of the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in its letter on pages 18 to 36 of the Circular. Your attention is also drawn to the Letter from the Board set out on pages 4 to 15 of the Circular and additional information set out in the appendices to the Circular.

Having considered the advice of and recommendations from the Independent Financial Adviser as set out in its letter of advice, we consider that while the entering into of the Provisional Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Provisional Sale and Purchase Agreement are normal commercial terms and fair and reasonable, and the entering into of the Provisional Sale and Purchase Agreement and the transaction contemplated thereunder is in the interest

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM.

Yours faithfully,

Mr. Fong Ping

For and on behalf of the
Independent Board Committee
Ms. Kwok Yuen Man Marisa
Independent Non-executive Directors

Mr. Tso Ka Yi

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Red Solar Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Acquisition for the purpose of inclusion in this Circular.



Unit 402B, 4/F
China Insurance Group Building
No. 141 Des Voeux Road Central
Central, Hong Kong

25 June 2021

*To: The Independent Board Committee and
the Independent Shareholders of Telecom Service One Holdings Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 25 June 2021 (the “**Circular**”), of which this letter of advice forms part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

References are made to (i) the announcement of the Company dated 25 May 2021 in relation to, among other things, the Acquisition (the “**Announcement**”); and (ii) the Circular. On 25 May 2021, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Provisional Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Properties at the Consideration of HK\$54,400,000.

Listing Rules implications

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Vendor is indirectly wholly-owned by the Cheung Family Trust, which indirectly holds 51.43% of the Shares in issue as at the Latest Practicable Date. As such, the Vendor is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising namely Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on whether the terms of the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the EGM to approve the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder. We, Red Solar Capital Limited, have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in the same regard and on how to vote at the EGM.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Acquisition, or a close associate or core connected person of any of them and us. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the Vendor or other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Acquisition pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and the Circular). We have reviewed the documents including but not limited to (i) the Provisional Sale and Purchase Agreement; (ii) the Circular and the Letter from the Board contained therein; (iii) the annual report and the interim report of the Company for the year

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ended 31 March 2020 and the six months ended 30 September 2020, respectively (the “**2020 Annual Report**” and “**2021 Interim Report**”, respectively); (iv) the valuation report prepared by the Valuer (the “**Valuation Report**”) on the Properties; and (v) the relevant supporting documents provided by the Company to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group and the Properties, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Any subsequent developments may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Acquisition, we have considered the following principal factors and reasons:

1. Background of and reasons for the Acquisition

(a) Background information of the Group

With reference to the Letter from the Board, the Company is an investment holding company and the Group is a repair and refurbishment service provider in Hong Kong. Its repair and refurbishment services cover mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles, and it also sells related accessories and products. The Group has been operating repair centre at the Properties since 1 September 2007 up to the Latest Practicable Date.

The following is a summary of the key financial information of the Group for each of the two years ended 31 March 2020 (the “FY2019” and “FY2020”, respectively) and the six months ended 30 September 2019 and 2020, respectively (the “6M2020” and “6M2021”, respectively) as extracted from the 2020 Annual Report and the 2021 Interim Report, respectively:

	For the 6M2021	For the 6M2020	For the FY2020	For the FY2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	21,298	24,426	44,324	65,992
Gross profit	9,037	10,819	16,721	29,674
Profit before tax	5,322	3,703	2,793	11,103
Profit for the period/ year	5,116	3,263	2,507	9,402
	As at	As at	As at	As at
	30 September	31 March	31 March	31 March
	2020	2020	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Total assets	105,027	102,864	102,864	106,467
Total liabilities	8,834	6,653	6,653	5,381
Net assets	96,193	96,211	96,211	101,086

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between FY2019 and FY2020 and performance highlights

The Group is engaged in a single segment, the provision of repair and refurbishment services for mobile phones and other personal electronic products as well as the sales of related accessories and provision of supportive services.

The Group's revenue decreased by approximately HK\$21.67 million, or approximately 32.8%, from approximately HK\$65.99 million for FY2019 to approximately HK\$44.32 million for FY2020. As set out in the 2020 Annual Report, such decrease was mainly attributable to a decrease in repair jobs of the Group despite that the Group's revenue generated from sales of accessories and provision of supportive services increased by approximately HK\$0.16 million.

The Group's decrease in revenue in FY2020 was partially compensated by decreases in its net other operating expenses and administrative expenses in the same year. Overall, the Group was able to maintain a profit for the year of approximately HK\$2.51 million for FY2020, when compared with that of approximately HK\$9.40 million for FY2019.

Comparison between 6M2020 and 6M2021 and performance highlights

The Group's revenue decreased by approximately HK\$3.13 million, or approximately 12.8%, from approximately HK\$24.43 million for 6M2020 to approximately HK\$21.30 million for 6M2021. The Company considered that such decrease was primarily caused by economic setbacks and a challenging operating environment brought by the COVID-19 outbreak and the resulting anti-epidemic measures such as social distancing and mandatory suspension of business at public premises during the relevant period.

Nonetheless, with the Government's subsidies granted to the Group, the Group managed to record a profit for 6M2021 of approximately HK\$5.12 million, representing a growth by approximately HK\$1.85 million when compared with that of approximately HK\$3.26 million for 6M2020. Disregarding the amount of the Government's subsidies granted to the Group during 6M2021 of approximately HK\$2.59 million as set out in the 2021 Interim Report, the Group would have still recorded a net profit of approximately HK\$2.53 million for 6M2021.

Prospects

As reflected in the 2020 Annual Report and 2021 Interim Report, the management of the Company will monitor the challenges and uncertainty brought by the COVID-19 and the resulting changes in the economy and market environment. The Group will continue to enhance its service quality and explore opportunities to deliver different kinds of value-added services, such as the mobile phone screen protection programme which received positive feedback from customers and protection programme for other mobile phone components. Besides delivering value-added services, the Group will also continue to examine

new investment opportunities that could expand sources of income. The Group will adhere to its diversification strategy, which aims at better identifying new services and revenue streams to respond to the rapidly-changing business environment, so as to create synergies with its core business. While actively examining potential opportunities that could generate synergies with its core business and bring new revenue sources, it will always operate in a prudent and judicious manner with detailed planning and evaluation.

(b) Reasons for and benefits of the Acquisition

As set out in the Letter from the Board, the Properties comprise Units 1201–1203 and Units 1205–1206 on 12th Floor, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Kowloon, Hong Kong, which are commercial properties subject to mortgage. The gross floor area of the Properties is approximately 4,357 square feet.

The Properties had been leased to the Group by the Vendor as repair centre during the period from 1 September 2007 to 31 March 2021. On 1 April 2021, the Group has entered into a new tenancy to lease the Self-use Units from the Vendor for a term of one year commencing from 1 April 2021 to 31 March 2022 at a monthly rental of HK\$57,504. The Remaining Units has been leased by the Vendor to an Independent Third Party with a term of three years commencing from 1 July 2021 to 30 June 2024 at a monthly rental of HK\$47,064.

It is currently intended that, upon the completion of the Acquisition, the Remaining Units will be continued to be rented out by the Group while the Self-use Units will be utilised by the Group as repair centre.

The Acquisition, for the part of the Self-use Units, is in line with the Group's future plans since its listing on GEM of the Stock Exchange and beneficial to the Group

Reference is made to the prospectus of the Company dated 23 May 2013 (the “**Prospectus**”). Since its listing on GEM of the Stock Exchange in 2013, the Group has been operating customer service centres for its business of providing repair and refurbishment services on personal electronic products in various locations. In this relation, as set out in the section headed “Future Plans and Use of Proceeds” (the “**Section**”) in the Prospectus, the Group intended to acquire a commercial property comprising one or two units with an expected gross floor area of 1,800 to 2,500 square feet at Ginza Plaza in Mongkok for use as a customer service centre of the Group.

We have enquired with both the Company and the Valuer, and understood that the Self-use Units have a gross floor area of approximately 2,396 square feet, which falls within the expected range of gross floor area of 1,800 to 2,500 square feet regarding the commercial property the Group intended to acquire as discussed above. As such, we considered that the Acquisition, for the part of the Self-use Units, is consistent with the Group's future plans as stated in the Section.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, as also set out in the Section, the Directors expected that the planned acquisition of a commercial property at a prime location in Hong Kong will (i) benefit the Group's financial position by reducing its rental expenses; (ii) reduce the sensitivity of the Group's operating performance to the fluctuation in the market rate of rental of commercial properties at prime locations in Hong Kong; (iii) secure the Group's presence of operation at prime location, which will strengthen the confidence of the corporate customers on the Group; and (iv) minimise other parties' concern about reliance on the leasing of premises by the Group from the controlling shareholders of the Company.

In this relation, we noted that the Self-use Units will continue to be utilised by the Group as repair centre after completion of the Acquisition, and that the monthly rental of HK\$57,504 under the new tenancy between the Vendor and the Group dated 1 April 2021 could be saved by the Group thereafter. Moreover, we also considered that such savings in the rental expenses of the Group could reduce the sensitivity of the Group's financial performance to rental expenses, and bring observable improvement to the same, especially amid the current economic setbacks in Hong Kong due to the COVID-19 outbreak. As such, we considered that the Acquisition, for the part of the Self-use Units, is in line with the Directors' expectation numbered (i) and (ii) in the previous paragraph.

We also noted that Ginza Plaza, where the Self-use Units locate at, has been the location of the Group's certain customer service centres since before its listing up to the Latest Practicable Date, and it is already set out in the Section that Ginza Plaza is an intended prime location in Hong Kong wherein the Group planned to acquire a commercial property. We agreed that the Acquisition, for the part of the Self-use Units, allows the Group to keep its customer service centre and secure its presence of operation in the same location, which helps in strengthening the confidence of the Group's customers. We also believed that it could reduce the reliance on the leasing of premises by the Group from the controlling shareholders of the Company. As such, we considered that the Acquisition, for the part of the Self-use Units, is in line with the Directors' expectation numbered (iii) and (iv) in the above.

We further agree with the view of the Board set out in the Letter from the Board that the Acquisition, for the part of the Self-use Units, and the continuous utilisation of the same as the Group's customer service centre would save the Group's time and cost in identifying a new premise and renovating the new premises to the standard fit for the Group's purpose.

The Acquisition, for the part of the Remaining Units, could bring additional source of income to the Group and be beneficial to the performance of the Group

As disclosed in the 2020 Interim Report, the Group recorded revenue of approximately HK\$21.30 million for 6M2021, representing a decrease of approximately 12.8% when compared to that for 6M2020, amidst the economic setbacks in Hong Kong due to the COVID-19 outbreak. The Directors considered

that the Group should explore new revenue sources so as to minimise business risk and maximise return of Shareholders. Therefore, the Group has been reviewing various investment opportunities and considered that the Acquisition of the Properties will be a good opportunity for the Company to develop an additional source of revenue through property investment and rental proceeds and to strengthen the Company's asset base, income and cashflow as well.

We noted that the Remaining Units have been leased by the Vendor to an Independent Third Party with a term of three years commencing from 1 July 2021 to 30 June 2024 at a monthly rental of HK\$47,064. We further noted that it is currently intended that, upon the completion of the Acquisition, the Remaining Units will be continued to be rented out by the Group.

Based on the information provided by the Vendor, the net rental income generated from the Remaining Units before and after taxation taking into account all related disbursement such as expenses for managing the property and allowance to maintain it in a condition to command its rents were approximately HK\$0.82 million and HK\$0.68 million for the year ended 31 March 2020 and were approximately HK\$0.82 million and HK\$0.68 million for the year ended 31 March 2021 respectively.

Having considered that the Remaining Units have already been leased to an Independent Third Party with a term of three years up to 30 June 2024 at a monthly rental of HK\$47,064, and it is currently intended that the Remaining Units will be continued to be rented out by the Group upon completion of the Acquisition, we were of the view that the Acquisition, for the part of the Remaining Units, represents an additional stream of revenue to the Group, assuming completion of the Acquisition and commencement of the relevant lease agreement. We further considered that such additional stream of income could help improve the financial performance of the Group.

The Acquisition, overall, is a justifiable investment decision

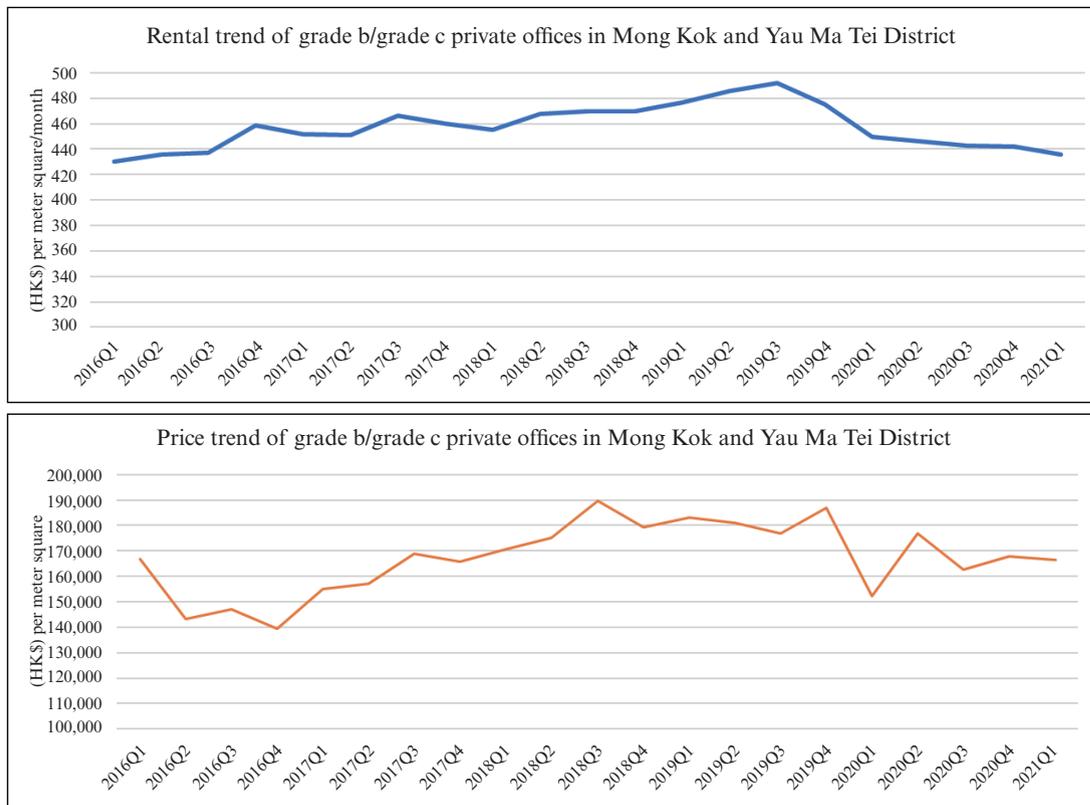
With reference to the Letter form the Board, the Board has also considered the future prospects of the property market in Hong Kong in respect of the Acquisition.

In this relation, we have also conducted our research on the trend of average market price and rent of comparable buildings in Hong Kong. We have focused on the Mong Kok and Yau Ma Tei District, which are in the proximity of the Properties, and identified office buildings which fall under the category of grade B and grade C private offices classified by the Rating and Valuation Department of the Government of Hong Kong (the "**Department**"), which is also generally adopted by property agencies. We have opted out grade A private offices under the classification by the Department as we considered that the Properties do not fit the requirements and characteristics of grade A private offices, including but not limited to the availability of car park within the same premises.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following graphs illustrate the trend of average market price and rent of grade B and grade C private offices in Mong Kok and Yau Ma Tei District from the first quarter (“Q1”) of 2016 to Q1 of 2021 as released by the Department. The review period of approximately five years, starting from 2016, is selected on the basis that it provides a reasonable timeframe to analyse the market trend in Mong Kok and Yau Ma Tei District up to the latest quarterly information available of 2021. We consider that such period is sufficient for the Shareholders to understand the overall trend in the average market price and rent of private offices in Mong Kok and Yau Ma Tei District.

Rental and price trend of private offices in Mong Kok and Yau Ma Tei District



Note: Shareholders should also note that the indices represent the general market trend of the private office property in Mong Kok and Yau Ma Tei District and the individual property price will depend on various other factors such as the floor, view, size, and conditions, etc.

As illustrated above, the rental level of grade B and grade C private offices in Mong Kok and Yau Ma Tei District has increased from approximately HK\$430 per square meter per month in Q1 of 2016 to the peak of approximately HK\$492 per square meter per month reached in the third quarter (“Q3”) of 2019. Subsequently, the rental level of grade B and grade C private offices in Mong Kok and Yau Ma Tei District continuously decreased to approximately HK\$436 per square meter per month in Q1 of 2021. Similar trend was observed in the average market price level of grade B and grade C private offices in Mong Kok and Yau Ma Tei District, which increased from approximately HK\$166,658 per square

meter in Q1 of 2016 to the peak of approximately HK\$189,692 per square meter in Q3 of 2018, followed by a subsequent down trend reaching approximately HK\$166,496 per square meter in Q1 of 2021.

We considered that the decreasing trend illustrated in the graphs above on the average market price and rent of grade B and grade C private office properties since around 2019 could be attributed to the social unrest and the COVID-19 pandemic at the material time. Nonetheless, we considered that such negative factors have been relieved recently, and up to the Latest Practicable Date, we were not aware of other factors which may have negative impact on the market price and rent of commercial properties in the long run. Alternatively, we noted that in August 2020, the Hong Kong Monetary Authority relaxed the countercyclical macroprudential measures for mortgage loans on non-residential properties, where the applicable loan-to-value ratio caps for mortgage loans on non-residential properties were adjusted upward by 10 percentage points, from 40 percent to 50 percent for general cases. We believe that such measure may have a positive effect on the commercial property market in the long run. As such, we considered that the Acquisition represents an opportunity for the Group to invest in the Properties at a relatively more favourable price which have potentials for value gain in the future, and therefore is justifiable.

We have also assessed the cash settlement method of the Consideration. As disclosed in the 2021 Interim Report, the Group had bank balance and cash of approximately HK\$91.9 million as at 30 September 2020, which we considered sufficient for settling the Consideration without having material adverse impact on the Group's operational funding needs. We also concur with the view of the Directors that settling the Consideration fully in cash could maximize the interest of the Shareholders and put the Group in a position to better equip itself for the long term business development of the Group when compared with settlement by debt financing or equity financing because (i) no interest burden will be created; (ii) the Group's liabilities and gearing ratio will not increase; and (iii) there will be no dilution of the interest of the existing Shareholders.

Having considered all the above factor regarding the Acquisition, including but not limited to (i) it is in line with the Group's future plans at the material time of its listing as set out in the Section; (ii) the intended utilisation of the Self-use Units by the Group upon completion of the Acquisition could save its rental expenses and have positive impact on the Group's financial performance, save the Group's time and cost in identifying a new premises and renovating the new premises to the standard fit for the Group's purpose, and help secure the Group's presence of operation at the current prime location, which will strengthen the confidence of the corporate customers on the Group; (iii) upon completion of the Acquisition, the rental income to be generated from the Remaining Units represents an additional income stream of the Group, helps the Group to diversify its income source, and also has positive impact on the Group's financial performance; (iv) the Acquisition represents an opportunity for the Group to invest in the Properties at a relatively more favourable price which have potentials

for value gain in the future; and (v) the cash settlement of the Consideration is considered beneficial to the Shareholders and the Company as a whole, we are of the view that the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Provisional Sale and Purchase Agreement

The principal terms of the Provisional Sale and Purchase Agreement are set out below:

The Provisional Sale and Purchase Agreement

Date: 25 May 2021 (after trading hours)

Parties: (i) the Vendor, as vendor; and
(ii) the Purchaser, as purchaser.

As at the Latest Practicable Date, the Purchaser is an indirect wholly-owned subsidiary of the Company. The Vendor is indirectly wholly-owned by the Cheung Family Trust, which indirectly holds 51.43% of the Shares in issue as at the Latest Practicable Date. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Asset to be acquired

Pursuant to the Provisional Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Properties on an “as-is” basis.

The Properties comprise Units 1201–1203 and Units 1205–1206 on 12th Floor, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Kowloon, Hong Kong, which are commercial properties subject to mortgage. The gross floor area of the Properties is approximately 4,357 square feet. The Properties had been leased to the Group by the Vendor as repair centre during the period from 1 September 2007 to 31 March 2021. On 1 April 2021, the Group has entered into a new tenancy to lease the Self-use Units from the Vendor for a term of one year commencing from 1 April 2021 to 31 March 2022 at a monthly rental of HK\$57,504. The Remaining Units has been leased by the Vendor to an Independent Third Party with a term of three years commencing from 1 July 2021 to 30 June 2024 at a monthly rental of HK\$47,064.

Based on the information provided by the Vendor, the original acquisition cost of the Properties was HK\$23,092,100.

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Discharge of mortgage

As at the Latest Practicable Date, the Properties have been mortgaged to Standard Chartered Bank (Hong Kong) Limited to secure a facility of HK\$9.90 million provided to the Vendor by the bank. Based on the information provided by the Vendor, there is no outstanding balance owed by the Vendor to the bank as at the Latest Practicable Date.

New tenancy

On 21 May 2021, a tenancy agreement was entered into between the Vendor and an Independent Third Party to lease the Remaining Units with a term commencing from 1 July 2021 to 30 June 2024 (both days inclusive) at a monthly rental income of HK\$47,064. A rental deposit of HK\$189,321 was paid by the Independent Third Party tenant to the Vendor. It is currently intended that, upon the completion of the Acquisition, the Remaining Units will be continued to be rented out by the Group while the Self-use Units will be utilised by the Group as repair centre.

Based on the information provided by the Vendor, the total rental income derived from the Properties in the two financial years ended 31 March 2020 and 31 March 2021 was approximately HK\$1.83 million and HK\$1.83 million respectively. As the Group intends to lease out the Remaining Units after completion, based on the information provided by the Vendor, the net rental income generated from the Remaining Units before and after taxation taking into account all related disbursement such as expenses for managing the property and allowance to maintain it in a condition to command its rents were approximately HK\$0.82 million and HK\$0.68 million for the year ended 31 March 2020 and were approximately HK\$0.82 million and HK\$0.68 million for the year ended 31 March 2021 respectively.

Conditions precedent

Completion of the Acquisition is conditional upon fulfilment of the following conditions:

- (a) the Vendor having provided to the Purchaser evidence of good title of the Properties in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong);
- (b) the discharging of existing mortgage against the Properties at the Vendor's own costs and expenses;
- (c) the Company having complied with and obtained all the requirements, approvals, consents and waivers for the Acquisition (with or without conditions imposed thereon) as required under the relevant Listing Rules before completion;
- (d) all the conditions (if any) as stipulated in the said approvals, consents or waivers having been satisfied and complied with before completion; and

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- (e) the Company having obtained the Independent Shareholders' approval in relation to the Provisional Sale and Purchase Agreement, the Acquisition and other transactions contemplated under the Provisional Sale and Purchase Agreement at a general meeting in accordance with the relevant Listing Rules.

The above conditions cannot be waived by any party to the Provisional Sale and Purchase Agreement.

If any of the abovementioned conditions has not been fulfilled on or before the Long Stop Date, unless otherwise agreed by the parties to the Provisional Sale and Purchase Agreement, the Purchaser may terminate the Provisional Sale and Purchase Agreement by giving notice of termination in writing to the Vendor, in which event the Vendor shall return the Deposit received from the Purchaser under the Provisional Sale and Purchase Agreement forthwith on demand (without interest and costs) to the Purchaser, following which all rights and obligations of the parties shall cease immediately, and no party shall have any claim under the Provisional Sale and Purchase Agreement against the other party afterwards.

Subject to the abovementioned conditions being fulfilled, if the Purchaser fails to complete the Acquisition for whatsoever reason (other than due to the Vendor's default) when all the abovementioned conditions have been fulfilled, the Vendor shall at its absolute discretion forfeit the Deposit paid by the Purchaser without reference to the others. Thereafter, the Vendor shall then be entitled at its absolute discretion to sell the said premises to anyone it thinks fit and the Vendor shall not sue the Purchaser for any liabilities and/or damages or to enforce specific performance. The Purchaser shall also be responsible for the stamp duty payable thereof.

If the Vendor fails to complete the Acquisition for whatsoever reason (other than due to the Purchaser's default), the Vendor shall immediately refund to the Purchaser the Deposit and also pay to the Purchaser a sum equivalent to the amount of the Deposit as liquidated damages and the Purchaser shall not take any further action to claim for damages or to enforce specific performance. The Vendor shall also be responsible for the stamp duty payable thereof.

As at the Latest Practicable Date, none of the conditions precedent to the Provisional Sale and Purchase Agreement had been fulfilled.

Completion

Subject to the fulfillment of all the conditions of the Provisional Sale and Purchase Agreement, a formal sale and purchase agreement will be entered into between the Purchaser and the Vendor on or before 30 July 2021 and the completion shall take place on or before 31 August 2021, or such later date as the Purchaser and the Vendor may agree in writing. The Vendor shall deliver the Properties and transfer the Rental Deposit to the Purchaser upon completion.

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Consideration

The Consideration for acquiring the Properties is HK\$54,400,000, which shall be payable by the Purchaser to the Vendor in the following manner:

- (a) HK\$5,440,000, representing 10% of the Consideration as deposit (the “**Deposit**”) payable upon signing of the Provisional Sale and Purchase Agreement; and
- (b) HK\$48,960,000, representing the remaining 90% of the Consideration payable upon completion of the Acquisition.

As at the Latest Practicable Date, the Deposit has already been paid by the Company.

All stamp duty (including buyer’s stamp duty and/or ad valorem stamp duty) shall be borne by the Purchaser. It is estimated that the acquisition cost of the Properties together with the stamp duty will be approximately HK\$56,772,000.

(a) Basis of determination of the Consideration by the Board

As set out in the Letter from the Board, the Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to, among other things, the preliminary property valuation on the Properties in the amount of HK\$54,400,000 carried out by the Valuer as at 30 April 2021 and the prices of commercial properties in the vicinity of the Properties. In valuing the Properties, the Valuer adopted an investment method whereby the rent receivable during the residual period of the existing tenancy is capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancy. For reversionary value of the Properties, the Valuer has mainly made reference to sales of comparable properties with similar character and location.

Taken into account of (i) the valuation of the Properties by the Valuer; (ii) the rental income receivable from the Properties; (iii) the future prospect of the property market in Hong Kong, and considering the benefits of the Acquisition as set out in the section headed “3. Reasons for and benefits of the Acquisition” in the Circular, the Directors (including independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Company intends to satisfy the Consideration by utilising HK\$13,400,000 of the net proceeds from the GEM Listing and the remaining HK\$35,560,000 by the internal resources of the Group.

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(b) Our due diligence work on the Valuer

We have interviewed the Valuer and conducted an enquiry into their experiences and qualifications. According to our interview and the information provided by the Valuer, we noted that Ms. Yuki Chan is (i) a general practice surveyor; (ii) a fellow member of the Royal Institution of Chartered Surveyors; (iii) a fellow member of The Hong Kong Institute of Surveyors, with over 10 years of experience in property valuation in Hong Kong and various location. Mr. Jeff Liu is (i) a member of the Royal Institution of Chartered Surveyors and (ii) a member of The Hong Kong Institute of Surveyors, with over 24 years of experience in property valuation in Hong Kong and various location.

We also confirmed with the Valuer that it is not the Company's subsidiary or holding company or a subsidiary of the Company's holding company or any of its partners, directors or officers, is not an officer or servant or proposed director of the Company or the Company's subsidiary or holding company or of a subsidiary of the Company's holding company or any associated company. The Valuer also confirmed that they are independent to the Group and the Vendor.

For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for preparing the Valuation Report. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification for preparation of the Valuation Report.

With respect to the steps and due diligence measures taken by the Valuer in performing the valuation, we note that the Valuer mainly carried out its due diligence through on-site inspection, internal background check and conducted its own research on the key parameters adopted in the valuation. We noted the scope of work performed by the Valuer is consistent with the market practice and appropriate to give the opinion. Based on our review, we are not aware of any limitations on the scope of work which might have a negative impact on the degree of assurance given by the Valuation Report.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's expertise and independence and we consider that the Valuer has sufficient expertise and is independent to perform the valuation.

(c) Our analysis on the basis of determination of the Consideration

To assess the fairness and reasonableness of the Consideration, we obtained the Valuation Report prepared by the Valuer. With reference to the Valuation Report, the Valuer is of the opinion that the estimated value of the Properties as at the valuation date (i.e. 30 April 2021) would be HK\$54,400,000. In performing the valuation, the key assumptions adopted by the Valuer include: (i) the owner sells the real property interest on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the real property interest; (ii) the owner of the real property has free and uninterrupted rights to use, transfer or lease the real property for the whole of the unexpired term of the government lease/conditions of exchange; (iii) the real property can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities; and (iv) all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report as set out in Appendix IV to the Circular. We considered the key assumptions adopted by the Valuer in the Valuation Report to be normal and ordinary assumptions commonly seen in valuation reports.

The Valuation Report was prepared by the Valuer by adopting investment method for Leased Units and Self-use Units in determining the fair value of the Properties, as disclosed above. According to our interview with the Valuer, we understand that (i) since the rental income of the Properties is derived from the existing tenancies, with due allowance for the reversionary interests after expiry of the tenancy; and (ii) the investment method is a commonly adopted approach for valuation of properties which are under existing tenancies. By considering the above reasons, the Valuer advises that the investment method was considered the most appropriate approach in conducting the valuation on the Properties.

According to the Valuer, the investment method is undertaken by capitalising the total rent receivable during the residual period of the existing tenancy at appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancy. For reversionary value of the Properties, the Valuer has mainly made reference to sales of comparable properties with similar character and location. As the Properties are currently let to retail tenants, we therefore consider that the valuation methodology, bases and assumptions adopted in relation to the appraisal of the Properties by the Valuer are reasonable and in line with market practice.

We have enquired with the Valuer and conducted due diligence on their calculation towards the valuation of the Properties. We noted that the Valuer has indeed based their calculation on the rent receivable under the Self-use Units and Remaining Units, respectively, during the residual period of the respective existing tenancy. We have further examined the other parameters adopted by the Valuer during the calculation, including term or market yield, years purchase and present value, and considered them to be ordinary and commonly used parameters in valuation report. In addition, we have studied the term yield of 2.1% applicable on the residual rent

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receivable under the Self-use Units and Remaining Units, respectively, and the market yield of 2.6% applicable on the reversionary interests after expiry of the tenancy, used by the Valuer, which are the respective capitalisation rates of calculating years purchase and present value of the same. In this respect, we understood that the Valuer has made reference to the market figure of 2.6%, being property market yields of Grade B offices, in March 2021. We considered that it is fair and reasonable to make reference to general market yields of Grade B offices which is similar to the Properties, and that market figure in March 2021 is sufficiently close to the valuation date of the Properties and is a meaningful reference. Moreover, we considered it fair and reasonable for the Valuer to apply a market yield of 2.6%, which is equivalent to the aforesaid market figure, on the reversionary interests after expiry of the tenancy. Regarding the use of a term yield of 2.1% on the residual rent receivable under the Self-use Units and Remaining Units, respectively, which is lower than the aforesaid market figure, we have enquired with the Valuer and understood that the downward adjustment was made to reflect the fact that investments in the Properties have been secured by the current leases, which we considered justifiable. Based on all the above, we considered that the calculation done by the Valuer for the valuation of the Properties, as well as the parameters used in the course of such calculation, are fair and reasonable. Details of the 5 comparable transactions are as follows:

Development Name	Wealth Commercial Centre	Mongkok Harbour Centre	Ginza Plaza
Completion Year	1993	1997	1996
Date of Transaction	March 2021	February 2021	June 2019
Approx. Unit Rate on saleable area (per sq.ft.)	HK\$15,000–HK\$16,000	HK\$17,000	HK\$21,000
		The approximate unit rate on saleable area under Acquisition	17,700

Considering that (i) two of the comparable transactions were located at Ginza Plaza, which is the same as the Properties; (ii) the remaining three comparable transactions were located in Mong Kok, the district where the Properties situate; (iii) all the comparable transactions were Grade B commercial buildings which is the same as that of the Properties; (iv) the completion years of the commercial buildings under the comparable transactions are close to that of the Properties, and thus they have similar conditions, we were of the view that the comparable transactions are indeed comparable in respect of the Acquisition of the Properties.

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Further, we have discussed with the valuer on its selection criteria of comparable market transactions in determining the reversionary value of the Properties and noted that the selection criteria for the comparable market transactions are of similar character and location with the Properties and carefully weighed against all the respective advantages and disadvantages of the Properties. We note that the prices of comparable transactions were adjusted where the valuer considered appropriate based on the differences in time, location, quality of the properties and floor between the comparable properties and the Properties. Eventually, 5 comparable transactions for the valuation of the Properties were identified by the valuer, which are exhaustive and were transacted between 2019 and 2021. Therefore, we consider the selection basis of the said comparable transactions for reversionary value is fair and reasonable.

As set out in the Valuation Report, in arriving at the market value of the Properties, the valuer complied with all the requirements contained in (i) Chapter 5 of the Listing Rules in relation to guidelines to valuation of and information on properties; and (ii) The Hong Kong Institute of Surveyors (the “HKIS”) Valuation Standards (2020 Edition) published by the HKIS.

Having considered (i) the valuer is qualified with extensive valuation experience in properties valuation; (ii) the scope of work and the terms of engagement of the valuer are satisfactory; (iii) the basis and the assumption of valuation are reasonable; (iv) the calculation for the valuation of the Properties and the parameters used therein are considered fair and reasonable; and (v) the selected comparable transactions are reasonable and sufficient, we are of the view that the valuation of the Properties is fair and reasonable.

Based on and in addition to our independent work performed on the Valuation Report and the valuation of the Properties contained therein, we are of the view that (i) the selected comparable transactions reflect the market value of the properties which are comparable to the Properties; (ii) the valuation of the Properties has been made with reference to the market value of the properties comparable to the Properties; (iii) the valuation of the Properties, which is fair and reasonable as discussed previously, thus also reflects the market value of the Properties. We further consider that it is fair and reasonable for the Company to acquire the Properties at its market value, being the valuation of the Properties. As a result, we are of the view that the Consideration is fair and reasonable.

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RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that although the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder, being the Acquisition, are not in the ordinary and usual course of business of the Company, they are (i) justifiable, fair and reasonable; (ii) in the interests of the Company and the Independent Shareholders as a whole; and (iii) the terms of the Provisional Sale and Purchase Agreement, including the Consideration, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
RED SOLAR CAPITAL LIMITED
Leo Chan
Managing Director

Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 12 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the last three financial years ended 31 March 2018, 2019 and 2020 are disclosed in the annual reports of the Company for each of the three years ended 31 March 2018, 2019 and 2020 respectively. These annual reports are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.tso.cc>):

- (a) the audited consolidated financial statements of the Group for the year ended 31 March 2018 as set out on pages 50 to 111 of the 2018 annual report of the Company which was posted on 25 July 2018 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0725/ltn20180725387.pdf>);
- (b) the audited consolidated financial statements of the Group for the year ended 31 March 2019 as set out on pages 55 to 119 of the 2019 annual report of the Company which was posted on 25 July 2019 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0725/ltn20190725337.pdf>);
- (c) the audited consolidated financial statements of the Group for the year ended 31 March 2020 as set out on pages 59 to 123 of the 2020 annual report of the Company which was posted on 30 July 2020 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073000937.pdf>); and
- (d) the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2020 as set out on pages 1 to 22 of the interim report of the Company which was posted on 17 December 2020 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1217/2020121700579.pdf>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, apart from an outstanding lease liabilities and amount due to a related company amount of approximately HK\$1,176,000 and approximately HK\$22,000 respectively (both of which are unguaranteed and unsecured), and save for intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any outstanding debt securities, term loans, charges, debentures, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 April 2021.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Group including the internally generated funds and the present available bank facilities, and taking into account the impact of the Acquisition, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group principally engages in providing repair and refurbishment service for mobile phones and consumer electronic devices. Such services are offered to corporate customers, telecommunications services providers and global services companies. There is no change in the Group's principal business since 31 March 2020, being the date on which the latest published audited consolidated financial statements of the Group were made up, and there is not expected to be any change to the Group's principal business as a result of completion of the Acquisition.

As stated in the interim report of the Company for the six months ended 30 September 2020, which have been prepared in accordance with Hong Kong Accounting Standards, the Group recorded revenue of approximately HK\$21,298,000, representing a decrease of approximately 12.8% as compared to the corresponding period of the previous year. However, with the support from the Government's subsidies, the net profit increased 56.8% from approximately HK\$3,263,000 to approximately HK\$5,116,000.

During the period, Hong Kong experienced one of its worst economic setbacks due to the COVID-19 outbreak. Anti-epidemic measures such as social distancing and mandatory suspension of business at public premises resulted in a challenging operating environment which introduced uncertainties to the market. This is reflected by a decline in sales and global shipments of mobile phones and other electronic devices. Consequently, the Group's income from the provision of repairing services were inevitable affected and has recorded a decrease of approximately 24.9% as compared to the corresponding period of the previous year. Nevertheless, the new mobile phone screen protection programme launched by the Group in July 2019 was well received by the market and has among others, contributed to an increase of revenue from sales of accessories and provision of supportive services of approximately HK\$2,792,000 and a growth of 458.5% as compared to the corresponding period of the previous year respectively.

While it is expected that the local economy and market environment will remain highly challenging and uncertain for the remaining year due to the impact of COVID-19 pandemic, the Group will continue to explore other business and investment opportunities that are able to generate synergies with the Group's core business activities. In particular, the Group will examine smartphone protection programmes associated with other smartphone components so that additional revenue streams can be created. The Group will also promptly respond to the rapidly changing market conditions in order to protect the Group's market position, as well as to be well prepared for capitalising on a turnaround as it

materialises. At the same time, the Group will continue to improve service quality and enhance operational efficiency by integrating external and internal resources to enhance the Group's core competencies and thereby further raise its competitiveness.

While actively examining potential opportunities that could generate synergies with its core business and bring new revenue sources, the Group will always operate in a prudent and judicious manner with detailed planning and evaluation.

UNAUDITED PROFIT AND LOSS STATEMENT ON THE IDENTIFIABLE NET
INCOME STREAM IN RELATION TO THE PROPERTIES

The following are the unaudited profit and loss statements on the identifiable net income stream in relation to the Properties for the years ended 31 March 2018, 2019, 2020 and for the nine months ended 31 December 2020, which are compiled and derived from the underlying books and records of the Vendor, and are prepared using accounting policies materially consistent with those of the Group.

UNAUDITED RENTAL INCOME INFORMATION OF THE PROPERTIES

	2017/18 Year ended 31 March 2018 (Full year) HK\$'000	2018/19 Year ended 31 March 2019 (Full year) HK\$'000	2019/20 Year ended 31 March 2020 (Full year) HK\$'000	2020/21 Period ended 31 December 2020 (9 months) HK\$'000
Rental income	1,987	2,196	1,830	1,372
Other expenses				
Depreciation	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>	<u>(450)</u>
Profit before taxation	1,387	1,596	1,230	922
Taxation	<u>(252)</u>	<u>(286)</u>	<u>(226)</u>	<u>(169)</u>
Profit for the year/period	<u>1,135</u>	<u>1,310</u>	<u>1,004</u>	<u>753</u>

In accordance with rule 14.67(6)(b)(i) of the Listing Rules, the Directors engaged ZHONGHUI ANDA CPA Limited to perform certain factual finding procedures (including agreeing the rental income, other expenses and profits tax expense amounts for each of the years ended 31 March 2018, 2019, 2020 and for the nine months ended 31 December 2020 as shown in the unaudited profit and loss statement on the identifiable net income stream (“**Profit and Loss Schedule**”)) to the corresponding amounts in the accounting records of the Vendor and rental contracts on the compilation of the Profit and Loss Schedule for each of the years ended years ended 31 March 2018, 2019, 2020 and for the nine months ended 31 December 2020 in relation to the Properties leased to the tenants from the Vendor in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed Upon Procedures Regarding Financial Information” issued by Hong Kong Institute of Certified Public Accountants. Pursuant to the terms of the relevant engagement letter between the Company and the reporting accountants, the reported factual findings should not be used or relied upon by any other parties for any purposes. In the opinion of the Directors, the Profit and Loss Schedule has been properly compiled and derived from the underlying books and records of the Vendor. The reporting accountants has agreed the Profit and Loss Schedule to the underlying books and records of the Vendor in accordance

with the agreed-upon procedures set out in the relevant engagement letter between the Company and the reporting accountants and reported its factual findings based on the agreed upon procedures to the Directors.

**A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE GROUP**

The following is the unaudited pro forma statement of adjusted assets and liabilities of the Group prepared by the Directors on the basis of the notes set out below for the purpose of illustrating the effects of the Acquisition on the unaudited consolidated statement of assets and liabilities of the Group as if the Acquisition had been taken place on 30 September 2020. As it is prepared for illustrative purposes only, based on the judgments and assumptions of the Directors and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated statement of assets and liabilities of the Group upon the completion of the Acquisition as at 30 September 2020 or at any future date. The unaudited pro forma statement of adjusted assets and liabilities of the Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2020 as extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2020 included in the published unaudited interim report of the Group for the six months ended 30 September 2020, after incorporating the unaudited pro forma adjustments as set out below.

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2020 (Unaudited) <i>HK\$'000</i> (Note 1)	Pro forma adjustments (Unaudited) <i>HK\$'000</i>	<i>Notes</i>	Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Group (Unaudited) <i>HK\$'000</i>
Non-current assets				
Investment property	—	25,552	2	25,552
Property, Plant & Equipment	328	31,220	2	31,548
Right-of-use assets	1,551			1,551
Deferred tax assets	352			352
Rental deposit	118			118
	<u>2,349</u>			<u>59,121</u>
Current assets				
Inventories	949			949
Trade and other receivables	7,977	(173)	4	7,804
Amounts due from related companies	546			546
Tax recoverable	1,132			1,132
Pledged bank deposit	201			201
Bank balances and cash	91,873	(56,715)	2,3,4	35,158
	<u>102,678</u>			<u>45,790</u>
Current liabilities				
Trade and other payables	7,191	189	4	7,380
Lease Liabilities	685			685
Amount due to a related company	54			54
	<u>7,930</u>			<u>8,119</u>
Net current assets	<u>94,748</u>			<u>37,671</u>
Total assets less current liabilities	<u>97,097</u>			<u>96,792</u>
Non-current liabilities				
Lease Liabilities	880			880
Long service payment obligations	24			24
	<u>904</u>			<u>904</u>
Net assets	<u><u>96,193</u></u>			<u><u>95,888</u></u>

Notes:

- (1) The balances are extracted from the unaudited consolidated statements of financial positions of the Group as at 30 September 2020, as set out in the published unaudited interim report of the Company for the six month ended 30 September 2020.
- (2) Being adjustment for the addition of property, plant and equipment and investment properties as a result of the Acquisition, the costs of which includes (i) consideration for the acquisition of the Properties of HK\$54.40 million; and (ii) direct acquisition costs mainly including legal cost and stamp duty of approximately HK\$2.37 million.

The Self-use Units which will be utilised by the Group as repair center are classified as property, plant and equipment. The Remaining Units which will be held by the Group to earn rental are classified as investment properties. The following is the allocation of the consideration and direct acquisition costs which based on their respective area:

	<i>HK\$'000</i>
Investment properties	25,552
Property, plant and equipment	<u>31,220</u>
	<u><u>56,772</u></u>

The investment properties are initially measured at cost and subsequently measured at fair value. Change in fair value of investment properties will be recognised in profit or loss.

The fair value of the Properties as at 30 April 2021 was HK\$54.40 million, which has been arrived at on the basis of valuation carried out by the Independent Property Valuer. In preparing the pro forma statement of assets and liabilities, the Directors assume the fair value of the Properties as at 30 April 2021 is same as 30 September 2020.

- (3) Being adjustment for the effect of the payments of related indirect transaction costs of approximately HK\$0.31 million recognised in profit and loss by using internal resources.
- (4) In connection with the Acquisition, upon completion, the rental deposits paid by the Group of approximately HK\$0.17 million will be refunded to the Group by the Vendor. The rental deposit in relation to the Remaining Units of approximately HK\$0.19 million will be transferred from the Vendors to the Group.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020. The adjustments described in the notes above in respect of the unaudited pro forma statement of assets and liabilities above are not expected to have a continuing effect on the Group.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

25 June 2021

The Board of Directors
Telecom Service One Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Telecom Service One Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 September 2020 (the “**Statement**”) as set out on pages III-1 to III-3 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described on pages III-1 to III-3.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of properties on the Group’s financial position as at 30 September 2020 as if the transaction had been taken place at 30 September 2020. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s condensed financial statements as included in the interim report for the six months ended 30 September 2020, on which no audit or review report has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 30 April 2021 of the Properties.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 2709, 27/F
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

25 June 2021

The Board of Directors
Telecom Service One Holdings Limited
Unit 2, 2/F, Shun Fat Industrial Building
No. 17 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of Office Units 1201 – 1203, 1205 and 1206 on 12th Floor, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong (the “Real Property”)

In accordance with the instruction from Telecom Service One Holdings Limited (the “**Company**”) for us to value the Real Property to be acquired by the Company in Hong Kong, details of which are provided in the enclosed valuation certificate, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Real Property as at 30 April 2021 (referred to as the “**valuation date**”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the Real Property and the limiting conditions.

I. BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

In valuing the Real Property which is leased out, we have adopted the investment method whereby the rent receivable during the residual period of the existing tenancy is capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancy.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interest on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the real property interest.

For the real property which is held under a long-term government lease, we have assumed that the owner of the real property has free and uninterrupted rights to use, transfer or lease the real property for the whole of the unexpired term of the government lease/Conditions of Exchange. In our valuation, we have assumed that the real property can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

Other specific assumptions in relation to the Real Property, if any, have been stated out in the footnotes of the valuation certificate.

IV. TITLESHP INVESTIGATION

We have caused searches made at the Land Registry in Hong Kong in respect of the real property interest. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real property interest set out in this report.

V. LIMITING CONDITIONS

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the Real Property but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the Real Property. However, no structural survey has been made and we are therefore unable to report as to whether the Real Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by you and have accepted advice given to us on such matters, as relevant, as planning approvals, statutory notices, easements, tenure, occupation, tenancy, rentals, and floor areas and in the identification of the Real Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the real property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020 has and continues to impact many aspects of daily life and the global economy — with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again. However, we remain cautious due to uncertainty for the pace of the economic recovery, therefore, we recommended that the valuation of the real property should be under frequent review.

VI. OPINION OF VALUE

Our opinion of the market value of the Real Property is set out in the attached valuation certificate.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in the HKIS Valuation Standards (2020 Edition) published by the Hong Kong Institute of Surveyors.

Site inspection of the Real Property was conducted on 5 May 2021 by Mr. Terry Fung (MSc). The Real Property was maintained in a reasonable condition commensurate with its age and uses and equipped with normal building services.

Unless otherwise stated, all monetary amounts stated herein are dominated in the currency of Hong Kong Dollars (“**HK\$**”).

We enclose herewith our valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,

For and on behalf of

GREATER CHINA APPRAISAL LIMITED

Yuki Chan

RPS(G.P.), FHKIS, FRICS, AAPI

Director

Jeff Liu

MHKIS, MRICS

Assistant Director

Notes:

Yuki Chan is a Chartered Surveyor who has more than 10 years’ property valuation experience in Hong Kong, the PRC and the Asia-Pacific region.

Jeff Liu is a Chartered Surveyor who has more than 24 years of real property valuation experience in Hong Kong and extensive valuation experience in other locations including the PRC, Macau, and the Asia Pacific region.

VALUATION CERTIFICATE

Real property interest to be acquired by the Company in Hong Kong

Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 30 April 2021
Office Units 1201–1203, 1205 and 1206 on 12th Floor, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	Ginza Plaza is a 23-storey plus a basement level commercial building which was completed in 1996. The building is served by four lifts and two staircases. Shops are available on the Ground Floor to 3rd Floor and the basement level of the development.	Upon our site inspection, the Real Property was occupied as a customer service centre. The designated partition walls between units of the Real Property were demolished, and the Real Property was divided into two units.	HK\$54,400,000 (Hong Kong Dollars Fifty-Four Million and Four Hundred Thousand Only)
289/12,752nd shares of and in Kowloon Inland Lot No. 11013 (the “Lot”)	<p>The Real Property comprises 5 office units on the 12th Floor. The total gross floor area and saleable area of the office units is approximately 4,357 square feet and 3,103 square feet respectively.</p> <p>The Lot is held under a Conditions of Exchange No. UB12311 for a term commencing on 8 July 1994 and expiring on 30 June 2047. The Government rent is 3% of the rateable value of the Lot.</p>	<p>According to a tenancy agreement provided by the Company, office units 3B, 5 and 6 of the Real Property are subject to a tenancy for a term of a year commencing on 1 April 2021 and expiring on 31 March 2022 at a monthly rental of HK\$57,504 (exclusive of management fee, air-conditioning charges, rates and government rent) for commercial use.</p> <p>According to a preliminary tenancy agreement provided by the Company, office units 1, 2 and 3A of the Real Property are subject to a tenancy for a term of 3 years commencing on 1 July 2021 and expiring on 30 June 2024 at a monthly rental of HK\$47,064 (exclusive of management fee, rates and government rent) for commercial use.</p>	

Notes:

- (i) According to 5 sets of Land Registration Record obtained from the Land Registry, the registered owner of the real property is Oceanic Rich Limited vide Memorial No. 07092100180230 dated 31 August 2007.

- (ii) The Real Property is subject to an Occupation Permit No. K25/96 vide Memorial No. UB6742406 dated 16 August 1996.
- (iii) The Real Property is subject to a Legal charge/Mortgage in favour of Standard Chartered Bank (Hong Kong) Limited as trustee for the secured parties vide Memorial No. 17041202490177 dated 17 March 2017.
- (iv) The Real Property is subject to a Rental Assignment in favour of Standard Chartered Bank (Hong Kong) Limited as trustee for the secured parties vide Memorial No. 17041202490184 dated 17 March 2017.
- (v) According to the Draft Mong Kok Outline Zoning Plan No. S/K3/33, the Lot is zoned under residential (Group A).

- (vi) The general description and market information of the Real Property are summarized as below:

Location : The Real Property is located at No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong.

Transportation : Mongkok MTR Station and Yau Ma Tei MTR Station are located approximately 300 metres away from the Real Property. Other public transportations including buses, public mini buses and taxis are readily available in the vicinity.

Nature of Surrounding Area : The area is predominately a residential and commercial area in Mongkok. Sai Yeung Choi Street is a popular hotspot for shopping.

- (vii) In the course of our valuation, we have made reference to various sale transactions of similar real properties within the locality having similar characteristics to the Real Property. The selected comparables are office units of the subject building and other commercial buildings with similar usage. The unit rates of these sale transactions range from about HK\$15,000 to HK\$21,000 per square feet on the basis of saleable area.

Details of the comparable properties are shown as follows:

Development Name	Wealth Commercial Centre	Mongkok Harbour Centre	Ginza Plaza
Completion Year	1993	1997	1996
Date of Transaction	March 2021	February 2021	June 2019
Approx. Unit Rate on saleable area (per sq.ft.)	HK\$15,000–HK\$16,000	HK\$17,000	HK\$21,000

Our key assumptions of the valuation are:

Unit rate on saleable area adopted for the Real Property (per sq.ft.)	Capitalisation Rate
HK\$17,700	2.6%

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in the Shares (including underlying Shares)

Name of Director	Capacity	Number of issued ordinary shares held	Approximate % of the Company's shares in issue ^(Note 1)
Mr. Cheung King Shek	Beneficial owner	6,528,000	
	Beneficiary of a trust ^(Note 2)	<u>66,000,000</u>	
		72,528,000	56.51%
Mr. Cheung King Shan	Beneficial owner	6,484,000	
	Beneficiary of a trust ^(Note 2)	<u>66,000,000</u>	
		72,484,000	56.48%
Mr. Cheung King Chuen Bobby	Beneficial owner	6,748,000	
	Beneficiary of a trust ^(Note 2)	<u>66,000,000</u>	
		72,748,000	56.68%
Mr. Cheung King Fung Sunny	Beneficial owner	7,362,000	
	Beneficiary of a trust ^(Note 2)	<u>66,000,000</u>	
		73,362,000	57.16%

Notes:

- (1) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at the Latest Practicable Date.
- (2) The 66,000,000 shares representing approximately 51.43% of the Company's shares in issue are held by East-Asia. East-Asia is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited, the trustee of the Cheung Family Trust. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

(b) Long positions in underlying shares of associated corporations

Amazing Gain is one of the controlling shareholders of the Company and the holding company of the Company. The companies listed in the table below (apart from Amazing Gain) are wholly-owned subsidiaries of Amazing Gain. Hence, Amazing Gain and the rest of the companies listed in the table below are associated corporations of the Company under the SFO. Each of the Cheung Brothers is deemed to have 100% interest in the said associated corporations under the SFO.

Name of associated corporations	Capacity	Number of shares/ Amount of share capital	Approximate percentage of interests
Amazing Gain Limited	Beneficiary of a trust <i>(Note)</i>	100	100%
East-Asia Pacific Limited	Beneficiary of a trust <i>(Note)</i>	6	100%
Telecom Service Limited	Beneficiary of a trust <i>(Note)</i>	2,000,000	100%
H.K. Magnetronic Company Limited	Beneficiary of a trust <i>(Note)</i>	50,000	100%
Oceanic Rich Limited	Beneficiary of a trust <i>(Note)</i>	10,000	100%
Glossy Investment Limited	Beneficiary of a trust <i>(Note)</i>	10,000	100%
Glossy Enterprises Limited	Beneficiary of a trust <i>(Note)</i>	10,000	100%
Txtcom Limited	Beneficiary of a trust <i>(Note)</i>	100	100%
Telecom Properties Investment Limited	Beneficiary of a trust <i>(Note)</i>	24	100%

Name of associated corporations	Capacity	Number of shares/ Amount of share capital	Approximate percentage of interests
Telecom Digital Limited (incorporated in Macau)	Beneficiary of a trust <i>(Note)</i>	MOP100,000	100%
Hellomoto Limited	Beneficiary of a trust <i>(Note)</i>	1,000	100%
Marina Trading Inc.	Beneficiary of a trust <i>(Note)</i>	1	100%
Telecom Digital Limited	Beneficiary of a trust <i>(Note)</i>	2	100%
Silicon Creation Limited	Beneficiary of a trust <i>(Note)</i>	100	100%
Kung Wing Enterprises Limited	Beneficiary of a trust <i>(Note)</i>	1,000,000	100%
東莞恭榮房地產管理服務有限公司	Beneficiary of a trust <i>(Note)</i>	US\$1,500,000	100%

Note: The 66,000,000 shares representing approximately 51.43% of the Company's shares in issue are held by East-Asia. East-Asia is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited, the trustee of the Cheung Family Trust. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

All the interests stated above represent long position. Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Shares (including underlying Shares)

Name of Shareholder	Capacity	Number of issued ordinary Shares held	Approximate % of Company's share in issue <i>(Note 1)</i>
East-Asia Pacific Limited	Beneficial owner <i>(Note 2)</i>	66,000,000	51.43%
Amazing Gain Limited	Interest in a controlled corporation <i>(Note 2)</i>	66,000,000	51.43%
J. Safra Sarasin Trust Company (Singapore) Limited	Trustee (other than a bare trustee) <i>(Note 2)</i>	66,000,000	51.43%
Ms. Tang Fung Yin Anita	Interest of spouse <i>(Note 3)</i>	72,484,000	56.48%
Ms. Yeung Ho Ki	Interest of spouse <i>(Note 3)</i>	73,362,000	57.16%

Notes:

- (1) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at the Latest Practicable Date.
- (2) The 66,000,000 shares representing approximately 51.43% of the Company's shares in issue are held by East-Asia. East-Asia is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited, the trustee of the Cheung Family Trust. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company and the associated corporations held by the Cheung Family Trust under the SFO.
- (3) Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 72,484,000 shares and 73,362,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or chief executive of the Company, no other person had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save as disclosed in this circular,

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and
- (ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

7. MATERIAL CONTRACTS

Save for the Provisional Sale and Purchase Agreement, no material contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within two years immediately preceding the issue of this circular which are or may be material.

8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

9. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualifications
Greater China Appraisal Limited	Property valuer
Red Solar Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Zhonghui Anda CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the experts above had given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the experts above did not have any shareholding in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any interest, either direct or indirect, in any assets which had been since 31 March 2020, being the date to which the latest audited consolidated accounts of the Company have been made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2020, being the date to which the latest audited consolidated accounts of the Company have been made up) or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2020, being the date to which the latest audited consolidated accounts of the Company have been made up).

10. MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.
- (b) The company secretary of the Company is Ms. Yeung Wing Chong who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.

- (c) The principal place of business of the Company in Hong Kong is at Unit 2, 2/F, Shun Fat Industrial Building, No. 17 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. The registered office of the Company is at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.
- (d) The principal share registrar and transfer office of the Company in Cayman Islands is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited whose address is situated at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday except public holidays) at 19/F, YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the Provisional Sale and Purchase Agreement;
- (c) the Self-use Units Tenancy Agreement;
- (d) the Remaining Units Tenancy Agreement;
- (e) the audited consolidated financial statements of the Group for the three financial years ended 31 March 2018, 2019 and 2020;
- (f) the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2020;
- (g) the letter from the Independent Board Committee, as set out on pages 16 to 17 of this circular;
- (h) the letter from the Independent Financial Advisor, as set out on pages 18 to 36 of this circular;
- (i) the report from Zhonghui Anda CPA Limited on the unaudited pro forma financial information of the Properties, the text of which is set out in Appendix II to this circular;
- (j) the report from Zhonghui Anda CPA Limited on the unaudited pro forma statement of assets and liabilities of the Group, the text of which is set out in Appendix III to this circular;

- (k) the report from Greater China Appraisal Limited in relation to the valuation of the Properties, the text of which is set out in Appendix IV to this circular;
- (l) the written consent referred to in the section headed “Qualification and Consent of Experts” in this Appendix; and
- (m) this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Telecom Service One Holdings Limited (the “Company”, together with its subsidiaries as the “Group”) will be held at Room C, 11/F, YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon on Thursday, 29 July 2021 at 12:00 noon for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (i) the provisional sale and purchase agreement dated 25 May 2021 entered into between Oceanic Rich Limited (“**Oceanic Rich**”) as vendor and Joyful Ocean Investments Limited (“**Joyful Ocean**”) as purchaser (the “**Provisional Sale and Purchase Agreement**”, a copy of which has been tabled to the EGM marked “A” and initialed by the chairman of the EGM for the purpose of identification) in relation to the acquisition by Joyful Ocean from Oceanic Rich the properties comprising Units 1201–1203 and Units 1205–1206 on 12th Floor, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Kowloon, Hong Kong at a consideration of HK\$54,400,000, together with the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified in all respects; and
- (ii) any one director of the Company be and is hereby authorised to take such action and execute such documents (with any further amendments as any one director of the Company may approve) as he/she may consider appropriate and expedient in respect of the transactions contemplated under the Provisional Sale and Purchase Agreement for the purpose of implementation or giving effect to the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 25 June 2021

NOTICE OF EGM

Registered office:
Second Floor,
Century Yard,
Cricket Square,
P.O. Box 902,
Grand Cayman,
KY1-1103,
Cayman Islands

*Head office and principal place of
business in Hong Kong:*
Unit 2, 2/F,
Shun Fat Industrial Building,
No. 17 Wang Hoi Road,
Kowloon Bay,
Kowloon,
Hong Kong

Notes:

- (a) The register of members of the Company will be closed from Monday, 26 July 2021 to Thursday, 29 July 2021, both days inclusive, during which period no transfer of shares will be registered. In order to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 23 July 2021.
- (b) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (c) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be).
- (d) Completion and return of the form of proxy shall not preclude members from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (e) Where there are joint registered holders of any share(s) of the Company, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall be accepted to the exclusion of the votes of the other joint holders.
- (f) A form of proxy for use at the EGM is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tso.cc).
- (g) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in force any time after 7:30 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tso.cc) to notify Shareholders of the date, time and place of the rescheduled meeting.

The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

NOTICE OF EGM

As at the date of this notice, the chairman and non-executive director of the Company is Mr. Cheung King Shek; the chief executive officer and executive director of the Company is Mr. Cheung King Fung Sunny; the non-executive directors of the Company are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby; and the independent non-executive directors of the Company are Mr. Fong Ping, Ms. Kwok Yuen Man Marisa and Mr. Tso Ka Yi.

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