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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

THE ACQUISITION

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.

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 date of this announcement. 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.

GENERAL

An Independent Board Committee comprising 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. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

The EGM will be convened and held to consider and, if thought fit, to approve the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, 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, is expected to be despatched to the Shareholders of the Company on or before 16 June 2021.

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.

INTRODUCTION

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.

THE PROVISIONAL SALE AND PURCHASE AGREEMENT

Date

25 May 2021 (after trading hours)

Parties

Purchaser: Joyful Ocean Investments Limited

Vendor: Oceanic Rich Limited

As at the date of this announcement, 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 date of this announcement. 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 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.

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\$56,712,000.

Basis of determining the Consideration

The Consideration is 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 an independent professional valuer as at 30 April 2021 and the prices of commercial properties in the vicinity of the Properties.

The Directors (other than independent non-executive Directors whose views will be provided after taking into account the opinion and advice from the independent financial adviser) 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 net proceeds from the GEM Listing and 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;
- (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.

Discharge of mortgage

As at the date of this announcement, 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 date of this announcement.

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.

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 date of this announcement. 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. The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser) 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.

The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser) 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.

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 date of this announcement. The Vendor is a property holding company.

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 date of this announcement. 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 voting in respect of the Acquisition at the EGM will be conducted by way of poll. The Cheung Family Trust and its associates (including East-Asia and the Cheung Brothers) are required to abstain from voting in respect of the resolution(s) approving the Provisional Sale and Purchase Agreement and the Acquisition at the EGM.

GENERAL

An Independent Board Committee comprising 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. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

The EGM will be convened and held to consider and, if thought fit, to approve the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, 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, is expected to be despatched to the Shareholders of the Company on or before 16 June 2021.

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.

DEFINITIONS

In this announcement, 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
“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 “The Provisional Sale and Purchase Agreement” above
“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 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
“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 Shareholders”	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
“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
“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
“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
“Shareholder(s) ”	holder(s) of the ordinary share(s) of the Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

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

Hong Kong, 25 May 2021

As at the date of this announcement, 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 announcement shall prevail over the Chinese text in case of inconsistencies.