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Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6033)

**MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF A PROPERTY HOLDING COMPANY**

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.

The Acquisition has been approved by written shareholders’ approval obtained from a closely allied group of Shareholders pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

14 April 2022

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
Appendix I – Financial Information of the Group	I-1
Appendix II – Accountants’ Report of the Property Holding Company	II-1
Appendix III – Management Discussion and Analysis on the Property Holding Company	III-1
Appendix IV – Unaudited Pro Forma Financial Information of the Enlarged Group	IV-1
Appendix V – Property Valuation Report	V-1
Appendix VI – General Information	VI-1

DEFINITIONS

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

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

DEFINITIONS

“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition upon Completion
“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Latest Practicable Date”	8 April 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Property”	Whole block of Wider Industrial Building, No. 58 Tsun Yip Street, Kowloon, Hong Kong
“Pro Forma NAV”	the proforma unaudited net total asset value of the Property Holding Company as at 31 December 2021 provided by the Vendor at the date of the Provisional Agreement
“Property Holding Company”	Onbo International Limited, a company incorporated in Hong Kong with limited liability and the registered owner of the Property
“Provisional Agreement”	the provisional sale and purchase agreement dated 16 February 2022 entered into among the Purchaser, the Vendor and the Vendor Guarantor in relation to the Acquisition
“Purchaser”	Telecom Digital Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“Sale Loan”	(i) the shareholder’s loan owing from the Property Holding Company to the Vendor (which is unsecured and non-interest bearing, the amount of which as at 31 December 2021 was approximately HK\$248 million); and (ii) a loan owing from the Property Holding Company to Full Profit Trading Limited, an affiliated company of the Property Holding Company, (which is unsecured and bearing interest at 2% per annum, the amount of which as at 31 December 2021 was approximately HK\$240 million)
“Sale Share”	100% of the issued share capital of the Property Holding Company
“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\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Valuer”	International Valuation Limited, an independent professional valuer appointed by the Company for the valuation of the Property
“Vendor”	Metro Rider Investment Limited, a company incorporated in the British Virgin Islands and the sole shareholder of the Property Holding Company
“Vendor Guarantor”	the guarantor of the Vendor under the Provisional Agreement to guarantee, among others, the due observance and performance of the Vendor of all the agreements, obligations, commitments and undertakings contained in the Provisional Agreement
“%”	per cent.

LETTER FROM THE BOARD



Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6033)

Executive Directors:

Mr. Cheung King Shek (*Chairman*)
Mr. Cheung King Shan
Mr. Cheung King Chuen Bobby
Mr. Cheung King Fung Sunny (*Chief Executive Officer*)
Mr. Wong Wai Man
Ms. Mok Ngan Chu

Independent Non-executive Directors:

Mr. Lam Yu Lung
Mr. Lau Hing Wah, *MH, JP*
Mr. Lo Kam Wing

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:*

19/F., YHC Tower,
No. 1 Sheung Yuet Road,
Kowloon Bay, Kowloon,
Hong Kong

14 April 2022

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF A PROPERTY HOLDING COMPANY**

1. INTRODUCTION

We refer to the announcement of the Company dated 16 February 2022 in relation to the Acquisition which relates to the proposed acquisition of Onbo International Limited pursuant to the Provisional Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things:

- (i) further information relating to the Acquisition and the terms of the Provisional Agreement;
- (ii) the financial information of the Group and the Property Holding Company;
- (iii) the unaudited pro forma financial information of the Enlarged Group;
- (iv) the valuation of the Property; and
- (v) other information as required under the Listing Rules.

2. THE PROVISIONAL AGREEMENT

On 16 February 2022, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Vendor Guarantor entered into the Provisional Agreement in relation to the proposed acquisition of the Property Holding Company.

The principal terms of the Provisional Agreement are as follows:

- Date:** 16 February 2022 (after trading hours)
- Parties:**
- (a) Telecom Digital Investment Limited as the Purchaser
 - (b) Metro Rider Investment Limited as the Vendor; and
 - (c) Mr. Tang Yiu Sing as the Vendor Guarantor

The Vendor Guarantor agreed to guarantee and procure the due and punctual performance of all the obligations of the Vendor under the Provisional Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendor, the ultimate beneficial owner(s) of the Vendor and Mr. Tang Yiu Sing is an Independent Third Party.

Assets to be acquired:

Pursuant to the Provisional Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the Sale Share, representing the entire issued share capital of the Property Holding Company and the Sale Loan, being the entire amount of an unsecured non-interest bearing loan owing by the Property Holding Company to the Vendor and an unsecured interest bearing loan owing by the Property Holding Company to its affiliate company as at Completion. The Property Holding Company directly holds the Property, which comprises the whole block of Wider Industrial Building, No. 58 Tsun Yip Street, Kowloon, Hong Kong.

LETTER FROM THE BOARD

Consideration, payment schedule and adjustment

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

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

Consideration of HK\$733,000,000 (subject to net total asset value adjustment as mentioned below, if any) shall be paid by the Purchaser to the Vendor in cash in the following manner: (a) an initial deposit of HK\$40,000,000 has been paid upon execution of the Provisional Agreement; (b) a further deposit of HK\$33,300,000 has been paid on 23 February 2022; and (c) balance of HK\$659,700,000 (subject to adjustment by the amount of Pro Forma NAV) shall be paid on Completion.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account (i) the preliminary valuation of the Property of approximately HK\$1,000,000,000 from banks and (ii) market price of similar properties of similar size, character and location. Having considered the preliminary valuation of the Property from banks exceeding the Consideration, the Directors (including the independent non-executive Directors) believe that the Consideration is fair and reasonable to the Company and in the interests of the Company and the Shareholders as a whole.

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

If based on the Completion Accounts:

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

LETTER FROM THE BOARD

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

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

The Consideration will be funded by (i) the Group's working capital; (ii) loans to be obtained from licensed banks in Hong Kong; and (iii) a shareholder's loan provided by CKK Investment and/or Cheung Brothers. Regarding the loans to be obtained from licensed banks, the Company has obtained preliminary terms of (i) a loan in the amount of HK\$293 million at HIBOR + 1.0% per annum for a term of two months upon drawdown in the form of bridging loan and subsequently for a term of 15 years in the form of mortgage loan with all monies first legal charge on the Property; and (ii) a revolving loan in the amount of HK\$211 million at HIBOR + 1.2% per annum for a term of one year subject to annual review. As at the Latest Practicable Date, the Company was considering the terms offered by the bank and no definite agreement had been signed.

To fund the Acquisition and also as general working capital for the Group, the Company will obtain a loan in a maximum amount of HK\$80,000,000 (the "Shareholder Loan") from CKK Investment and/or Cheung Brothers, the controlling shareholders of the Company. The term of the Shareholder Loan is two years from the date of drawdown of the Shareholder Loan. The Shareholder Loan is interest-free with no default interest, and requires no collateral. The Company can repay all or part of the Shareholder Loan prior to the maturity date of the Shareholder Loan as it sees fit. However, CKK Investment and/or Cheung Brothers shall not require the Company to repay all or part of the Shareholder Loan before the maturity date of the Shareholder Loan. In view of the aforesaid terms, the Directors considered that the Company has successfully obtained the Shareholder Loan with favourable terms from its controlling shareholders. Since the Shareholder Loan is not required to be secured by any assets of the Group, and as the Directors (including the non-executive Directors) consider the Shareholder Loan is on normal commercial terms or better to the Group, the Shareholder Loan is fully-exempted from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

LETTER FROM THE BOARD

Completion

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

Conditions Precedent

Completion shall be conditional upon:

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

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

As at the Latest Practicable Date, no condition has been satisfied, and the Company does not intend to waive any of the conditions precedent.

LETTER FROM THE BOARD

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

3. REASONS AND BENEFITS OF THE ACQUISITION

The Property comprises the whole block of a 13-storey revitalised industrial building with a gross floor area of approximately 97,314 square feet. The Group intends to use a portion of the Property, which is the ground floor, the first floor and the eighth to twelfth floor, with a gross floor area of approximately 48,430 square feet plus seven carparking spaces as one of its offices and warehouse after the Completion. As at the Latest Practicable Date, except the Ground Floor, which is subject to tenancies, the first floor and the eighth to twelfth floors were vacant. The Acquisition could provide a good opportunity for the Company to secure a desirable offices and warehouses space in Hong Kong without being affected by the fluctuations in rents and hence is beneficial to the development of the Group's business. On the other hand, the Group intends to lease out the remaining portion of the Property, which is the second to the seventh floors, with a gross floor area of approximately 48,884 square feet plus one carparking space (the "Remaining Portion"), so the Acquisition presents a good opportunity for the Group to generate stable income from the Property in the near future and will enhance the property investment portfolio of the Group in long run, as well as the Group may also benefit from any long term capital appreciation.

The Board is of the view that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As at the Latest Practicable Date, the Company did not have any plan or intention, and has not entered into any agreement, arrangement, understanding or negotiation (formal or informal; express or implied), to acquire any new businesses or dispose of any existing businesses.

LETTER FROM THE BOARD

4. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion, the Property Holding Company will become indirect wholly-owned by the Company. The financial results of the Property Holding Company will be consolidated into the accounts of the Group.

After Completion, the Property will be recognised as property, plant and equipment and investment properties of the Group and will be stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

As referred to in “Appendix IV – Unaudited Pro Forma Financial Information of the Enlarged Group” to this circular, on the basis of the notes set out therein, if the Acquisition had taken place and had been completed on 30 September 2021, the unaudited pro forma consolidated assets of the Enlarged Group would have increased from approximately HK\$767,725,000 to approximately HK\$775,469,000 and the unaudited pro forma consolidated liabilities of the Enlarged Group would have increased from approximately HK\$384,777,000 to approximately HK\$392,521,000.

It is intended that, after Completion, the Remaining Portion 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 Portion, profits tax arising thereto and rental savings), the Group expects to achieve earnings of approximately HK\$17,430,000 per annum.

5. INFORMATION ON THE GROUP

The Group is principally engaged in the telecommunications and related business in Hong Kong, including (i) retail sales of mobile phones and other consumer goods and related services; (ii) distribution of mobile phones and related services; and (iii) provision of operation services to Sun Mobile Limited, an associate owned as to 40% by the Group and as to 60% by HKT Limited.

6. INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is an Independent Third Party. The principal business activity of the Vendor is investment holding.

LETTER FROM THE BOARD

7. INFORMATION OF THE PROPERTY HOLDING COMPANY

The Property Holding Company is an investment holding company incorporated in Hong Kong with limited liability. Set out below is the financial information of the Property Holding Company for the two years ended 31 December 2020 and 2021 as extracted from the accountants' report of the Property Holding Company as set out in Appendix II:

	31 December 2020	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	13,620	13,909
Loss before taxation	6,379	5,733
Loss after taxation	6,379	5,733

The audited net liabilities of the Property Holding Company as at 31 December 2021 were approximately HK\$108,844,000.

8. INFORMATION ON THE PROPERTY

The main asset of the Property Holding Company is the entire interest of the Property.

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

As at the date of the Provisional Agreement, the Property is subject to 6 existing tenancies with an aggregate monthly rental of approximately HK\$1,214,000 (excluding rates and management fees), which the respective amounts, based on the enquiries of the Company, are in line with the rent of similar property in the same area. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenants are Independent Third Parties. The Property Holding Company has agreed to accept termination of the tenancy agreements by the respective tenants at any time before 31 August 2023. Vacant possession of the relevant portion of the Property in the conditions as it shall be delivered if the related tenancy agreement is terminated before Completion.

LETTER FROM THE BOARD

Based on the information provided by the Vendor, the total rental income derived from the Property in the two financial years ended 31 December 2020 and 31 December 2021 was approximately HK\$13.6 million and HK\$13.9 million respectively. Based on the information provided by the Vendor, the net rental income generated from the Property 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\$10.6 million and HK\$10.6 million for the year ended 31 December 2020 and were approximately HK\$11.0 million and HK\$11.0 million for the year ended 31 December 2021 respectively.

9. VALUATION OF THE PROPERTY

The Company has appointed International Valuation Limited, an independent professional valuer, to value the Property. Details of the valuation is set out in Appendix V to this circular.

The Directors have reviewed International Valuation Limited's qualifications and experience in relation to the valuation of properties in Hong Kong. Having made reasonable enquiries, the Directors are of the view that International Valuation Limited is a professional property valuer and with appropriate experience in performing property valuation relating to the Property.

The Directors acknowledge that International Valuation Limited has adopted the following valuation methodology and key assumptions:

(1) Valuation methodology

- The Property is valued on open market basis and on the vacant possession.
- The direct comparison method was adopted where comparison based on prices realized on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each Property in order to arrive at a fair comparison of market values.

(2) Valuation assumptions

- The owner sells the Property on the open market in its existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Property.
- The Property has been constructed, occupied and used in full compliance with, and without contravention of all laws, except only where otherwise stated.

LETTER FROM THE BOARD

- For any use of the Property upon which this valuation is based, all required licenses, permit, certificate and authorizations have been obtained.

The Directors have reviewed the valuation report prepared by International Valuation Limited and noted that as at 15 February 2022 (the “Valuation Date”), the market value of the Property was HK\$1,227,000,000 according to the valuation report.

The table below sets out the reconciliation between the net book value of Property as at 31 December 2021, being the date to which the latest audited financial statements in Appendix II were made up, and the valuation of the Property as at the Valuation Date:

	<i>HK\$'000</i>
Net book value as at 31 December 2021 (audited)	341,259
Less: depreciation for the period commenced from 1 January 2022 to 15 February 2022	<u>(1,059)</u>
Net book value as at 15 February 2022	340,200
Add: valuation surplus as at 15 February 2022	<u>886,800</u>
Valuation as at 15 February 2022 as set out in Appendix V to this circular	<u><u>1,227,000</u></u>

Note: The valuation surplus has not been recorded in the historical financial information of the Property Holding Company as at the end of the respective years/periods and will not be recorded in the consolidated financial statements of the Group in future periods as the Property Holding Company's investment properties and the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

10. IMPLICATIONS UNDER THE LISTING RULES

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

None of the Directors has a material interest in the Acquisition or is required to abstain from voting on the board resolutions to approve the Acquisition.

LETTER FROM THE BOARD

11. WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction; and (b) a written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders has any material interest in the Provisional Agreement and the transactions contemplated thereunder and hence, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Provisional Agreement and the transactions contemplated thereunder. On 3 March 2022, the Company has obtained a written Shareholders' approval of the Provisional Agreement and the transactions contemplated thereunder from a closely allied group of Shareholders (comprising CKK Investment, Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny) who together held a total of 302,679,000 Shares, representing approximately 74.97% of the issued share capital of the Company as at the date of the written approval and the Latest Practicable Date. Accordingly, no general meeting will be convened by the Company for the purpose of approving the Provisional Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

12. RECOMMENDATION

Although no general meeting will be convened for approving the Provisional Agreement and the transactions contemplated thereunder, the Directors (including the independent non-executive Directors) believe that the Provisional Agreement and the transactions contemplated thereunder are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if the general meeting were convened for approving the Provisional Agreement and the transactions contemplated thereunder, the Directors would have recommended the Shareholders to vote in favour of the Provisional Agreement and the transactions contemplated thereunder.

13. 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: (i) the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the last three financial years ended 31 March 2019, 2020 and 2021 together with relevant notes thereto and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2021 together with the relevant notes thereto have been disclosed in the annual reports of the Company for each of the three years ended 31 March 2019, 2020 and 2021 and the interim report of the Company for the six months ended 30 September 2021 respectively. These annual reports and interim report are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.TDHL.cc>):

- (a) the audited consolidated financial statements of the Group for the year ended 31 March 2019 as set out on pages 62 to 147 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/ltn20190725177.pdf>);
- (b) the audited consolidated financial statements of the Group for the year ended 31 March 2020 as set out on pages 68 to 157 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/2020/0730/2020073000998.pdf>);
- (c) the audited consolidated financial statements of the Group for the year ended 31 March 2021 as set out on pages 71 to 159 of the 2021 annual report of the Company which was posted on 5 July 2021 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0705/2021070500435.pdf>); and
- (d) the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2021 as set out on pages 1 to 39 of the interim report of the Company which was posted on 16 December 2021 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1216/2021121600445.pdf>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 28 February 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had total outstanding bank borrowings of approximately HK\$237,094,000 (including trust receipt borrowings of approximately HK\$130,141,000), in which approximately HK\$139,700,000 were secured by certain ownership interest in leasehold land and buildings and unlisted equity linked fixed coupon notes held by the Group, and approximately HK\$97,394,000 were secured by corporate guarantees provided by the Company and operating subsidiaries of the Group. As at 28 February 2022, bank deposits of the Group of approximately HK\$5,135,000 were pledged to banks to secure banking facilities granted to the Group.

Furthermore, the Group had unsecured and unguaranteed lease liabilities (comprising both current and non-current liabilities) of approximately HK\$53,881,000 relating to the lease of office, warehouse and retail shops of the Group.

As at 28 February 2022, the Property Holding Company have a shareholder's loan of approximately HK\$449,252,000 which was unsecured, non-interest bearing and repayable on demand.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any debt securities issued and outstanding (including authorised or otherwise created but unissued), term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities, guarantees, outstanding bank or other borrowings or indebtedness in the nature of borrowings.

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 2021, 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 Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group primarily involved in three business activities: (i) retail sales of mobile phones and other consumer goods and related services; (ii) distribution of mobile phones and related services; and (iii) the provision of operation services to its associate, Sun Mobile Limited, which it holds 40% interest in, the balance of which is held by HKT Limited. There is no change in the Group's principal business since 31 March 2021, 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 2021, which have been prepared in accordance with Hong Kong Accounting Standards, the Group recorded revenue of approximately HK\$677.68 million, representing an increase of approximately 30.9% as compared to the corresponding period of the previous year. However, profit attributable to the owners of the Company for the period ended 30 September 2021 was approximately HK\$57.34 million, representing a decrease of approximately 23.7% as compared to the corresponding period of the previous year. The significant decrease is due to one-off government subsidies amounted to approximately HK\$23.22 million received in the previous year.

During the period, Hong Kong experienced one of its worst economic setbacks due to the COVID-19 pandemic situation. 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. 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 is optimistic about our retail sales. As at the Latest Practicable Date, the Group is operating 82 retail shops. Following the expansion of the mobile phones sales brand portfolio in earlier 2021, revenue from the retail operation has increased substantially. Looking forward, our retail operation will continue to grow with the adaptation and coverage of 5G networks. While it has been a global trend to fully develop 5G services, Hong Kong's 5G coverage leads the world, according to a research of Hong Kong Trade Development Council. According to HKSAR Government, the 5G coverage in Hong Kong reached over 90% of the population as at May 2021 and the coverage networks in some core business districts or areas with high pedestrian flow even topped 99%. 5G related services and products including 5G smartphones will continue to thrive the forthcoming growth of telecom industry.

In addition, the Group will explore business opportunities that capitalise on current market conditions. It will particularly examine investments that possess the potential for strengthening its business performance and which ultimately lead to the Group's sustainable business development.

The following is the text of report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE PROPERTY HOLDING COMPANY TO THE DIRECTORS OF TELECOM DIGITAL HOLDINGS LIMITED

INTRODUCTION

We report on the historical financial information of Onbo International Limited (the “Property Holding Company”) set out on pages II-3 to II-37, which comprises the statements of financial position of the Property Holding Company as at 31 December 2019, 2020 and 2021 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Property Holding Company for each of the years ended 31 December 2019, 2020 and 2021 (the “Track Record Period”) and a summary of significant policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information as set out on pages II-3 to II-37 forms an integral part of this report, which has been prepared for inclusion in the circular of Telecom Digital Holdings Limited (the “Company”) dated 14 April 2022 (the “Circular”) in connection with the proposed acquisition of 100% equity interest in the Property Holding Company and the loans owing from the Property Holding Company to the vendor and a related company.

DIRECTORS' RESPONSIBILITIES FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Property Holding Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information and for such internal control as the directors of the Property Holding Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Property Holding Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Property Holding Company's financial position as at 31 December 2019, 2020 and 2021 and of the Property Holding Company's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF
SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP
AND MISCELLANEOUS PROVISIONS) ORDINANCE****ADJUSTMENTS**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

DIVIDENDS

No dividends have been declared and paid by the Property Holding Company in respect of the Track Record Period.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

14 April 2022

**A. HISTORICAL FINANCIAL INFORMATION OF THE PROPERTY HOLDING
COMPANY****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Property Holding Company for the Track Record Period, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	8	12,593	13,620	13,909
Other income		56	–	–
Administrative and other expenses		(15,968)	(15,442)	(14,950)
Finance costs	9	<u>(4,418)</u>	<u>(4,557)</u>	<u>(4,692)</u>
Loss before tax		(7,737)	(6,379)	(5,733)
Income tax expense	10	<u>–</u>	<u>–</u>	<u>–</u>
Loss and other comprehensive expense for the year		<u><u>(7,737)</u></u>	<u><u>(6,379)</u></u>	<u><u>(5,733)</u></u>

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Non-current asset				
Investment properties	12	<u>358,203</u>	<u>349,731</u>	<u>341,259</u>
Current assets				
Trade receivable		176	–	–
Prepayments and other receivables	13	1,830	1,799	1,805
Amount due from a related company	14	22,602	32,389	40,467
Bank balances and cash	15	<u>487</u>	<u>31</u>	<u>455</u>
		<u>25,095</u>	<u>34,219</u>	<u>42,727</u>
Current liabilities				
Other payables and accruals	16	6,354	6,506	5,038
Amount due to immediate holding company	17	247,768	247,998	247,998
Amount due to a related company	18	<u>225,908</u>	<u>232,557</u>	<u>239,794</u>
		<u>480,030</u>	<u>487,061</u>	<u>492,830</u>
Net current liabilities		<u>(454,935)</u>	<u>(452,842)</u>	<u>(450,103)</u>
		<u>(96,732)</u>	<u>(103,111)</u>	<u>(108,844)</u>
Capital and reserves				
Share capital	19	–	–	–
Accumulated losses		<u>(96,732)</u>	<u>(103,111)</u>	<u>(108,844)</u>
		<u>(96,732)</u>	<u>(103,111)</u>	<u>(108,844)</u>

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	–	(88,995)	(88,995)
Loss and total comprehensive expense for the year	<u>–</u>	<u>(7,737)</u>	<u>(7,737)</u>
At 31 December 2019 and 1 January 2020	–	(96,732)	(96,732)
Loss and total comprehensive expense for the year	<u>–</u>	<u>(6,379)</u>	<u>(6,379)</u>
At 31 December 2020 and 1 January 2021	–	(103,111)	(103,111)
Loss and total comprehensive expense for the year	<u>–</u>	<u>(5,733)</u>	<u>(5,733)</u>
At 31 December 2021	<u>–</u>	<u>(108,844)</u>	<u>(108,844)</u>

STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Loss before tax	(7,737)	(6,379)	(5,733)
Adjustments for:			
Finance costs	4,418	4,557	4,692
Depreciation of investment properties	<u>8,472</u>	<u>8,472</u>	<u>8,472</u>
Operating cash flows before working capital changes	5,153	6,650	7,431
(Increase) decrease in trade receivables	(176)	176	–
(Increase) decrease in prepayments and other receivables	(204)	31	(6)
Increase (decrease) in other payables and accruals	<u>1,480</u>	<u>152</u>	<u>(1,468)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>6,253</u>	<u>7,009</u>	<u>5,957</u>
INVESTING ACTIVITIES			
Advance to a related company	(9,016)	(10,581)	(9,716)
Repayment from a related company	<u>126</u>	<u>794</u>	<u>1,638</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(8,890)</u>	<u>(9,787)</u>	<u>(8,078)</u>
FINANCING ACTIVITIES			
Advance from a related company	2,178	2,092	2,545
Advance from immediate holding company	<u>–</u>	<u>230</u>	<u>–</u>
NET CASH FROM FINANCING ACTIVITIES	<u>2,178</u>	<u>2,322</u>	<u>2,545</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(459)	(456)	424
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>946</u>	<u>487</u>	<u>31</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	<u><u>487</u></u>	<u><u>31</u></u>	<u><u>455</u></u>

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. Corporate Information**

The Property Holding Company is a limited liability company incorporated in Hong Kong on 24 February 2011. The address of the registered office and principal place of business of the Property Holding Company is Unit B, 18/F., Mongkok Commercial Centre, 16 Argyle Street, Kowloon, Hong Kong. The immediate holding company is Metro Rider Investment Limited. The principal activity of the Property Holding Company is holding properties in Hong Kong.

The Historical Financial Information is presented in Hong Kong Dollars (“HK\$”) which is also the functional currency of the Property Holding Company.

2. Basis of Preparation

The Property Holding Company had net current liabilities and net liabilities of approximately HK\$450,103,000 and HK\$108,844,000, respectively, as at 31 December 2021. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Property Holding Company’s ability to continue as a going concern. The Historical Financial Information have been prepared on a going concern basis, as immediate holding company and a related company agreed not demand for any repayment of amounts due to immediate holding company and a related company totaling HK\$487,792,000 as at 31 December 2021 until the Property Holding Company is in a financial position to do so. The directors of the Property Holding Company are therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. The Historical Financial Information do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Property Holding Company be unable to continue as a going concern.

3. Adoption of Hong Kong Financial Reporting Standards (“HKFRS(s)”)

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Property Holding Company has consistently applied all HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the financial year beginning on 1 January 2021 throughout the Track Record Period.

New and amendments to HKFRSs issued but not yet effective

The Property Holding Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments ³
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle ²

- ¹ *Effective for annual periods beginning on or after 1 April 2021*
- ² *Effective for annual periods beginning on or after 1 January 2022*
- ³ *Effective for annual periods beginning on or after 1 January 2023*
- ⁴ *Effective for annual periods beginning on or after a date to be determined*

The directors of the Property Holding Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the results and the financial position of the Property Holding Company.

4. Significant Accounting Policies

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Property Holding Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

The Property Holding Company's policy for recognition of rental income is described in the accounting policy headed "Leasing" below.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Property Holding Company as lessor

The Property Holding Company enters into lease agreements as a lessor with respect to some of its building. Leases for which the Property Holding Company is a lessor are classified as operating leases.

When a contract includes both lease and non-lease components, the Property Holding Company applies HKFRS 15 Revenue from Contracts with Customers to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Property Holding Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Property Holding Company intends to settle current tax liabilities and assets on a net basis.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Property Holding Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Cash and cash equivalents

Bank balances and cash in the statements of financial position comprise cash at banks and on hand.

For the purpose of the statements of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when Property Holding Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

Financial assets at amortised cost (debt instruments)

The Property Holding Company measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and included in the “Other income” line item.

Impairment of financial assets

The Property Holding Company recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The Property Holding Company always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated on individual basis based on the Property Holding Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Property Holding Company measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Property Holding Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Property Holding Company compares the risk of a default occurring on the financial instrument as at the end of each reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Property Holding Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Property Holding Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Property Holding Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Property Holding Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Property Holding Company considers a financial asset to have low credit risk when the asset has an external credit rating of 'investment grade' in accordance with the globally understood definitions or if an external rating is not available, the asset has an internal rating of 'low risk'. Low risk means that the counterparty has a strong financial position and there is no past due amounts.

The Property Holding Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Property Holding Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Property Holding Company, in full (without taking into account any collaterals held by the Property Holding Company).

The Property Holding Company considers that default has occurred when a financial asset is more than 90 days past due unless the Property Holding Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

Write-off policy

The Property Holding Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Property Holding Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Property Holding Company in accordance with the contract and all the cash flows that the Property Holding Company expects to receive, discounted at the original effective interest rate.

If the Property Holding Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Property Holding Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used. The Property Holding Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Property Holding Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by Property Holding Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Property Holding Company after deducting all of its liabilities. Equity instruments issued by Property Holding Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Property Holding Company derecognises financial liabilities when, and only when, the Property Holding Company's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment losses investment properties

At the end of the reporting period, the Property Holding Company reviews the carrying amounts of its investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Property Holding Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

In the application of the Property Holding Company's accounting policies, which are described in note 4, the directors of the Property Holding Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the accounting policies

The following is the critical judgement, apart from those involving estimations, that the directors of the Property Holding Company have made in the process of applying the Property Holding Company's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the financial statements.

Going concern consideration

The assessment of the going concern assumption involves making judgements by the directors of the Property Holding Company, at a particular point of time, about the future outcome of events and conditions which are inherently uncertain. The directors of the Property Holding Company believe that the liquidity of the Property Holding Company can be maintained in the coming twelve-month period from 31 December 2021 after taking into the considerations as detailed in note 2.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

As at 31 December 2019, 2020 and 2021, no deferred tax asset has been recognised on the tax losses of HK\$45,179,000, HK\$45,739,000 and HK\$45,724,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more/less than expected, a material recognition/reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition/reversal takes place.

Estimated impairment of investment properties

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of investment properties has been determined on an open market basis by the directors of the Property Holding Company at the end of the reporting period. The valuation requires the use of judgement and estimation. As at 31 December 2019, 2020 and 2021, the carrying amount of investment properties was approximately HK\$358,203,000, HK\$349,731,000 and HK\$341,259,000, net of accumulated impairment loss of nil, nil and nil respectively. Details of the valuation are disclosed in note 12.

Estimated impairment of amount due from a related company

The impairment provision for amount due from a related company is based on assumptions about ECL. The Property Holding Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the Property Holding Company's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the statement of profit or loss and other comprehensive income. As at 31 December 2019, 2020 and 2021, the carrying amount due from a related company was HK\$22,602,000, HK\$32,389,000 and HK\$40,467,000. No impairment loss was provided for the years ended 31 December 2019, 2020 and 2021.

6. Capital Risk Management

The Property Holding Company manages its capital to ensure that entities within the Property Holding Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Property Holding Company's overall strategy remained unchanged during the Track Record Period.

The capital structure of the Property Holding Company consists of amounts due to immediate holding company and a related company, bank balances and cash and equity attributable to owners of the Property Holding Company, comprising issued share capital and reserves.

The directors of the Property Holding Company review the capital structure of the Property Holding Company periodically. As part of this review, the directors of the Property Holding Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Property Holding Company, the Property Holding Company will conduct review to balance its overall capital structure, the Property Holding Company will consider the raise of additional borrowings as additional capital.

The directors of the Property Holding Company also endeavor to ensure the steady and reliable cash flows from the normal business operation.

7. Financial Instruments

a) *Categories of financial instruments*

	31 December		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Financial assets at amortised cost (including bank balances and cash)	<u>25,019</u>	<u>34,174</u>	<u>42,676</u>
Financial liabilities			
Financial liabilities at amortised cost	<u>480,030</u>	<u>487,061</u>	<u>492,830</u>

b) Financial risk management objectives and policies

The Property Holding Company's major financial instruments include other receivables, amount due from a related company, bank balances and cash, other payables and accruals and amounts due to immediate holding company and a related company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (interest rate risk), and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at the end of each reporting period, the Property Holding Company's maximum exposure to credit risk which will cause a financial loss to the Property Holding Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, as stated in the statements of financial position.

The credit risk of the Property Holding Company mainly arises from cash and cash equivalents, other receivables and amount due from a related company. The carrying amounts of these balances represent the Property Holding Company's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Property Holding Company has a policy in place to closely monitor the collection of the receivables on an ongoing basis. In addition, the Property Holding Company reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Property Holding Company consider that the Property Holding Company's credit risk is significantly reduced.

For trade receivables, the Property Holding Company determines the ECL by using individual basis, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Property Holding Company consider that the Property Holding Company's credit risk is significantly reduced.

For other receivables and amount due from a related company, the Property Holding Company has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Property Holding Company will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered amount due from a related company to be low credit risk and thus the impairment provision recognised during the Track Record Period was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on the amount due from a related company, the Property Holding Company does not have any other significant concentration of credit risk.

The Property Holding Company's exposure to credit risk

In order to minimise credit risk, the Property Holding Company has maintain the Property Holding Company's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is drawn from publicly available financial information. The Property Holding Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Property Holding Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit-impaired

Category	Description	Basis for recognising ECL
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Property Holding Company has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Property Holding Company's financial assets as well as the Property Holding Company's maximum exposure to credit risk.

	Internal credit rating	12-month or lifetime ECL	31 December 2019		31 December 2020		31 December 2021	
			Gross carrying amount	Net carrying amount	Gross carrying amount	Net carrying amount	Gross carrying amount	Net carrying amount
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits	Performing	12-month ECL	<u>1,754</u>	<u>1,754</u>	<u>1,754</u>	<u>1,754</u>	<u>1,754</u>	<u>1,754</u>
Amount due from a related company	Performing	12-month ECL	<u>22,602</u>	<u>22,602</u>	<u>32,389</u>	<u>32,389</u>	<u>40,467</u>	<u>40,467</u>

The Property Holding Company's concentration of credit risk by geographical location is mainly in Hong Kong.

Market risk

Interest rate risk

The Property Holding Company is exposed to fair value interest rate risk in relation to amount due to a related company which carries fixed interest rate (see note 18). The Property Holding Company is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 15). The Property Holding Company currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

As all the Property Holding Company's bank balances were short-term in nature, any change in the interest rate from time to time is not considered to have significant impact to the Property Holding Company's performance.

Liquidity risk

The Property Holding Company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to satisfy its contractual and reasonably foreseeable obligations as they fall due.

As at 31 December 2021, the Property Holding Company is exposed to liquidity risk as the Property Holding Company had net current liabilities and net liabilities of approximately HK\$450,103,000 and HK\$108,844,000 respectively. The directors of Property Holding Company are of the opinion that the Property Holding Company will have sufficient working capital to meet its financial obligations and the details of which are set out in note 2.

The financial liabilities of the Property Holding Company as at 31 December 2019, 2020 and 2021 are payable on demand or within one year and the undiscounted cash flows are same as the carrying amount.

c) Fair value measurement of financial instruments

The directors of the Property Holding Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

8. Revenue

	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Gross rental income from investment properties (note)	<u>12,593</u>	<u>13,620</u>	<u>13,909</u>
Note:			
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Gross rental income from investment properties	<u>12,593</u>	<u>13,620</u>	<u>13,909</u>
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the year	3,726	3,073	2,933
Direct operating expenses incurred for investment properties that did not generate rental income during the year	<u>3,676</u>	<u>3,516</u>	<u>3,415</u>
	<u>7,402</u>	<u>6,589</u>	<u>6,348</u>
Net rental income from investment properties	<u>5,191</u>	<u>7,031</u>	<u>7,561</u>

9. Finance Costs

	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on amount due to a related company	<u>4,418</u>	<u>4,557</u>	<u>4,692</u>

10. Income Tax Expense

No provision for Hong Kong Profits Tax has been made for the Track Record Period as the Property Holding Company has no assessable profits arising in Hong Kong for Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	<u>(7,737)</u>	<u>(6,379)</u>	<u>(5,733)</u>
Tax at the applicable tax rate of 16.5%	(1,277)	(1,053)	(946)
Tax effect of expenses not deductible for tax purpose	951	961	948
Utilisation of tax losses previously not recognised	-	-	(2)
Tax effect of tax loss not recognised	<u>326</u>	<u>92</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>

The followings are the deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Tax losses <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	1,837	(1,837)	–
Credited (charged) to the profit or loss	<u>447</u>	<u>(447)</u>	<u>–</u>
At 31 December 2019 and 1 January 2020	2,284	(2,284)	–
Credited (charged) to the profit or loss	<u>447</u>	<u>(447)</u>	<u>–</u>
At 31 December 2020 and 1 January 2021	2,731	(2,731)	–
Credited (charged) to the profit or loss	<u>447</u>	<u>(447)</u>	<u>–</u>
At 31 December 2021	<u><u>3,178</u></u>	<u><u>(3,178)</u></u>	<u><u>–</u></u>

As at 31 December 2019, 2020 and 2021, the Property Holding Company has unused estimated tax losses of approximately HK\$59,026,000, HK\$62,298,000 and HK\$64,995,000. Deferred tax assets has been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, 2020 and 2021, tax losses of approximately HK\$13,847,000, HK\$16,559,000 and HK\$19,271,000 has been recognised as deferred tax assets to offset deferred tax liabilities respectively.

As at 31 December 2019, 2020 and 2021, no deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$45,179,000, HK\$45,739,000 and HK\$45,724,000 due to the unpredictability of future profits streams. Tax losses may be carried forward indefinitely.

11. Loss Before Tax

Loss before tax has been arrived at after charging:

	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	20	20	20
Directors' emoluments	<u>–</u>	<u>–</u>	<u>–</u>

12. Investment Properties

HK\$'000

COST

At 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u><u>423,599</u></u>
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ACCUMULATED DEPRECIATION

At 1 January 2019	56,924
Charge for the year	<u>8,472</u>

At 31 December 2019 and 1 January 2020	65,396
Charge for the year	<u>8,472</u>

At 31 December 2020 and 1 January 2021	73,868
Charge for the year	<u>8,472</u>

At 31 December 2021	<u><u>82,340</u></u>
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CARRYING VALUES

At 31 December 2019	<u><u>358,203</u></u>
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At 31 December 2020	<u><u>349,731</u></u>
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At 31 December 2021	<u><u>341,259</u></u>
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Notes:

- (a) As at 31 December 2019, 2020 and 2021, the investment properties are located in Hong Kong under medium-term leases. The investment properties are depreciated on a straight-line basis over the term of the leases.
- (b) As at 31 December 2019, 2020 and 2021 the fair values of the investment properties have been determined by the directors of the Property Holding Company. The valuations are arrived by reference to the recent market prices for similar properties in similar locations and conditions. The aggregated fair value, which is also the estimated recoverable amounts, of the investment properties were HK\$1,280,000,000, HK\$1,310,000,000 and HK\$1,180,000,000. There was no impairment loss recognised for Track Record Period.

- (c) The following table gives information about how the fair values of the investment properties as at 31 December 2019, 2020 and 2021 are determined (in particular, the valuation techniques and inputs used):

Fair value hierarchy	Fair value at 31 December	Valuation technique and key input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Level 3	2019: HK\$1,280,000,000 2020: HK\$1,310,000,000 2021: HK\$1,180,000,000	Direct comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available and taking into account the difference location and individual factors	2019: HK\$16,000- HK\$20,000 2020: HK\$16,000- HK\$20,000 2021: HK\$15,000- HK\$20,000 per square feet	The higher the recent transaction price, the higher the fair value

There were no transfers into or out of level 3 during the Track Record Period.

There has been no change from the valuation technique used during the Track Record Period. In estimating the fair value of the properties, the highest and the best use of the properties is their current use.

- (d) The Property Holding Company leases out properties under operating leases. None of the leases includes contingent rentals.
- (e) At 31 March 2019, 2020, 2021, the investment properties with carrying amounts of approximately HK\$358,203,000, HK\$349,731,000 and HK\$341,259,000 have been pledged to secure banking facilities granted to the related company of the Property Holding Company. Subsequent to the Track Record Period, the pledge of investment properties has been fully released.

13. Prepayments and Other Receivables

	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Prepayments	76	45	51
Utility deposits	<u>1,754</u>	<u>1,754</u>	<u>1,754</u>
	<u>1,830</u>	<u>1,799</u>	<u>1,805</u>

The directors of the Property Holding Company believe that no impairment allowance is necessary in respect of utility deposits, as there have not been a significant change in credit quality and the balances are still considered fully recoverable. Therefore, the directors of the Property Holding Company considered that it has low risk of default or has not been a significant increase in credit risk since initial recognition of which that are not credit-impaired. Thus, no loss allowance was recognised as of 31 December 2019, 2020 and 2021.

The Property Holding Company does not hold any collateral over its other receivables.

There has been no change in the estimation techniques or significant assumptions made during the Track Record Period.

14. Amount due from a Related Company

The amount represented rental receivables which was unsecured, interest-free, and repayable on demand.

The directors of Property Holding Company believe that no impairment allowance is necessary in respect of this balance as there have not been a significant change in credit quality and the balance is still considered fully recoverable. Therefore, the directors of the Property Holding Company considered that it has low risk of default or has not been a significant increase in credit risk since initial recognition of which that are not credit-impaired. Thus, no loss allowance was recognised as of 31 December 2019, 2020 and 2021.

15. Bank Balances and Cash

Bank balances carried interest at prevailing market rates throughout the Track Record Period.

16. Other Payables and Accruals

	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	2,415	2,741	1,277
Deposit received	<u>3,939</u>	<u>3,765</u>	<u>3,761</u>
	<u><u>6,354</u></u>	<u><u>6,506</u></u>	<u><u>5,038</u></u>

17. Amount due to Immediate Holding Company

The amount due to immediate holding company was unsecured, non-interest bearing and repayable on demand.

18. Amount due to a Related Company

The amount due to a related company was unsecured, interest bearing at 2% during Track Record Period and repayable on demand.

19. Share Capital

	Number of shares	Share capital HK\$
<i>Issued and fully paid:</i>		
At 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>1</u>	<u>1</u>

20. Related Party Transactions

- (a) In addition to those disclosed elsewhere in the Historical Financial Statements, the Property Holding Company had the following related party transactions which were carried out in the normal course of the Property Holding Company's business:

Name of related parties	Nature of related party relationship	Nature of transactions	2019	2020	2021
			HK\$'000	HK\$'000	HK\$'000
Club East (Tsun Yip Street) Limited	Related company	Rental income from lease of investment properties	9,045	9,707	10,322
Youngsview Hong Kong Limited	Related company	Management fee expense	432	483	431
Full Profit Trading Limited	Related company	Interest expense	<u>4,418</u>	<u>4,557</u>	<u>4,692</u>

Note:

The ultimate beneficial owner of the Property Holding Company is the common shareholder of these related companies.

(b) Compensation of key management personnel

No remuneration was paid to the directors and key management personnel during Track Record Period.

21. Pledge of Asset

As at 31 December 2019, 2020 and 2021, the Property Holding Company had pledged its investment properties with the carrying amount of approximately HK\$358,203,000, HK\$349,731,000 and HK\$341,259,000 respectively in respect of banking facilities granted to its related company to the extent of HK\$1,015,000,000. Subsequent to the Track Record Period, the pledge of investment properties has been fully released.

22. Operating Lease Arrangements***The Property Holding Company as lessor***

The Property Holding Company leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Property Holding Company in future periods as follows:

	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	7,909	14,341	14,500
Over 1 year but within 2 years	45	14,296	8,642
Over 2 years but within 3 years	—	8,538	—
	<u>7,954</u>	<u>37,175</u>	<u>23,142</u>

23. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Property Holding Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statements of cash flows as cash flows from financing activities.

	Amount due to immediate holding company HK\$'000	Amount due to a related company HK\$'000	Total HK\$'000
At 1 January 2019	247,768	219,312	467,080
Financing cash flows:			
Advance from a related company	–	2,178	2,178
Non-cash change:			
Interest expenses	–	4,418	4,418
	<u>–</u>	<u>4,418</u>	<u>4,418</u>
At 31 December 2019 and 1 January 2020	247,768	225,908	473,676
Financing cash flows:			
Advance from a related company	230	2,092	2,322
Non-cash change:			
Interest expenses	–	4,557	4,557
	<u>–</u>	<u>4,557</u>	<u>4,557</u>
At 31 December 2020 and 1 January 2021	247,998	232,557	480,555
Financing cash flows:			
Advance from a related company	–	2,545	2,545
Non-cash change:			
Interest expenses	–	4,692	4,692
	<u>–</u>	<u>4,692</u>	<u>4,692</u>
At 31 December 2021	<u>247,998</u>	<u>239,794</u>	<u>487,792</u>

24. Event after Track Record Period

Subsequent to 31 December 2021, the amounts of amount due from a related company of approximately HK\$40,467,000 and amount due to a related company of approximately HK\$239,794,000 have been taken up by the immediate holding company.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Property Holding Company in respect of any period subsequent to 31 December 2021.

**MANAGEMENT DISCUSSION AND AN ANALYSIS OF THE PROPERTY HOLDING
COMPANY**

Set out in Appendix II to this circular is the accountant's report on the Property Holding Company for the three financial years ended 31 December 2019, 2020 and 2021. Below is the management discussion and analysis of the Property Holding Company during the period reported on which should be read in conjunction with the accountant's report on the Property Holding Company set out in Appendix II to this circular.

**Financial Year ended 31 December 2021 ("FY2021") compared with Financial Year ended
31 December 2020 ("FY2020")*****Revenue***

The Property Holding Company's revenue represented the rental income and management fee income generated from leasing of the Property. The Property Holding Company's revenue for FY2021 was approximately HK\$13.9 million, representing an increase of approximately 2.2%, as compared with approximately HK\$13.6 million in FY2020. The increase in revenue was mainly attributable to the addition of certain new tenancies during the year ended 31 December 2021.

Net rental incomes

The Property Holding Company's net rental income margin increased from 51.6% in FY2020 to 54.4% in FY2021. This increase was primarily due to the slight increase in the gross rental income coupled with the slight decrease in the direct operating expenses incurred of investment properties that generated and did not generate rental income during the year.

Total comprehensive expense

As a result of the above, the loss of the Property Holding Company for FY2021 amounted to approximately HK\$5.7 million, representing a decrease of approximately 10.9%, as compared with HK\$6.4 million in FY2020.

FY2020 compared with Financial Year ended 31 December 2019 ("FY2019")***Revenue***

The Property Holding Company's revenue for FY2020 was approximately HK\$13.6 million, representing an increase of approximately 7.9%, as compared with approximately HK\$12.6 million in FY2019. The increase in revenue was primarily attributable to the increment in monthly rental income upon the renewal of certain tenancies of the Property during the year ended 31 December 2020.

Net rental Incomes

The Property Holding Company's net rental income margin increased from 41.3% in FY2019 to 51.6% in FY2020. This increase was primarily due to a decrease in the direct operating expenses incurred for investment properties that generated and did not generate rental income, coupled with an increase in the gross rental income during the year.

Total comprehensive expense

As a result of the above, the loss of the Property Holding Company for FY2020 amounted to approximately HK\$6.4 million, representing a decrease of approximately 16.9%, as compared with HK\$7.7 million in FY2019.

Liquidity and financial resources

As at 31 December 2021, the Property Holding Company's current assets amount to approximately HK\$42.7 million which represented increase of HK\$8.5 million or 24.9%. This increase was primarily due to the increase in the amount due from a related company which represented an increase in the rental receivables, trade-in-nature, unsecured, interest-free and repayable on demand. As at 31 December 2020, the Property Holding Company's assets amounted to approximately HK\$34.2 million, which was mainly comprised the prepayments and other receivables, amount due from a related company and bank balances and cash; which represented increase of approximately HK\$9.1 million or 36.3% as compared to approximately HK\$25.1 million as at 31 December 2019.

As at 31 December 2019, 2020 and 2021, the Property Holding Company's cash and bank balances amounted to approximately HK\$487,000, HK\$31,000 and HK\$455,000 respectively. The amounts of all cash and cash equivalent held by the Property Holding Company are denominated in Hong Kong dollars.

The Property Holding Company primarily finances its operation from its holding company. The Property Holding Company adopts a prudent funding and treasury policy towards its overall business operation with an aim to minimise risks.

As at 31 December 2019, 2020 and 2021, the total assets of the Property Holding Company amounted to approximately HK\$383.3 million, HK\$384.0 million and HK\$384.0 million respectively, the total liabilities of the Property Holding Company amounted to approximately HK\$480.0 million, HK\$487.1 million and HK\$492.8 million respectively, and the total equity attributable to owners of the Property Holding Company amounted to approximately -HK\$96.7 million, -HK\$103.1 million and -HK\$108.8 million respectively.

Amount with related party transactions

Part of the revenue of the Property Holding Company for the three years ended 31 December 2019, 2020 and 2021 was generated from renting the Property to the related company subject to the terms agreed by the parties involved which is at fixed monthly fees.

As at 31 December 2019, 2020 and 2021, amount due to an immediate holding company amounted to approximately HK\$247.8 million, HK\$248.0 million and HK\$248.0 million respectively, and the amount due to a related company amounted to approximately HK\$225.9 million, HK\$232.6 million and HK\$239.8 million respectively.

Save as disclosed above, no related party transaction was entered into by the Property Holding Company for the years ended 31 December 2019, 2020 and 2021.

Significant investments, material acquisitions or disposals

There was no significant investments, material acquisitions or disposal during the three years ended 31 December 2019, 2020 and 2021.

Contingent liabilities, capital commitment and pledge of assets

As at 31 December 2019, 2020 and 2021, the Property Holding Company had pledged its investment properties with the carrying amount of approximately HK\$358.2 million, HK\$349.7 million and HK\$341.3 million respectively in respect of banking facilities granted to its related company to the extent of HK\$1,015 million.

Save as disclosed above, as at 31 December 2019, 2020 and 2021, the Property Holding Company did not have any significant contingent liabilities, capital commitment and pledge of assets.

Foreign exchange exposure

As the Property Holding Company's principal business is property holding in Hong Kong, majority of transactions, recognised assets and liabilities are denominated in Hong Kong dollars, there is no significant exposure to foreign currency exchange risks. The Property Holding Company had not entered into any foreign currency exchange forward contracts for hedging purpose.

Gearing ratios

The gearing ratio of the Property Holding Company, which is equal to total liabilities (inclusive of the amounts due to immediate holding company and related company) over total equity as at 31 December 2019, 2020 and 2021, was approximately -496.4%, -472.5% and -452.9% respectively.

Number of employees

During the three years ended 31 December 2019, 2020 and 2021, the Property Holding Company did not have any employees.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP**

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of Telecom Digital Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) and Onbo International Limited (the “Property Holding Company”) (the Group and the Property Holding Company hereinafter collectively referred to as the “Enlarged Group”) (the “Unaudited Pro Forma Consolidated Statement of Assets and Liabilities”), which have been prepared on the basis as set out in the notes below to illustrate the effect of the proposed acquisition of 100% equity interest in the Property Holding Company and the loans owing from the Property Holding Company to the vendor and a related company (the “Acquisition”).

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities has been prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 30 September 2021.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities has been prepared by directors of the Company (the “Directors”) to provide information of the Group upon completion of the Acquisition. It is prepared for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition or any future date.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities should be read in conjunction with the historical financial information as set out in the Company’s published interim report for the period ended 30 September 2021, the accountants’ report of the Property Holding Company as set out in Appendix II of the circular and other financial information included elsewhere in the circular.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2021**

	The Group as at 30 September 2021 <i>HK\$'000</i> <i>(Note 1)</i>	The Property Holding Company as at 31 December 2021 <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustments		The Enlarged Group as at 30 September 2021 <i>HK\$'000</i> <i>(Note 6)</i>
			<i>HK\$'000</i> <i>(Notes 3 and 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	
Non-current assets					
Property, plant and equipment	243,596	–	375,468	1,461	620,525
Right-of-use assets	49,619	–			49,619
Investment properties	90,802	341,259	(21,416)	1,245	411,890
Club membership	1,560	–			1,560
Interests in associates	18,415	–			18,415
Rental deposits	5,749	–			5,749
Prepayments for purchase of property, plant and equipment	1,122	–			1,122
	<u>410,863</u>	<u>341,259</u>			<u>1,108,880</u>
Current assets					
Inventories	108,160	–			108,160
Financial assets at FVTPL	43,525	–			43,525
Trade and other receivables	68,380	1,805	40,467		110,652
Amount due from a related company	–	40,467	(40,467)		–
Amount due from an associate	21,628	–			21,628
Tax recoverable	580	–			580
Pledged bank deposits	5,089	–			5,089
Bank balances and cash	109,500	455	(733,000)		(623,045)
	<u>356,862</u>	<u>42,727</u>			<u>(333,411)</u>
Current liabilities					
Trade and other payables	103,925	5,038		2,706	111,669
Contract liabilities	7,981	–			7,981
Amount due to immediate holding company	–	247,998	(247,998)		–
Amounts due to related companies	954	239,794	(239,794)		954
Lease liabilities	36,274	–			36,274
Bank overdrafts	–	–			–
Bank borrowings	200,042	–			200,042
Tax payable	16,766	–			16,766
	<u>365,942</u>	<u>492,830</u>			<u>373,686</u>
Net current liabilities	<u>(9,080)</u>	<u>(450,103)</u>			<u>(707,097)</u>
Total assets less current liabilities	<u>401,783</u>	<u>(108,844)</u>			<u>401,783</u>

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 September 2021 <i>HK\$'000</i> <i>(Note 1)</i>	The Property Holding Company as at 31 December 2021 <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustments		The Enlarged Group as at 30 September 2021 <i>HK\$'000</i> <i>(Note 6)</i>
			<i>HK\$'000</i> <i>(Notes 3 and 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	
Non-current liabilities					
Long service payment obligations	394	–			394
Lease liabilities	16,803	–			16,803
Deferred tax liabilities	<u>1,638</u>	<u>–</u>			<u>1,638</u>
	<u>18,835</u>	<u>–</u>			<u>18,835</u>
Net assets (liabilities)	<u><u>382,948</u></u>	<u><u>(108,844)</u></u>			<u><u>382,948</u></u>

Notes:

- The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021 as set out in the Company's published interim report for the period ended 30 September 2021.
- The financial information of the Property Holding Company as at 31 December 2021 are extracted from the accountants' report of the Property Holding Company as set out in Appendix II to this circular.
- Pursuant to the provisional agreement entered into by Telecom Digital Investment Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company with respect to the Acquisition (the "Provisional Agreement"), the consideration for the Acquisition of HK\$733,000,000 will be satisfied by cash in three stages: i) an initial deposit of HK\$40,000,000 shall be paid by the Purchaser to Metro Rider Investment Limited (the "Vendor"); ii) a further deposit of HK\$33,300,000 shall be payable by the Purchaser to the Vendor on or before 1 March 2022; and iii) the balance of HK\$659,700,000 shall be payable, subject to adjustment, if any, upon completion of the Acquisition.

The Directors expect that the cash consideration will be funded by (i) the Group's working capital; (ii) loans to be obtained from licensed banks in Hong Kong; and (iii) a shareholder's loan provided by CKK Investment and/or Cheung Brothers. No pro forma adjustment has been made to reflect above mentioned financing activities in the pro forma consolidated statement of assets and liabilities.

- The Property Holding Company is a property holding company established for the holding of the properties. The Group elected to apply the optional concentration test in accordance with Hong Kong Financial Reporting Standard 3 Business Combinations. This acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (i.e. investment properties). According to the Provisional Agreement, the Sale Loan (as defined in this Circular) representing the amounts due to immediate holding company of approximately HK\$247,998,000 and a related company of approximately HK\$239,794,000 in the books and records of the Property Holding Company will be assigned to the Group and therefore eliminated in the statement of assets and liabilities of the Enlarged Group as if the Acquisition had taken place on 30 September 2021. For the amount due from a related company of approximately HK\$40,467,000, it will be reclassified as other receivable in the Enlarged Group.

The consideration of the Acquisition shall be allocated to the individual identifiable assets and liabilities of the Property Holding Company on the basis of their relative fair values at the completion date of the Acquisition, as follows:

	Adjusted carrying amount as at 31 December 2021
	<i>HK\$'000</i>
Properties (<i>note i</i>)	695,311
Prepayments and other receivables	1,805
Amount due from a related company	40,467
Bank balances and cash	455
Other payables and accruals	<u>(5,038)</u>
	<u><u>733,000</u></u>

Notes:

- i) The Group intended to lease out second to seventh floor plus one carparking space of the properties and the remaining portion of the properties shall be for the Group's own uses. Thus, the properties are recognised as "Property, plant and equipment" and "Investment properties" at the fair value of HK\$375,468,000 and HK\$319,843,000 respectively based on their respective gross floor areas.
 - ii) The carrying amount of all assets other than the investment properties approximates to their fair value at the completion date of the Acquisition.
5. The adjustment represents the estimated transaction costs of the Acquisition, including but not limited to legal and professional fees and stamp duty of approximately HK\$2,706,000 directly attributable to the Acquisition which would be capitalised to the investment properties and property, plant and equipment based on their respective gross floor areas.
 6. No adjustments have been made to the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group to reflect any trading results or other transactions of the Group and Property Holding Company entered into subsequent to 30 September 2021 and 31 December 2021, respectively, where applicable.

The following is the text of report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

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

The Board of Directors
Telecom Digital Holdings Limited
19/F, YHC Tower,
No. 1 Sheung Yuet Road, Kowloon Bay,
Kowloon, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Telecom Digital Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2021 and related notes as set out on pages IV-1 to IV-4 of the circular in connection with the proposed acquisition of 100% equity interest in Onbo International Limited (hereinafter referred to as the “Property Holding Company”) and the loans owing by the Property Holding Company to the vendor and a related company (the “Acquisition”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in notes 1 to 6.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisition on the Group’s financial position as 30 September 2021 as if the Acquisition had taken place at 30 September 2021. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s unaudited condensed consolidated financial statements as at 30 September 2021, on which an interim report has been published.

Directors’ Responsibility for the Unaudited pro forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information 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 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) 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 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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 Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information 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 unaudited pro forma financial information 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 accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 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 unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 September 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information 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 unaudited pro forma financial information 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Enlarged Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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 unaudited pro forma financial information 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 unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

14 April 2022

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from International Valuation Limited, an independent valuer, in connection with its valuation as at 15 February 2022 of the Property.



INTERNATIONAL VALUATION LIMITED
國際評估有限公司

Unit 907, 9/F,
Wing On Plaza,
62 Mody Road,
Tsim Sha Tsui East,
Kowloon
Hong Kong

14 April 2022

The Board of Directors
Telecom Digital Holdings Limited
19/F., YHC Tower,
No.1 Sheung Yuet Road,
Kowloon Bay,
Kowloon, Hong Kong

Dear Sir/Madam,

**Re: Valuation of The Whole Block of Wider Industrial Building, No. 58 Tsun Yip Street,
Kowloon, Hong Kong (THE “PROPERTY”)**

1. INSTRUCTIONS AND VALUATION DATE

In accordance with your instruction for us to value the Market Value of the Property to be acquired by Telecom Digital Holdings Limited (the “Company”) and its subsidiaries (together the “Group”), we confirm that we have carried out an external inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 15 February 2022 for transaction purpose.

2. BASIS OF VALUATION

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 Edition issued by The Hong Kong Institute of Surveyors (“HKIS”) is defined as “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”.

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.

3. VALUATION METHODOLOGIES

We have valued the Property on open market basis and on the vacant possession, and the direct comparison method is adopted where comparison based on prices realized on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each Property in order to arrive at a fair comparison of market values.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the open market in its existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Property.

Unless stated as otherwise, we have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all laws. We have further assumed that, for any use of the Property upon which this valuation is based, all required licenses, permit, certificate and authorizations have been obtained.

5. TITLE INVESTIGATION

We have carried out searches to be made at the Land Registry of the Property located in Hong Kong. However, we have not verified ownership of the Property or to verify the existence of any amendments. All documents have been used for reference only.

6. LIMITING CONDITIONS

We have inspected the exterior of the Property on 6 March 2022 but no structural survey has been made, but in the course of our inspection, we did not note any serious defects. No tests were carried out to any of the services. All dimensions, measurements and areas are only approximations.

No internal inspection had been made for the Property. We are unable to report and comment on the interiors of the Property. We have assumed that the interiors of the Property are finished and maintained in reasonable conditions commensurate with its age and uses.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of documents handed to us are correct.

We have relied to a very considerable extent on the information provided by the Company and have accepted information therein on such matters as planning approvals, statutory notices, easements, tenure, occupation, tenancy details, floor area and the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which are material to the valuation. We have also been advised by the Company that no material fact has been omitted from information so supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

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

The conclusion of value is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the valuation, you are urged to consider carefully the nature of such assumptions which are disclosed in this report and should exercise caution when interpreting this report.

This valuation is to be used for the purpose stated herein. Any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our valuation in whole or in part, in any document prepared by the Company and/or distribute to third parties may be made without written consent.

Neither the whole nor any part of this letter and the certified opinion of value attached nor any reference thereto shall be included in any document, circular or statement without prior consent of the form and context in which they will respectively appear. This letter and certified opinion of value are only for the use of the party to whom it is addressed and no responsibility shall be accepted to any third party for the whole or any part of its content.

We hereby certify that we have neither present nor prospective interest in the Company or the value reported.

7. REMARKS

Unless otherwise stated, all monetary amounts are in Hong Kong dollars. We enclose herewith our valuation certificate.

Yours faithfully
For and on behalf of
International Valuation Limited
Patrick Lee
Director (Real Estate)
BSc., MHKIS

Mr. Patrick Lee is a Corporate Member from the General Practice Division of the Hong Kong Institute of Surveyors. He has over 20 years post qualification experience in the valuation of properties in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property to be acquired by the Group for Owner Occupation and Investment Purposes in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 15 February 2022
The Whole Block of Wider Industrial Building, No. 58 Tsun Yip Street, Kowloon Hong Kong	The Property comprises the whole block of a 13-storey revitalised industrial building completed in 1981.	As at the date of valuation, except for the whole of 1st, 7th to 12th Floor with a gross floor area of approximately 53,330.01 sq.ft., which is vacant, a portion of The Property with a total gross floor area of approximately 43,984.93 sq.ft. was subject to various tenancies at a monthly rental of HK\$1,214,260 with the latest expiry date on 13 August 2024	HK\$1,227,000,000
Kwun Tong Inland lot No. 177	As per the information provided by the Company, the gross area of the Property is approximately 97,314.94 sq.ft. plus a flat roof of 2,392 sq.ft.		
	Gross Floor Area	Approx. (sq.ft.)	
	Floor		
	Ground	2,433.15	
	1/F	9,335.37	
	2/F	9,740.92	
	3/F	9,813.54	
	4/F	7,332.44	
	5/F-12/F	<u>58,659.52</u>	
	Total:	<u>97,314.94</u>	
	The Property is held under a Government Lease for a lease term of 21 years renewable for 21 years commencing on 1 July 1955. The term has been statutorily extended to 30 June 2047. The government rent payable for the Property is at 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) According to the land search carried out on 25 February 2022, the followings are summarised as below:-
 - a. The registered owner of the Property is Onbo International Limited.
 - b. The Property is subject to a Deed of Mutual Covenant vide memorial no. UB2205725 dated 22 December 1981.
 - c. The Property is subject to a Mortgage in favour of Industrial And Commercial Bank Of China (Asia) Limited vide memorial no. 1710270249046 dated 10 October 2017.
 - d. The Property is subject to a Second Mortgage in favour of Industrial And Commercial Bank Of China (Asia) Limited vide memorial no. 21012602250284 dated 5 January 2021.
 - e. The Property is subject to a Waiver vide memorial no. 15060501880015 dated 13 May 2015.
- (2) We have valued the Property according to the uses permitted and the conditions stated in the above Waiver document and we have assumed that the owner and the occupants of the Property has fully complied with all the conditions stipulated in the Waiver.
- (3) No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property, nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

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	20,967,000	5.19%
	Beneficiary of a trust ^(Note 2)	220,000,000	54.49%
Mr. Cheung King Shan	Beneficial owner	20,506,000	5.08%
	Beneficiary of a trust ^(Note 2)	220,000,000	54.49%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,568,000	5.09%
	Beneficiary of a trust ^(Note 2)	220,000,000	54.49%
Mr. Cheung King Fung Sunny	Beneficial owner	20,638,000	5.11%
	Beneficiary of a trust ^(Note 2)	220,000,000	54.49%
Mr. Wong Wai Man	Beneficial owner	30,000	0.0074%
Ms. Mok Ngan Chu	Beneficial owner	30,000	0.0074%

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 220,000,000 Shares, representing approximately 54.49% of the Shares in issue, are held by CKK Investment. CKK Investment is wholly-owned by Amazing Gain Limited ("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 (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the Shares 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.

(b) Long positions in underlying shares of associated corporations

Name of associated corporations	Capacity	Number of shares/Amount of share capital	Approximate percentage of interests
Amazing Gain Limited	Beneficiary of a trust ^(Note)	100	100%
CKK Investment Limited	Beneficiary of a trust ^(Note)	1	100%
Pin International Holdings Limited	Beneficiary of a trust ^(Note)	12	100%

Note: Amazing Gain is one of the controlling shareholders of the Company and the holding company of the Company. The companies listed in the table above (apart from Amazing Gain) are subsidiaries of Amazing Gain. Hence, Amazing Gain and the rest of the companies listed in the table above are associated corporations of the Company under the SFO. Each of the Cheung Brothers is deemed to have interests in the said associated corporations 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 the Company's share in issued ^(Note 1)
CKK Investment Limited	Beneficial owner ^(Note 2)	220,000,000	54.49%
Amazing Gain Limited	Interest in a controlled corporation ^(Note 2)	220,000,000	54.49%
J. Safra Sarasin Trust Company (Singapore) Limited	Trustee (other than a bare trustee) ^(Note 2)	220,000,000	54.49%
Ms. Tang Fung Yin Anita	Interest of spouse ^(Note 3)	240,506,000	59.57%
Ms. Yeung Ho Ki	Interest of spouse ^(Note 3)	240,638,000	59.60%

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 220,000,000 Shares, representing approximately 54.49% of the Shares in issue, are held by CKK Investment. CKK Investment 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 (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the Shares 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 240,506,000 shares and 240,638,000 Shares 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.

As at the Latest Practicable Date, each of Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fund Sunny is a director of CKK Investment, which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other Director who was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed 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 consolidated 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 as the Provisional Agreement, there are no contracts, not being a contract entered into in the ordinary course of business of the Enlarged Group, was entered into by members of the Group during the two years immediately preceding the date of this circular which is 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
International Valuation Limited	Property valuer
SHINEWING (HK) 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 2021, 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 2021, 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 2021, 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 Mr. Wong Yu On who is a certified public accountant as defined in the Professional Accountants Ordinance.
- (c) The principal place of business of the Company in Hong Kong is at 19/F., YHC Tower, No. 1 Sheung Yuet 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 Tricor Services (Cayman Islands) Limited whose address is situated at 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 ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.TDHL.cc) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Provisional Agreement (redacted) (*Note*);

- (b) the accountants' report on the Property Holding Company issued by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this circular;
- (c) the report on the unaudited pro forma financial information of the Enlarged Group issued by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix IV to this circular; and
- (d) the report from International Valuation Limited in relation to the valuation of the Property, the text of which is set out in Appendix V to this circular.

Note: As certain personal information (being identification number of the Vendor Guarantor and the name and identification number of the representative of the property agent) contained in the Provisional Agreement (the "Personal Information") is considered to be personal data, the public disclosure of the Personal Information on the websites of the Company and the Stock Exchange may constitute a possible breach of the Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong). In addition, the Personal Information is not public information, and the Company considers that the Personal Information is not material information relating to the Acquisition, the omission of which would not affect the Shareholders' assessment of the commercial terms and hence the merits of the Provisional Agreement and/or the Acquisition. In light of the above, the Company has applied to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with Rule 14.66(10) of and paragraph 43(2)(c) of Appendix 1B to the Listing Rules by redacting the Personal Information in the Provisional Agreement to be published on the websites of the Company and the Stock Exchange.