Telecom Digital Holdings Limited
電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8336

LISTING BY WAY OF PLACING

Sole Sponsor

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Sole Bookrunner and Sole Lead Manager

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Co-lead Manager

TD Securities 電訊證券 on-line trading

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Telecom Digital Holdings Limited
電 訊 數 碼 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	**:**	**100,000,000 Shares (subject to the Over-allotment Option)**
Placing Price	**:**	**HK$1.00 per Placing Share (payable in full on application, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**8336**

Sole Sponsor

Guotai Junan Capital Limited

Sole Bookrunner and Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-Lead Manager

Telecom Digital Securities Limited

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "A. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prior to making any investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Placing Shares should note that the obligations of the Underwriters under the Underwriting Agreement are subject to termination by the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Co-Lead Manager and the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements, commissions and expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

26 May 2014

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

(Notes 1 and 3)

Announcement of the level of indication of interest in the Placing to be published on the GEM Website and our Company's website (www.telecomdigital.cc) on or before .... Thursday, 29 May 2014

Allotment of the Placing Shares to placees on or before.................. Thursday, 29 May 2014

Deposit of share certificates for the Placing Shares into CCASS on or before *(Note 2)* .... Thursday, 29 May 2014

Dealings in Shares on GEM expected to commence at 9:00 a.m. on.......... Friday, 30 May 2014

Notes:

1. All times and dates refer to Hong Kong times and dates.

2. The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before Thursday, 29 May 2014 for credit to the relevant CCASS Participants' or CCASS Investor Participants' stock accounts designated by the Sole Lead Manager (for itself and on behalf of the Co-Lead Manager and the Underwriters), the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued by us. All share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms prior to 8:00 a.m. on the Listing Date.

3. A separate announcement will be published on the GEM Website and our Company's website (www.telecomdigital.cc) if there is any change to the above expected timetable.

For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Placing.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are summarised in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

Our Group was founded in 1974 as one of the first paging operators in Hong Kong. In the past 40 years, our Group has been actively engaged in the telecommunications and related business in Hong Kong. We are principally engaged in (i) retail sales of mobile phones of various brands and pre-paid SIM cards; (ii) distribution of mobile phones; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to NWM, a mobile service operator in Hong Kong and a 40%-owned associate of our Group.

For the two years ended 31 March 2013 and the nine months ended 31 December 2013, our total revenue was HK$840.2 million, HK$1,091.1 million and HK$890.5 million, respectively, and during the same periods, our profit was HK$6.9 million, HK$50.4 million and HK$67.7 million, respectively. According to the Industry Report, with reference to the total shipment of mobile phones of 26.61 million units in Hong Kong during the year ended 31 December 2013, it is estimated that the number of mobile phones that we sold in our retail operation of about 130,000 units accounted for about 0.5% of the market share.

OUR SCOPE OF BUSINESS

We have our own paging and Mobitex based network system, a network of 51 shops and a logistics team comprising 22 staff and 10 trucks in Hong Kong. Based on these, our principal business currently comprises:

(i) Retail sales of mobile phones of various brands and pre-paid SIM cards — We sell mobile phones of various brands and local pre-paid SIM cards for mobile voice services at our shops in Hong Kong. Currently we sell mobile phones of Samsung, LG, Sony, Sharp, HTC, Lenovo and Motorola brands.

(ii) Distribution of mobile phones — We are currently a non-exclusive distributor of mobile phones of two international renowned brands in Hong Kong and distribute the mobile phones of these two brands to wholesalers and retailers. One of them is a multinational mobile phone manufacturing company headquartered in Tokyo, Japan, and is a wholly owned subsidiary of a Tokyo-based global enterprise which is engaged in a broad range of businesses, including the electronic business, entertainment businesses and financial services business; whereas the other one is a global enterprise, headquartered in Korea and engaged in consumer electronics, mobile communications and home appliances with five business units comprising home entertainment, mobile communications, home appliance, air conditioning and energy solutions and vehicle components.

(iii) Provision of paging and other telecommunications services — Our paging and other telecommunications services can be broadly categorised into:

— (A) Data services, which primarily relate to delivery of data as follows:

- Paging services — Our paging services include the traditional message paging, personal call answering services and information broadcasting services. We designated our personal call answering services as "My Number" services by which subscribers can read paging messages on their mobile phones without pagers. Information broadcasting services involve the transmission of continuously updated information, which primarily includes (I) prices of securities quoted on the Stock Exchange; (II) gaming information of the Hong Kong Jockey Club including odds and results of horse racing and football matches; and (III) forex information provided by a forex trading company, to the subscribers.

- Mobitex based services — We market our Mobitex based services under the brand name of "Mango". The services apply the technology of Mobitex whereby through our specially designed "Mango" series devices, subscribers can receive constantly updated information and data of the stock market and odds and results of horse racing and football matches, and can also send betting entries and their transaction instructions of stock investment.

- Smartphone apps — We have developed two applications for smartphones, namely "TD Stock Pro" and "Mango Pro", which can be downloaded by the users from mobile apps stores to their smartphones. "TD Stock Pro" allows subscribers to have access to real time trading prices of Hong Kong listed stocks as well as trade shares with the use of smartphones. "Mango Pro" enables subscribers of the application to have access to real-time information and data on odds of horse racing and football matches provided by the Hong Kong Jockey Club as well as place bets with the use of smartphones.

- Information broadcasting through the Internet — RaceMate is a computer software which enables the users to obtain information on horse racing matches for analysis use. Racing Odds is an online service which enables users to obtain real time horse racing odds supplied by Hong Kong Jockey Club.

— (B) Voice services, which primarily relate to voice calls as follows:

- "One card two numbers" services — "One card two numbers" services allow subscribers to possess mobile phone numbers of Hong Kong and the PRC simultaneously in one single SIM card. When the subscriber makes phone calls in Hong Kong or China, local calls dialed and received are only subject to local telephone charges but not higher charges for roaming services.

- IDD and international call forwarding services — We provide IDD services which allow subscribers to make IDD calls to more than 230 overseas destinations. Our IDD prefix call number is 1551. In respect of our international call forwarding services, the subscribers can forward their incoming calls to a designated overseas number through our system, and are not required to pay expensive mobile roaming charges when they answer calls to their Hong Kong numbers.

(iv) Provision of operation services to NWM — Our wholly owned subsidiary, TDM, is responsible for the operation of NWM and receives a services fee. NWM is an MVNO which provides mobile services in the brand name of "New World Mobility" ("新世界傳動網") in Hong Kong and is our associate owned by TDM as to 40% and by CSL as to 60%. The operation services we provide to NWM include sales management services, marketing operation services, customer services, billing, payment and debt collection services, and customer data compilation and analysis services. We provide sales and customer services to NWM Subscribers at our shops in Hong Kong. To prevent monopoly and to support the MVNOs, Hong Kong Government requires all MNOs operating in the 1.9–2.2 GHz band for 3G services to share 30% of its network capacity with non-affiliated MVNOs, which in turn give the right to MVNOs to choose their business partners. It is common for MVNOs to choose one single MNO to cooperate with in order to ensure stable services.

OUR RELIANCE ON NWM

NWM is one of the MVNOs which provide mobile services in Hong Kong. We share 40% of the results of NWM and receive services fee from NWM for providing operation services to NWM. During the Track Record Period, our share of results of NWM had increased and represented approximately nil, 23.8% and 23.2% of our profit before tax in each of the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, respectively. Moreover, the revenue from our retail operation has been primarily derived from the sale of mobile phones to NWM Subscribers.

The following table sets out the amounts of our revenue, segment results and sharing of results of an associate during the Track Record Period, generated in connection with our business co-operation with NWM:

	Year ended 31 March		Nine months ended 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
— Sales of mobile phones to NWM Subscribers	125,621	439,527	322,952
Percentage of the Group's Revenue	15.0%	40.3%	36.3%
— Service income from provision of operation services to NWM	55,037	113,196	117,844
Percentage of the Group's Revenue	6.6%	10.4%	13.2%
Segment results			
— Sales of mobile phones to NWM Subscribers *(Note)*	5,933	28,327	27,483
Percentage of the aggregate result of all the Group's segments	31.0%	62.4%	44.7%
— Service income from provision of operation services to NWM	(44,395)	(26,475)	7,134
Percentage of the aggregate result of all the Group's segments	Not applicable	Not applicable	11.6%
Share of results of an associate (NWM)	—	12,983	16,836
Percentage of the Group's profit before tax	—	23.8%	23.2%

Note: Please note that these segment results figures set out above are for information only and have been arrived at based on proportion of certain operation expenses of the relevant operation.

CSL is responsible for the provision of network services to NWM and we are responsible for the operation of NWM. Moreover it is common for mobile service operators in Hong Kong to offer handset bundle tariff plans to customers. Based on the above, the Directors consider that the reliance on CSL to provide Hong Kong airtime to NWM and our reliance on NWM Subscribers to contribute most of our retail sales of mobile phones are equally mutual and complementary.

In the event that our current business relationship with CSL is terminated, we need to modify our business model in running telecommunication business and may need to seek collaboration with other MNOs apart from CSL. Such alternative collaboration with other MNOs may involve, among others, forming joint venture with other MNOs and replicating the business model of NWM in providing mobile services; or purchasing airtime (and/or network services) from other MNOs and providing mobile services by ourselves as an MVNO.

Given that (i) our Directors are experienced in the industry; (ii) we have the experience of engaging in the mobile business by purchasing airtime from MNOs other than CSL in the past; (iii) we have been collaborating with CSL in relation to the operation of NWM for years and we did not experience material dispute with CSL so far; (iv) there are currently other MVNOs in Hong Kong engaged in the business of provision of mobile or voice services by purchasing airtime from MNOs, proving that such business model is commercially viable; (v) it is the policy of the Communications Authority that an MNO operating in the 1.9–2.2 GHz band for 3G services is obliged to open 30% of its network capacity to MVNOs which are not affiliated to any MNO in accordance with the licensing conditions; and (vi) in the event that a non-affiliated MVNO and an MNO cannot agree with each other on the terms of interconnection, either of them may call upon the Communications Authority to intervene in the dispute and to determine the terms of interconnection, our Directors are of the view that there would not be material obstacles for modifying our business model in such circumstances.

In the unlikely event that our current business relationship with CSL is terminated, we may also need to modify our marketing strategy. To compete with other mobile phones retailers in Hong Kong, we may modify our marketing strategy by, for examples, offering sales discount to other targeted customer groups, enhancing customer experience and services, and broadening our product mix to attract a wider customer base.

Details of our reliance on NWM are disclosed in the paragraph headed "Business — Our Reliance on NWM" in this prospectus.

CUSTOMERS AND SUPPLIERS

Suppliers involved in our retail business include two international renowned brands with which we have distributorship agreements in respect of distribution of mobile phones. For other brands of mobile phones, we procure merchandise from the brands or their designated distributors. We primarily market mobile phones and other telecommunication products to visitors at our shops.

Under our distribution business, we, as the authorised distributor of two international renowned brands, sell mobile phones of such two brands to household electrical appliances retailers, and mobile phones wholesalers and retailers in Hong Kong.

We have established our paging system in Hong Kong. Our paging services are subscribed by individual customers as well as entities such as disciplinary forces, hospitals, logistics companies, construction companies, property agency, hotels and property management companies and banks. We source certain services from third party service providers which provide us set-up, operation and maintenance of cell sites in the PRC, call centre services, as well as the manufacture, repair and refurbishment of our pagers and Mango Devices. We also source data on the stock market, horse racing and football matches from the primary sources for the information broadcasting operation of our paging business and Mobitex based services.

In respect of our provision of operation services to NWM, NWM pays us monthly services fees for our provision of operation services.

OPERATING DATA

Certain key operating data (rounded down to nearest hundreds) of our operations during the Track Record Period are set out in the table below:

	For the year ended/as at		For the nine months ended/as at
	31 March 2012	31 March 2013	31 December 2013
Number of units of mobile phones sold under our retail business for the period	58,000	132,300	98,700
Number of units of mobile phones sold under our distribution business for the period	189,500	140,200	115,500
Number of users of our paging services	74,300	58,900	50,800
Number of users of our Mobitex based services	21,200	16,300	13,800
Number of users of our smartphone apps	58,500	36,100	39,800
Number of users of our information broadcasting services via Internet	N/A	100	100
Number of users of our "One card two numbers" services	400	300	300
Number of users of our IDD and/or international call forwarding services	85,100	99,000	101,600

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success to date:

- we have experienced management;
- we have established our foothold and brand names in the telecommunications market in Hong Kong;
- we have extensive network of shops in Hong Kong; and

- our business model comprises various operations generating synergy. We sell mobile phones and pre-paid SIM cards and distribute mobile phones of international renowned brands. In addition, we are also engaged in provision of paging and other telecommunications services and provision of operation service to NWM. The integration of these operations has formed a business model which brings synergies and operational efficiency. Specifically, we can leverage on our network of shops and customer base to cross-sell various telecommunications products and services. Our marketing, advertising and branding effort also benefits our sales of various products and services as a whole. Moreover, our back office resources, such as our administrative staff, our customer service team, our billing system, as well as our IT system also support and contribute to the development of our various business operations.

BUSINESS OBJECTIVES AND STRATEGIES

Our objective is to focus on the telecommunications market in Hong Kong in which we have extensive experience and expertise. We aim to continue to enhance our service quality, strengthen our market position, increase our market share and strengthen the brand recognition of our Group. To achieve such objectives, we intend to implement the following strategies:

- strengthening our business of retail sales of mobile phones by expanding our shops network and opening flagship stores;

- expanding our head office and logistics vehicle fleet to cope with our growth of business; and

- enhancing management capability and efficiency by implementing an ERP system.

OUR SHAREHOLDERS AND RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Immediately after completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), our Company will be owned as to 55% by CKK Investment and as to 5% by each of the Cheung Brothers. CKK Investment is wholly-owned by Amazing Gain, which is in turn wholly-owned by the Cheung Family Trust. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. CKK Investment, Amazing Gain, the Trustee and the Cheung Brothers are thus the Controlling Shareholders of our Company. Please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus for further details.

Our Group has entered into recurring transactions with certain associates of the Cheung Brothers, which are connected persons, on normal commercial terms, and such transactions will constitute continuing connected transactions with our Group after the Listing. For further information on the continuing connected transactions between the associates of the Cheung Brothers and us, please refer to the section headed "Continuing Connected Transactions" in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following tables present highlights of the financial information of our Group during the Track Record Period, which are derived from the Accountants' Report set out in Appendix I to this prospectus. The summary financial data should be read in conjunction with the combined financial information in the Accountants' Report set out in Appendix I to this prospectus.

Highlights of our combined statements of profit or loss

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	840,181	1,091,089	815,840	890,475
Cost of inventories sold	(549,410)	(747,514)	(555,347)	(613,252)
Staff costs	(99,513)	(119,051)	(89,791)	(79,578)
Depreciation	(11,927)	(12,996)	(9,398)	(13,459)
Other income	12,734	6,825	5,308	5,223
Other operating expenses	(182,657)	(182,089)	(132,768)	(130,735)
Reversal of impairment loss recognised in respect of interest in an associate	—	9,646	9,646	—
Share of results of an associate	—	12,983	8,787	16,836
Finance costs	(3,021)	(4,352)	(3,205)	(2,914)
Profit before tax	6,387	54,541	49,072	72,596
Income tax credit (expense)	520	(4,157)	(4,020)	(4,927)
Profit for the year/period attributable to the owners of our Company	6,907	50,384	45,052	67,669

Revenue by business segments

The table below sets forth our revenue from different business segments during the Track Record Period:

	Year ended 31 March				Nine months ended 31 December			
	2012		2013		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Retail sales of mobile phones and pre-paid SIM cards	163,819	19.5	479,775	44.0	369,312	45.3	353,862	39.8
Distribution of mobile phones	383,863	45.7	318,971	29.2	229,553	28.1	316,355	35.5
Paging and other telecommunications services	237,462	28.2	179,147	16.4	139,058	17.0	102,414	11.5
Provision of operation services to NWM	55,037	6.6	113,196	10.4	77,917	9.6	117,844	13.2
Total	840,181	100.0	1,091,089	100.0	815,840	100.0	890,475	100.0

Gross profit and gross profit margin of our distribution business and our retail business

The following table sets out the gross profit and gross profit margin of our distribution business and our retail business during the Track Record Period:

	Year ended 31 March				Nine months ended 31 December			
	2012		2013		2012		2013	
	Distribution business	Retail business	Distribution business	Retail business	Distribution business	Retail business	Distribution business	Retail business
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Revenue	383,863	163,819	318,971	479,775	229,553	369,312	316,355	353,862
Cost of inventories sold	(373,342)	(148,802)	(307,774)	(430,195)	(216,262)	(331,915)	(302,981)	(309,515)
Gross profit	10,521	15,017	11,197	49,580	13,291	37,397	13,374	44,347
Gross profit margin	2.7%	9.2%	3.5%	10.3%	5.8%	10.1%	4.2%	12.5%

The gross profit margins of our distribution business and our retail business had been relatively stable during the Track Record Period. In particular, we recorded increased gross profit margin of our retail business from 10.1% for the nine months ended 31 December 2012 to 12.5% for same period in 2013. The increase was mainly because there had been an increase in sales of one of the brand of mobile phones for which we also act as the distributor. Our distribution business and retail business together have synergy effect and we can bargain a lower price against the suppliers by purchase in bulk.

Segment results

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Provision of operation services to NWM	(44,395)	(26,475)	(24,801)	7,134
Retail sales of mobile phones to NWM Subscribers *(Note 1)*	5,933	28,327	23,736	27,483
Total segment results related to operation of NWM	(38,462)	1,852	(1,065)	34,617
Retail sales of mobile phones to other customers (non-NWM Subscribers) *(Note 1)*	1,007	1,198	1,064	1,389
Retail sales of pre-paid SIM cards *(Note 1)*	934	1,971	1,947	1,191
Other services income *(Note 2)*	245	3,336	2,083	3,145
Distribution of mobile phones	6,744	7,950	6,838	11,895
Paging and other telecommunications services	48,672	29,102	29,659	9,238

Notes:

1. Please note that these segment results figures set out above are for information only and have been arrived at based on proportion of certain operation expenses of the relevant operation.

2. Service incomes are generated from provision of promotion services to brands of mobile phones, and consignment sale of accessories our shops, in retail business.

Paging and other telecommunications services was once the largest contributor to our segment results during the year ended 31 March 2012, and there was a decreasing trend for the amount of revenue and results in this segment and accordingly its contribution to our segment results over the Track Record Period, which was in line with the decrease in number of subscribers or users of our paging services and Mobitex based services due to the availability of various alternative means of mobile communication and sources of information. Our paging services and Mobitex based services, which had been launched to the market for about 40 years and 12 years respectively, could be rendered obsolete by the acceptance or development of substitute products or services.

According to the Industry Report, the total number of paging receivers in Hong Kong has experienced a decrease during the last few years, making the paging market now a niche market with few subscribers and service providers.

For the year ended 31 March 2013 and the nine months ended 31 December 2013, retail sales of mobile phones was the largest contributor to our segment results and it was mainly attributable to an increase in sales of one of the brand of mobile phones, for which we also act as the distributor, as a result of its launch of more new models of mobile phones to the market. Benefiting from the synergy between retail business and distribution business, both of the segments recorded an increase in its segment result.

Regarding the segment results of provision of operation services to NWM, we recorded negative segment results for the years ended 31 March 2012 and 2013 respectively which was mainly because the customer base of NWM in those periods was relatively small while our service fee income from the provision of operation services to NWM is determined based on, among other things, the number of subscribers of NWM's mobile services and the relevant tariff plan. Nevertheless, such negative segment results were reduced in the year ended 31 March 2013 and we started to record positive segment result for the nine months ended 31 December 2013 because of the increase in NWM Subscribers and thus our service fee. With enlarged and stable customer base, our administrative and operational work became more cost efficient and therefore resulted in positive segment result in the nine months ended 31 December 2013.

Highlights of our combined statements of financial position

	As at 31 March		**As at 31 December**
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	33,998	66,718	80,236
Current assets	369,077	631,494	449,304
Current liabilities	(390,372)	(634,768)	(397,600)
Net current (liabilities) assets	(21,295)	(3,274)	51,704
Total assets less current liabilities	12,703	63,444	131,940
Total equity	8,219	58,290	125,672
Non-current liabilities	4,484	5,154	6,268
	12,703	63,444	131,940

Highlights of our combined statements of cash flows

	Year ended 31 March		Nine months ended 31 December	
	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Net cash (used in) generated from operating activities	(65,543)	16,687	9,876	14,900
Net cash used in investing activities	(32,122)	(79,523)	(61,391)	(35,500)
Net cash generated from financing activities	82,256	72,233	72,184	24,506
Net (decrease) increase in cash and cash equivalents	(15,409)	9,397	20,669	3,906
Cash and cash equivalents at the beginning of the year/period	15,205	(280)	(280)	9,070
Effect of foreign exchange rate changes	(76)	(47)	31	64
Cash and cash equivalents at the end of the year/period	(280)	9,070	20,420	13,040

KEY FINANCIAL RATIOS

Set out below is the summary of our key financial ratios for the Track Record Period and as at the end of each reporting periods indicated below:

	Year ended 31 March		Nine months ended 31 December
	2012	2013	2013
Net profit margin	0.8%	4.6%	7.6%
Return on assets	1.7%	7.2%	12.8%
Return on equity	84.0%	86.4%	53.8%
Current ratio	0.9	1.0	1.1
Quick ratio	0.8	0.9	0.9
Gearing ratio	30.4	5.5	2.3
Debt to equity ratio	30.0	5.3	2.1
Interest coverage	3.1	13.5	25.9

For details, please refer to the paragraph headed "Financial Information — Analysis of key financial ratios" of this prospectus.

RECENT DEVELOPMENT

Pursuant to the joint announcement of PCCW Limited (stock code: 0008) and HKT Trust and HKT Limited (stock code: 6823) dated 20 December 2013, HKT Limited ("HKT") conditionally agreed to purchase all the issued share capital of CSL New World Mobility Limited ("CSLNW"), of which CSL is an indirect wholly owned subsidiary. CSLNW is engaged, through its subsidiaries and joint venture interests, primarily in the provision of mobile telecommunications services through 4G, 3G and 2G networks, and the sale of mobile telecommunications products, to customers in Hong Kong under three brand names: "1O1O", "one2free" and "New World Mobility". The transaction was completed on 14 May 2014. As at the Latest Practicable Date, we have not been informed by HKT of any potential change on the business and operation of NWM. Furthermore, pursuant to the Shareholders Agreement, unanimous directors' resolution is required if, among others, (i) any shareholders of NWM or their respective related company or related parties shall enter into or vary any contract or arrangement with NWM; or (ii) there is any addition, change or variation of the tariff plans of NWM's mobile services, or calculation of the service fee and the network charges payable by NWM to our Group and CSL respectively. Based on the above and in particular, the Communication Authority has directed CSL and HKT to continue to give effect to their respective agreements with MVNOs and keep the terms and conditions thereof unchanged, or no less favourable than those in the existing agreements, until the expiry date of each relevant agreement, our Directors consider that the above transaction will not lead to material adverse change on the operation of NWM. Further details are set out in the paragraph headed "Business — Scope of business — 4. Provision of operation services to NWM" of this prospectus.

The revenue of our Group in the first three months of 2014 increased as compared to the same period in 2013. Such increase was mainly brought by the increase in revenue from our retail sales of mobile phones, distribution business and provision of operation services, and was partially set-off by the decrease in revenue from our paging and other telecommunication services. For the three months ended 31 March 2014, we have sold 36,700 and 48,000 units of mobile phones under our retail sales and distribution sales of mobile phones, respectively, which were more than the number we sold in the corresponding period in 2013. Our revenue and gross profit margin in the retail segment in the first three months of 2014 was similar to that in the same period in 2013. Our revenue in the distribution business increased in the first three months of 2014 as compared to the same period of 2013, mainly because of the strong demand of one of the mobile phone models that we distributed. Our revenue from the paging and other telecommunication services decreased in the first three months of 2014 as compared to that in the same period in 2013 mainly because of the decrease in number of users. Our revenue from the segment of provision of operation services increased in the first three months of 2014 as compared to that in the same period in 2013 mainly because NWM put forward new tariff plan of "4G Lite" in late 2013 and the subscription fee of such plan is relatively higher than its other tariff plans. Save for the dividend of HK$138 million declared on 20 May 2014 by our Company to the then Shareholders, our Directors confirm that, after having performed reasonable due diligence on our Group, since 31 December 2013 there has been no material adverse change in our Group's financial or trading position or prospects; and there has been no change in the general economic or market conditions of the telecommunications market and the mobile phone market in Hong Kong as a whole, or the markets where we have operations in, which would have a material and adverse impact on our business operations or financial condition.

LISTING EXPENSES

The estimated expenses in relation to the Placing are approximately HK$22.3 million, of which approximately HK$8.5 million is directly attributable to the issue of new Shares pursuant to the Placing and will be accounted for as a deduction from equity upon completion of the Placing in the financial year ending 31 March 2015. The remaining estimated listing expenses amounts to approximately HK$13.8 million, of which approximately HK$10.5 million was incurred during the three months ended 31 March 2014 and approximately HK$3.3 million is expected to be incurred before or upon completion of the Placing in the financial year ending 31 March 2015. This calculation is based on the assumption that 100,000,000 Shares are expected to be issued under the Placing and 400,000,000 Shares are issued and outstanding immediately following the completion of the Placing.

STATISTICS OF THE PLACING

	Based on the Placing Price of HK$1.00
Market capitalisation of the Shares *(Note 1)*	HK$400 million
Unaudited pro forma adjusted combined net tangible asset value per Share *(Note 2)*	HK$0.51

Notes:

(1) The calculation of the market capitalisation of the Shares is based on the Placing Price of HK$1.00 per Placing Share and 400,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue.

(2) The unaudited pro forma adjusted combined net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus, and on the basis of the Placing Price of HK$1.00 per Placing Share and 400,000,000 Shares in issue immediately following completion of the Placing and the Capitalisation Issue.

DIVIDEND

For the years ended 31 March 2012 and 2013, our Group declared and paid dividends of approximately HK$23.2 million and nil respectively to the shareholders of the companies now comprising our Group. Subsequent to the Track Record Period, in May 2014, we had declared dividends of HK$138 million to the then Shareholders of our Company (namely CKK Investment and the Cheung Brothers), which were fully net off against the same amount of receivables due to us from our related companies and Directors prior to the Listing. The investors of the Placing Shares will not be entitled to the aforementioned dividends.

After completion of the Placing, the Shareholders will be entitled to receive respective dividends only when declared by the Board. Subject to, among others, the factors described below, our Directors currently intend to recommend dividends of not less than 40% of the distributable net profit attributable to the owners of our Company in each of the financial years following the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividend in such manner or pay any dividend at all. Cash dividends on the shares, if any, will be paid in Hong Kong dollars.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised, the net proceeds from the Placing, after deducting related expenses, are estimated to amount to approximately HK$77.7 million. Our Group intends to apply such net proceeds from the Placing as follows:

Use	**Approximate percentage or amount of net proceed to be applied**
Expansion of our shop network and opening of flagship stores to strengthen our business of retail sales of mobile phones	12.9% or HK$10.0 million
Expansion of our head office and logistics vehicle fleet to cope with our growth of business	72.1% or HK$56.0 million
Implementation of an ERP system to enhance management capacity and efficiency	6.4% or HK$5.0 million
General working capital	8.6% or HK$6.7 million

For details, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2014

On the bases stipulated in the profit estimate set out in Appendix III to this prospectus and, in the absence of unforeseen circumstances, certain profit estimate data of our Group for the year ended 31 March 2014 are set out below:

Estimated combined profit attributable to owners of our Company for the year ended 31 March 2014	not less than HK$75.0 million
Unaudited estimated earnings per Share on a pro forma basis for the year ended 31 March 2014	not less than HK$0.18

RISK FACTORS

Our Directors consider that the business of our Group and our performance are subject to a number of risk factors which can be categorised into (i) risks relating to the business of our Group; (ii) risks relating to the industry; (iii) risks relating to the Placing; and (iv) risks relating to statements made in this prospectus. Among such risk factors, the most material one is summarised below.

NWM is a 60%-owned subsidiary of CSL and is a 40%-owned associate of our Group. NWM is an MVNO which provides mobile telecommunications services under the brand name of "New World Mobility" ("新世界傳動網") to its customers over the wireless network infrastructure that it procures from CSL as an MNO. Under the Shareholders Agreement between CSL and us, TDM is responsible for the provision of various operation services to NWM while CSL is responsible for the provision of network services to NWM. We share 40% of the financial results of NWM. TDM also receives service income from NWM for the provision of operation service to NWM. In addition, revenue of our retail operation has been primarily derived from sale of mobile phones to NWM Subscribers. The reliance between NWM and our Group is equally mutual and complementary. Further details are included in the paragraph headed "Business — Scope of business — 4. Provision of operation services to NWM".

The Shareholders Agreement does not have a definite term. Nevertheless, in the event that the Shareholders Agreement is terminated for any reasons, our profitability would be adversely affected and we may even lose the sources of revenue in connection with the co-operation with NWM in the worst case. We may need to modify our business model if we wish to continue to be involved in the mobile service business, and may need to seek collaboration with other MNOs apart from CSL. Moreover we may also need to adopt a revised marketing approach for our retail sale of mobile phones and target the general public in Hong Kong as other mobile phones retailers do. In such circumstances, there is no guarantee that we can successfully modify our business model and marketing strategy to maintain our sources of income. If we cannot successfully or timely modify our business model and market strategy, our business and financial performance may be materially and adversely affected.

A detailed discussion of the risks factors is set forth in the section headed "Risk Factors" in this prospectus.

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in "Glossary of Technical Terms" in this prospectus.

"Accountants' Report"	the accountants' report on our Company set out in Appendix I to this prospectus
"affiliate(s)"	with respect to any person, any other person(s) directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person
"Amazing Gain"	Amazing Gain Limited, a company incorporated in the BVI with limited liability on 10 August 2000 and wholly-owned by the Cheung Family Trust
"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on 20 May 2014 to become effective upon the Listing, and as amended from time to time, a summary of the current version of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"business day"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal business to the public
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 299,999,940 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "A. Further information about our Group — 3. Written resolutions of the Shareholders" in Appendix V to this prospectus
"Carries Technology"	Carries Technology Limited (開利科技有限公司), a company incorporated in Hong Kong with limited liability on 30 June 1987 and is an indirect wholly-owned subsidiary of our Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"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
"CKK Investment"	CKK Investment Limited, a company incorporated in the BVI with limited liability on 12 March 2014 and is a wholly owned subsidiary of Amazing Gain
"Companies Law" or "Cayman Companies Law"	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time on and after 3 March 2014
"Companies Registry"	the Companies Registry of Hong Kong
"Company" or "our Company"	Telecom Digital Holdings Limited (電訊數碼控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 November 2002
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, means the controlling shareholder of our Company, namely CKK Investment, Amazing Gain, the Trustee and the Cheung Brothers

"CSL"	CSL Limited, an Independent Third Party
"Deed of Indemnity"	the deed of indemnity dated 20 May 2014 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities more particularly referred to in paragraph headed "E. Other Information — 1. Estate duty, tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 20 May 2014 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) regarding certain non-competition undertakings, a summary of the principal terms of which is set out in the section headed "Relationship with Controlling Shareholders" in this prospectus
"Director(s)"	the director(s) of our Company
"DSRT"	the Macau Bureau of Telecommunications Regulation (in Portuguese, the "Direcção dos Serviços de Regulação de Telecomunicações", and, in Chinese, "電信管理局")
"East Asia"	East-Asia Pacific Limited, a company incorporated in the BVI with limited liability on 18 August 1993 and is a wholly owned subsidiary of Amazing Gain
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
"GEM Website"	the Internet website at www.hkgem.com operated by the Stock Exchange for the purposes of GEM
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the businesses which have since been acquired or carried on by them or has the case may be their predecessors

"Guotai Junan Capital" or "Sole Sponsor"	Guotai Junan Capital Limited, a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor of the Listing
"Guotai Junan Securities" or "Sole Bookrunner" or "Sole Lead Manager"	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the sole bookrunner and sole lead manager of the Placing
"HKFRSs"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	a person(s) or company(ies) who or which is/are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the directors, chief executive, or substantial shareholders of our Company or its subsidiaries or any of their respective associates
"Industry Report"	the market research report, dated 20 May 2014, on telecommunication industry in Hong Kong as well as the paging service market in Macau, which was commissioned by us and prepared by Frost & Sullivan
"Issue Mandate"	the general mandate granted to the Directors for the issue of Shares, details of which are set out in the paragraph headed "A. Further information about our Group — 3. Written resolutions of the Shareholders" in Appendix V to this prospectus
"Latest Practicable Date"	20 May 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the Shares on GEM

"Listing Date"	the date on which dealings in the Shares first commence on GEM
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM and which, for the avoidance of doubt, excludes GEM
"Mango"	Mango Limited (金網數碼有限公司), a company incorporated in Hong Kong with limited liability on 5 August 2002 and is an indirect wholly-owned subsidiary of our Company
"Mango Devices"	Mango Combo, Mango Deluxe and Mango Phone
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on 20 May 2014 and as supplemented, amended or otherwise modified from time to time
"New Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time, commenced on 3 March 2014
"NWM"	New World Mobility Limited (新世界傳動網有限公司), a company incorporated in Hong Kong with limited liability on 18 November 1998 and is owned by TDM as to 40% and CSL Limited as to 60%
"NWM Subscribers"	subscribers for NWM's mobile services
"OFCA"	The Office of Communications Authority
"OFTA"	The Office of Telecommunications Authority, the predecessor of OFCA

"Over-allotment Option"	the option granted by our Company to the Sole Lead Manager, exercisable by the Sole Lead Manager at its sole and absolute discretion under the Underwriting Agreement to require our Company to issue up to an additional 15,000,000 Shares, representing 15% of the number of the Placing Shares, at the Placing Price, to cover over-allocations in the Placing and/or to satisfy the obligation of the Sole Lead Manager to return securities borrowed under the Stock Borrowing Agreement, details of which are described in the section headed "Structure and Conditions of the Placing" of this prospectus
"Over-allotment Shares"	up to an aggregate of 15,000,000 new Shares to be issued pursuant to the exercise of the Over-allotment Option, representing 15% of the number of Shares initially available under the Placing
"Placing"	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price with professional, institutional and other investors in Hong Kong as described in the section headed "Structure and Conditions of the Placing" in this prospectus
"Placing Price"	HK$1.00 per Placing Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% payable thereon)
"Placing Shares"	the 100,000,000 new Shares being offered by the Company at the Placing Price for subscription under the Placing, together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option subject to the terms and conditions as described in the section headed "Structure and Conditions of the Placing" of this prospectus
"PRC" or "China"	the People's Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, Macau and Taiwan
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time before 3 March 2014
"Property Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a property valuer independent to our Group

"Radiotex"	Radiotex International Limited, a company incorporated in Hong Kong with limited liability on 3 December 1996 and is owned by Sun Asia as to 99.99997% and Cheung King Shek as to 0.00003%
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed "History and Development — Reorganisation" in this prospectus
"Repurchase Mandate"	the general mandate granted to our Directors to repurchase Shares, details of which are set out in the paragraph headed "A. Further Information about our Group — 3. Written resolutions of the Shareholders" in Appendix V to this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 20 May 2014, a summary of its principal terms is set out in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders Agreement"	the shareholders agreement dated 28 October 2008 among CSL, TDM and NWM
"significant shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between CKK Investment and the Sole Lead Manager, pursuant to which the Sole Lead Manager may borrow up to 15,000,000 Shares to cover any over-allocation in the Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiary(ies)"	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires

"substantial shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Sun Asia"	Sun Asia Pacific Limited, a company incorporated in the BVI with limited liability on 3 May 1999 and is owned by the Cheung Brothers in equal shares
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"TD Investment"	Telecom Digital Investment Limited, a company incorporated in the BVI with limited liability on 12 March 2014 and is a wholly owned subsidiary of our Company
"TD Securities" or "Co-Lead Manager"	Telecom Digital Securities Limited, a company incorporated in Hong Kong with limited liability on 25 May 2007 and wholly owned by Sun Asia Pacific Limited, which is in turn owned by the Cheung Brothers; and being the co-lead manager of the Placing
"TD2"	Telecom Digital 2 Limited (電訊數碼易有限公司), a company incorporated in Hong Kong with limited liability on 7 August 2002 and is an indirect wholly-owned subsidiary of our Company
"TDC"	Telecom Digital Corporate Limited (電訊數碼商務有限公司), a company incorporated in Hong Kong with limited liability on 19 January 1990 and is an indirect wholly-owned subsidiary of our Company
"TDD"	Telecom Digital Data Limited (電訊數碼信息有限公司), a company incorporated in Hong Kong with limited liability on 3 September 1999 and is an indirect wholly-owned subsidiary of our Company
"TDM"	Telecom Digital Mobile Limited (電訊數碼移動有限公司), a company incorporated in Hong Kong with limited liability on 27 August 2001 and is an indirect wholly-owned subsidiary of our Company
"TDS"	Telecom Digital Services Limited (電訊數碼服務有限公司), a company incorporated in Hong Kong with limited liability on 17 September 2001 and an indirect wholly-owned subsidiary of our Company

"Telecom Macau"	Telecom (Macau) Limited (Telecom (Macau) — Mensagens por Rádio, Limitada; 電訊(澳門)有限公司), a company incorporated in Macau with limited liability on 15 June 1977 and an indirect wholly-owned subsidiary of our Company
"Telecommunications Ordinance"	Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the two years ended 31 March 2013 and the nine months ended 31 December 2013
"Trustee"	J. Safra Sarasin Trust Company (Singapore) Ltd., being the trustee of the Cheung Family Trust
"TSN"	Telecom Service Network Limited (電訊物流網絡有限公司), a company incorporated in Hong Kong with limited liability on 3 September 1999 and is an indirect wholly-owned subsidiary of our Company
"TSO"	Telecom Service One Limited (電訊首科有限公司), a company incorporated in Hong Kong with limited liability on 3 April 1987 and a wholly-owned subsidiary of TSO Holdings
"TSO Group"	TSO Holdings and its subsidiaries
"TSO Holdings"	Telecom Service One Holdings Limited (電訊首科控股有限公司), a company incorporated in the Cayman Islands with limited liability on 3 August 2012, the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8145)
"Underwriting Agreement"	the conditional underwriting agreement relating to the Placing dated 26 May 2014 and entered into among our Company, our Controlling Shareholders, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters, particulars of which are set forth in the section headed "Underwriting" in this prospectus
"Underwriters"	the underwriters of the Placing listed in the section headed "Underwriting — Underwriters" in this prospectus
"4G Lite"	a series of tariff plans launched by NWM in the fourth quarter of 2013 providing various downloading speeds ranging from 1 Mbps to 3 Mbps

"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP" or "Pataca(s)"	Macau Pataca, the lawful currency of Macau
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"US$" or "US dollars"	United States dollars, the lawful currency of United States
"%"	per cent.

All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.

Unless otherwise specified, amounts denominated in US dollars have been converted into Hong Kong dollars in this prospectus, for the purpose of illustration only, at the rates of US$1.00: HK$7.80.

No representation is made that any amounts in US$ or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.

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

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions, PRC-incorporated companies or other entities or any descriptions for which no English translation exists are unofficial translations for identification purposes only.

This glossary contains certain definitions of technical terms used in this prospectus in connection with our Company and our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of these terms.

"2G"	a type of wireless communications technology, based on digital technology, including GSM, CDMA IS95A and D-AMPS technology, which was developed primarily for voice applications and, where the context requires, references to 2G include 2.5G
"2.5G"	a generic description for enhanced 2G wireless communications technologies, including CDMA IS95B and GPRS, that enable packet-based transmission at accelerated bit rates
"3G"	a wireless communications technology being capable of data transmission speeds of approximately 300Kbps to 1Mbps and included in the ITU's IMT-2000 standard
"4G"	a wireless communications technology being capable of data transmission speeds of up to 1Gbps
"app"	application software designed to run on smartphones, tablet computers and other mobile devices
"ARPU"	average revenue per user, including subscriber billed and inbound roaming revenues
"bandwidth"	the physical characteristic of a telecommunications system that indicates the speed at which information can be transferred. In analogue systems, it is measured in cycles per second (Hertz) and in digital systems in binary bits per second (Bit/s)
"base station"	radio equipment used for transmitting and receiving signals to and from handsets and other radio transmitting and receiving devices
"broadband"	a service or connection allowing a considerable amount of information to be conveyed, such as television pictures. Generally defined as a bandwidth greater than 2 Mbps
"CAGR"	compound annual growth rate

"carrier"	an operator of telecommunications system or provider of services utilising such system
"cell site"	the location of a base station for paging, Mobitex based or mobile telecommunications network
"churn"	subscriber disconnections, both voluntary and involuntary
"churn rate"	the total number of customers who disconnect from a network, either involuntarily or voluntarily, in a given period, expressed as a percentage of the average number of customers during such period
"e-mail(s)"	electronic message(s) sent via the Internet or any other network
"ERP system"	enterprise resource planning system
"ETS"	external telecommunication service
"ETS Licence"	class 3 SBO Licence to operate ETS
"GDP"	gross domestic product
"GSM"	global system for mobile communications, a 2G cellular mobile phone standard
"IAS"	internet access services
"IAS Licence"	class 3 SBO Licence to operate IAS
"IDD"	international direct dialling
"IMT-2000"	a global standard for 3G wireless communications defined by a set of interdependent ITU Recommendations
"international roaming"	roaming in a country other than the country of the mobile telecommunications network to which a subscriber subscribes for telecommunications services
"Internet"	a global network of networks accessed by users with a computer and a modem via an ISP
"ISP"	a provider of access or connectivity to the Internet
"IT"	information technology

"ITU"	the international telecommunication union
"IVANS"	international value-added network services
"IVANS Licence"	class 3 SBO Licence to operate IVANS other than IAS
"Kbps"	kilobits per second, which is a measurement of speed for digital signal transmission expressed in thousands of bits per second
"LAN"	local area network, a computer network covering a small physical area, such as office or small group of buildings
"Mbps"	megabits per second, which is a measurement of speed for digital signal transmission expressed in millions of bits per second
"MHz"	megahertz or million hertz
"MIS"	management information system
"MMS"	multi-media messaging services
"MNO(s)"	mobile network operator(s), a mobile operator that owns its mobile radio network
"mobile telecommunications operator"	a provider of telecommunications services over a network and utilising radio frequency spectrum
"Mobitex"	an open systems interconnection model based open standard, national public access wireless packet-switched data network, and a kind of wireless data technology
"multimedia"	a communication that uses any combination of different media and may include text, spoken audio, music, images, animation and video
"MVNO(s)"	mobile virtual network operator(s), a mobile operator that does not own mobile radio networks but rather purchases wholesale capacity from one of the MNOs
"MVNO Licence"	class 3 SBO Licence to operate MVNO

"paired spectrum"	a bit of spectrum in a lower frequency band, and a bit of spectrum in an upper frequency band. Paired spectrum is often specified in a form like "2x15 MHz" meaning 15 MHz in a lower band and 15 MHz in an upper band
"PDA"	personal digital assistant
"PNETS"	public non-exclusive telecom services, a term used by OFTA for Internet service providers, value-added service providers, external telecommunications services, mobile virtual network operator, private payphone operator, etc.
"post-paid"	mobile telecommunications service usage paid for by the subscriber upon receipt of the mobile telecommunications operator's invoice
"pre-paid"	mobile telecommunications service usage paid for in advance by the subscriber
"PRS Licence"	public radio communications service licence, issued by OFCA under the Telecommunications Ordinance for the provision of radio communication services provided to the public, including public radio paging services
"PSTN"	public switched telephone network, a generic term for a fixed network to which a cellular network is interconnected in order to be able to send and receive calls to and from fixed network subscribers
"roam" or "roaming"	mobile telecommunications use which involves passing from the local service area of one mobile telecommunications operator to that of another with a compatible network technology
"SBO Licence"	services based operator Licence, issued by OFCA under the Telecommunications Ordinance for service based operation for the provision of telecommunication services
"SIM card"	subscriber identity module card
"smartphone"	a handset with a number of functions similar to those of a computer. Some products even allow users to install handset applications, thus increasing the handset usability. Most smartphones support Wi-Fi mobile broadband Internet service

"SMS"	short message service
"spectrum"	the radio frequency spectrum of hertzian waves used as a transmission medium for mobile telecommunications and other services
"sq.ft."	square feet
"switch"	a part of a telecommunications network which routes telecommunications signals to their destination
"UCL"	unified carrier licence, a licence issued by OFCA for licensing fixed, mobile and/or converged services
"Wi-Fi"	wireless LAN, a technology that allows an electronic device to exchange data wirelessly over a computer network

This prospectus contains certain forward-looking statements relating to our Group that are based on the beliefs, intentions, expectations or predictions of the management of our Company for the future as well as assumptions made by and information currently available to the management of our Company as of the date of this prospectus. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our Group's operations and business prospects;
- our Group's financial condition;
- our Group's future developments, trends and conditions in the industry and geographical markets in which our Group operates;
- our Group's strategies, plans, objectives and goals;
- our Group's relationships with our key customers;
- changes to regulatory environment and operating conditions in the industry and geographical markets in which our Group operates;
- our Group's ability to control costs;
- our Company's dividend policy;
- the amount and nature of, and potential for, future development of our Group's business;
- certain statements in the section headed "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends and risk management; and
- the general economic trends and conditions.

When used in this prospectus, the words "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "potential", "seek", "should", "will", "would" and similar expressions, as they relate to our Group or the management of our Group, are intended to identify forward-looking statements. These forward-looking statements reflect the views of the management of our Group as of the date of this prospectus with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- any changes in the laws, rules and regulations relating to any aspects of our Group's business operations;

- general economic, market and business conditions, including capital market developments;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the actions and developments of our Company's competitors and the effects of competition in the industry on the demand for, and price of, our Group's services and goods;
- various business opportunities that our Company may or may not pursue;
- persistency levels;
- our Company's ability to identify, measure, monitor and control risks in our Group's business, including our Company's ability to manage and adapt our Group's overall risk profile and risk management practices;
- our Company's ability to properly price our Group's services and goods and establish reserves for future policy benefits; and
- the risk factors discussed in this prospectus as well as other factors beyond our Company's control.

Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, our Group does not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Group expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set forth in this section. Our Directors confirm that these forward-looking statements are made after due and careful consideration.

Investors should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Shares in the Placing. If any of the possible events described below occur, the business operation, financial condition or results of operation of our Group could be materially and adversely affected by any of these risks and the market price of the Shares could fall significantly due to any of these risks, and you may be lose all or part of your investment.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

Our source of income from provision of operation services to NWM, our revenue from retail sales of mobile phones to NWM Subscribers, and our share of results from NWM as our associate may be adversely affected if the Shareholders Agreement is terminated

NWM is a 60%-owned subsidiary of CSL and is a 40%-owned associate of our Group. NWM is an MVNO which provides mobile telecommunications services under the brand name of "New World Mobility" ("新世界傳動網") to its customers over the wireless network infrastructure that it procures from CSL as an MNO. As an MVNO, NWM does not have its own licensed frequency allocation of radio spectrum or the network infrastructure required to provide mobile services, and has to procure network services from MNO(s) (i.e. CSL in NWM's case). Under the Shareholders Agreement entered into in October 2008, TDM is responsible for the provision of various operation services to NWM while CSL is responsible for the provision of network services to NWM. The Shareholders Agreement does not have a definite term and continues to have effect until (i) the parties agree to terminate the Shareholders Agreement; (ii) NWM is wound up by an order of a court; or (iii) NWM is wound up as a result of deadlocks. In the event that the Shareholders Agreement is terminated, the operation of NWM would be affected.

We share 40% of the financial results of NWM. TDM also receives service income from NWM for the provision of operation service to NWM. During the two financial years ended 31 March 2013 and the nine months ended 31 December 2013, our revenue from provision of operation services to NWM amounted to HK$55.0 million, HK$113.2 million and HK$117.8 million, representing 6.6%, 10.4% and 13.2% of our total revenue. For the years ended 31 March 2012 and 2013, we recorded negative segment results from provision of operation services to NWM of HK$44.4 million and HK$26.5 million respectively. For the nine months ended 31 December 2013, we recorded positive segment results of HK$7.1 million, representing about 11.6% of our total segment results for the period. In addition, our share of results of NWM amounted to nil, HK$13.0 million and HK$16.8 million for each of the years ended 31 March 2012, 2013 and the nine months ended 31 December 2013, representing approximately nil, 23.8% and 23.2% of our total profit before tax during the respective years/period. The sales income of mobile phones in our Group's retail operation is also primarily derived from sale of mobile phones, which are sold at discount, to NWM Subscribers due to the promotional and marketing strategy of the Group to benefit both our retail sale of mobile phones and NWM's mobile services business.

The following table sets out the amounts of our revenue, segment results and share of results of an associate during the Track Record Period, generated in connection with our business co-operation with NWM:

	Year ended 31 March		Nine months ended 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
— Sales of mobile phones to NWM Subscribers	125,621	439,527	322,952
Percentage of the Group's Revenue	15.0%	40.2%	36.3%
— Service income from provision of operation services to NWM	55,037	113,196	117,844
Percentage of the Group's Revenue	6.6%	10.4%	13.2%
Segment results			
— Sales of mobile phones to NWM Subscribers *(Note)*	5,933	28,327	27,483
Percentage of the aggregate result of all the Group's segments	31.0%	62.4%	44.7%
— Service income from provision of operation services to NWM	(44,395)	(26,475)	7,134
Percentage of the aggregate result of all the Group's segments	Not applicable	Not applicable	11.6%
Share of results of an associate (NWM)	—	12,983	16,836
Percentage of the Group's profit before tax	—	23.8%	23.2%

Note: Please note that these segment results figures set out above are for information only and have been arrived at based on proportion of certain operation expenses of the relevant operation.

In the event that the Shareholders Agreement is terminated for any reasons or in the event that there is any material dispute between our Group and CSL in respect of the operation of NWM, our profitability would be adversely affected and we would even lose the sources of revenue in connection with the operation of NWM in the worst case.

Moreover, as stated in the joint announcement of PCCW Limited (stock code: 0008), HKT Trust and HKT Limited (stock code: 6823) dated 20 December 2013, HKT Limited conditionally agreed to purchase all the issued share capital of CSL New World Mobility Limited, of which CSL is the wholly owned subsidiary. The transaction was completed on 14 May 2014. CSL is the 60% owner of our associate NWM and is the counter party of the Shareholders Agreement. Although it was stated in the circular of HKT Limited that HKT Limited would continue to provide wholesale services now provided by CSL and HKT Limited (e.g. MVNO, resale and network sharing arrangements), there is no assurance that the change in ownership of CSL as a result of the aforesaid acquisition by HKT Limited would not affect, in any material aspects, our business collaboration with CSL in relation to the operation of NWM. Furthermore, in the event that our current business relationship with CSL is terminated for any reasons, we need to modify our business model if we wish to continue to be involved in the mobile service business, and may need to seek collaboration with other MNOs apart from CSL. We may also need to adopt a revised marketing approach for our retail sale of mobile phone and target the general public in Hong Kong as other mobile phones retailers do. In such circumstances, there is no guarantee that we can successfully modify our business model or marketing strategy and to maintain our sources of income. If we cannot successfully or timely modify our business model and market strategy, our business and financial performance may be materially and adversely affected.

Our Group has outsourced certain portion of our operations to service providers and the quality of services provided by such service providers could adversely affect our Group's operation

We have outsourced certain portion of our operation to certain service providers. In particular, in addition to our own customer service team, (i) we have engaged an Independent Third Party to operate our call centre for our paging services; (ii) we have also engaged an Independent Third Party to provide additional customer service support; and (iii) we use transmitters provided by an Independent Third Party in the PRC for the coverage in the PRC for our paging and Mobitex based services. The quality of services provided and managed by our Group's service providers could have material influence on the operations of our Group. There is no guarantee that these service providers can maintain quality services or ensure no failure or dissatisfaction in their provision of services. Any faulty or unsatisfactory services provided by our Group's service providers, including but not limited to network or operating system disconnection caused by insufficient resources or capacity, or decline in the speed of network connection, could materially and adversely affect our Group's operation and customer satisfaction. In addition, in the event that these service providers terminate their contractual relationships with us, and if our Group fails to timely engage with replacements of such service providers with similar capacity and at similar cost, our Group's operation and financial performance would be materially and adversely affected.

We had net current liabilities position as at 31 March 2012 and 31 March 2013

As at 31 March 2012 and 31 March 2013, we had net current liabilities of approximately HK$21.3 million and HK$3.3 million, respectively. Please refer to the paragraph "Financial Information — Liquidity and capital resources — Net current (liabilities) assets" in this prospectus. We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Any disruption or failure of our telecommunications system may materially and adversely affect our operation and financial performance

The stability of our paging and other telecommunications services depends upon our ability to protect our network infrastructure against damage from human error, fire, earthquakes, floods, power loss, telecommunications failure, sabotage, hackers and similar events. Any damage to or failure of our Group's network infrastructure could result in interruptions in, or suspension of our services, which could have a material adverse effect on our business, operation results and financial conditions. In addition, our Group's reputation could be materially and adversely affected as well.

We have not registered all the intellectual property rights in our technologies, and any unauthorised use, infringement or misappropriation of such rights by third parties may adversely affect our business

We have developed a number of trademarks, copyrights, domain names, software applications and technologies. As at the Latest Practicable Date, we have registered 9 trademarks and 10 domain names. While under Hong Kong law, copyright arises without the need of its owner to register his copyright first, intellectual property rights such as patents and trademarks must be registered with the relevant governmental authority in Hong Kong before a person or entity can become its registered owner, and hence be protected by the relevant intellectual property laws. The registration of trademarks, domain names, software applications and technologies is necessary before we can enforce our intellectual property rights against unauthorised use, infringement or misappropriation of such rights. We cannot assure you that we will be able to detect unauthorised use or take appropriate, adequate and timely actions to enforce our intellectual property rights. Consequently, we may not be able to effectively prevent unauthorised use of our trademarks and intellectual property rights which are not registered. The measures we take to protect our intellectual property rights may not be adequate and monitoring and preventing unauthorised use is difficult. If we are unable to adequately protect our brand, trademarks and other intellectual property rights, our reputation may be harmed and our business may be materially and adversely affected.

A substantial amount of our Group's revenue is derived from its major customers

A substantial amount of the revenue of our Group is derived from its provision of services to its major customers. For the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, approximately 27.0%, 29.0% and 37.0% of our Group's total revenue was contributed by our five largest customers whereas our Group's revenue derived from provision of operation services by us to our largest customer, being NWM, accounted for approximately 8.0%, 12.1% and 14.7% of our Group's total revenue during the same periods respectively. While our Group had not experienced any loss of major customers during the Track Record Period, our Group's revenue could be materially and adversely affected if any of our major customers significantly reduces the amount of transactions with our Group. There is no guarantee that our Group's major customers will continue to procure services provided by our Group at levels and prices comparing to those during the Track Record Period or at all.

We derive a very significant portion of our revenue from sales of mobile phones which are not predictable

We derive a very significant portion of our revenue from sales of mobile phones, either through our retail sales at our shops or distribution operation. For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, our revenue derived from distribution and retail sales of mobile phones accounted for approximately 63.2%, 71.2% and 73.6% of our total revenue, respectively. Accordingly, our financial performance depends heavily on the sales of mobile phones.

The market demand for new mobile phones depends on, among other things, whether new and attractive models are put forward by manufacturers. Thus the market share of various brands of mobile phones changes from time to time. We cannot assure you that demand for mobile products that we offer will continue to grow or even remain the same. As we do not sell all of the major brands of mobile phones and so our revenue from sales of mobile phones is not predictable.

Our mobile phones distribution operation relies on two suppliers and we may fail to renew the terms of our distribution rights in respect of our mobile phones distribution operation

We are currently a non-exclusive distributor of mobile phones of two international renowned brands in Hong Kong and distribute the mobile phones of these two brands to wholesalers and retailers. Our mobile phone distribution operation relies on two suppliers only and our financial results of the distribution operation depend on their launch of new models of mobile phones and the popularity of such models, which are out of our control.

The terms of such distribution rights continues year to year until terminated. If we fail to renew our existing authorised distribution rights from our mobile phone suppliers and obtain distribution rights for other comparable products, we may encounter decrease in our revenue and this may materially and adversely affect our business and financial performance.

Alternative services and technologies could render our Group's paging and other telecommunications services obsolete and unsustainable

Our paging services, Mobitex based services, and "One card two numbers" services, which had been launched to the market for about 40 years, 12 years and 12 years respectively, could be rendered obsolete by the acceptance or development of substitute products or services. In this regard, SMS and MMS, which also have the function of transmitting text messages, are superior than paging in terms the ability to send messages which include multimedia content and/or transmit messages to and by mobile phones, and may be substitutes of paging. In the future, instant messaging services or other alternative services or technologies may make our paging services obsolete by offering better features and at lower prices. Even our Group may be able to develop and introduce enhancements on our paging services and Mobitex based services, the enhancements may not achieve widespread market acceptance.

According to the Industry Report, the total number of paging receivers in Hong Kong has experienced a decrease during the last few years, making the paging market now a niche market with few subscribers and service providers. For each of the year ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, our revenue from paging and other telecommunication services amounted to HK$237.5 million, HK$179.1 million and HK$102.4 million, representing 28.2%, 16.4% and 11.5% of our total revenue and our results from paging and other telecommunication services amounted to HK$48.7 million, HK$29.1 million and HK$9.2 million. Our revenue and results from paging and other telecommunications services has demonstrated a decreasing trend during the Track Record Period and may become unsustainable.

We are continuously putting effort to expand source of income by developing and providing new services such as smartphone apps and endeavour to expand our product mix in our distribution business and retail business. However, if we fail to expand our source of income, our business and financial performance may exhibit a decreasing trend.

Our Group may fail to obtain or renew the licences and permits required for its operation in the future

We hold SBO Licences, which allow us to provide MVNO and ETS services. The general licensing criteria for the application of such licences, are set out in the section headed "Laws and Regulations — Regulatory and legal matters" of this prospectus. Moreover TDD holds a PRS Licence which allows it to provide paging services. Such licences are subject to review, interpretation, modification or termination by the relevant authorities. There is no guarantee that the future policies promulgated by the relevant authorities will not materially and adversely affect our future operation or our licences will be renewed or any renewal on new terms will be commercially acceptable to us. In the event that we fail to obtain or renew our licences required for our operation, we may have to cease operation of the affected business.

Our Group has had certain compliance irregularities which may lead to enforcement actions being taken

Some of the subsidiaries of our Group incorporated in Hong Kong have on various occasions been involved in a number of non-compliance matters with certain statutory requirements in the Predecessor Companies Ordinance with respect to matters such as timely adoption of audited accounts. For details, please refer to "Business — Non-compliance with the Predecessor Companies Ordinance" in this prospectus. There is no assurance that the relevant authorities would not take any enforcement action against the relevant subsidiaries of our Group in Hong Kong and their respective directors in relation to the non-compliance. In the event that such enforcement action is taken, the reputation, cash flow and results of operation of our Group may be adversely affected.

We may not be able to secure or renew existing locations for our shops on favourable rental terms

Our business depends significantly upon our ability to secure locations with relatively higher commercial activity and easy accessibility for our shops. These locations are in high demand and there is no assurance that we will be able to renew them or to obtain additional strategically advantageous locations. For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, the cost of operating leases of our shops amounted to approximately HK$18.0 million, HK$27.7 million and HK$25.5 million, respectively. The term of tenancies of our leased shops in Hong Kong ranges from one to three years. Among these leases, in addition to the 20 leases which will expire in 2014, 18 of them will expire in 2015, 8 of them will expire in 2016 and 5 of them will expire in 2017. Investments are made in the external and internal decorations and improvements of our shops.

If we are unable to renew such lease agreements on favourable terms and conditions, in particular the rental charges, we may be required to relocate to alternative premises (which can potentially be a less desirable location), and we will incur additional and potentially significant costs in doing so. Considering the relatively high rental rates, there is no assurance that we will be able to secure or obtain alternative sites at a suitable location or leased on favourable terms. Failure to establish or maintain our shops successfully in such strategic locations on favourable terms may lead to reduced sales and/or increased operating costs of the business carried out at such locations which may in turn have a material adverse effect on our overall financial position and future growth potential.

Certain tenancies/licences for our cell sites have expired

As at the Latest Practicable Date, we had tenancies/licences to possess and use 121 properties in Hong Kong for our cell sites and, the tenancy agreements/licence agreements for 16 of those leased/licensed properties for cell sites have already expired. The subsidiaries of our Group continue to retain possession of those cell sites in respect of which our Group has continued to pay monthly rent/licence fees which are accepted by the respective relevant landlords/licensors (the "**Arrangements**"). Under Hong Kong law, the respective Arrangements are terminable at will by the respective relevant landlords/licensors of those cell sites, and the respective relevant landlords/licensors would be entitled to terminate the same at any time.

We are in the process of negotiating the renewal of tenancy/licence agreements for 15 out of those 16 leased/licensed properties with the landlords/licensors and expect to enter into new agreements to renew all of them by the end of June 2014. In respect of the remaining expired agreement, the relevant landlord is not willing to commit to a fixed term tenancy agreement despite our effort to negotiate with him. Accordingly, we may be required to relocate the relevant cell site and incur additional costs relating to such relocation.

Furthermore, when the landlord terminates the tenancy with a short notice, we may not be able to find suitable alternative premises for the cell sites and our operation may be adversely affected if we cannot relocate to desirable locations in a timely manner. Our Controlling Shareholders has agreed to indemnify us against all claims, demands, cost, expenses, fines, actions and liabilities suffered or incurred by us due to the termination of the tenancies/licences of such cell sites. Please refer to the section headed "E. Other information — 1. Estate duty, tax and other indemnities" in Appendix V to this prospectus for further information about the indemnity.

We may not be able to successfully implement our business objectives and may face challenges in managing our growth, in particular, in respect of our plan to strengthen our business of retail sales of mobile phones by expanding our shops network and opening flagship stores

Details of our business plans are set out in the section headed "Future Plans and Use of Proceeds" of this prospectus. The successful implementation of our business plans depends on a number of factors, including our ability to obtain financing on acceptable terms, and whether our products and services are continuously accepted by the market. There is no assurance that our future business plans will materialise, or will materialise within the planned time frame, or that our objectives will be fully or partially accomplished. In the event that we fail to accomplish any of our future business plans or to do so in a timely manner, we may not be able to achieve future business growth and our operating results may be adversely affected.

We plan to strengthen our business of retail sales of mobile phones by expanding our shops network and opening flagship stores so that we will have 61 shops in Hong Kong in the coming three years. However there is no assurance that the feasibility study we conduct for opening a new shop proves to be accurate due to over-saturation of the market as a result of our new shop or new shops of our competitors. Failure to effectively manage our future business plans may also lead to increased costs and reduced profitability.

The Group is exposed to perceived risks associated with electromagnetic energy

Media and other reports have linked radio frequency emissions from telecommunications or transmission devices such as mobile handsets or cell sites to various health concerns. Such concerns over radio frequency emissions may discourage the use of mobile handsets or the operation or our cell sites in Hong Kong or Macau. We cannot assure that further research and studies will not demonstrate a link between radio frequency emissions and health concerns. Any findings in these studies could materially and adversely affect the use of mobile handsets or operation of cell sites. Any actual or perceived health risk associated with such devices or cell sites could result in litigation against our Group, reduced demand for telecommunications or transmission services, and restrictions on deployment of transmission networks or cell sites as a result of government environmental controls, which in turn could have a material adverse effect on our financial performance and results of operations.

The loss of any key members of the management team may impair our Group's ability to identify and secure new contracts with customers or otherwise manage our business effectively

Our Group's success depends on, in part, the continued contributions of its executive Directors. They have 23 to 36 years experience in the telecommunication markets with in-depth knowledge of various aspects of telecommunications business development. Our Group relies on its executive Directors to manage its business successfully. In addition, the relationships and reputation that our Group's management team have established and maintained with its customers contribute to our Group's ability to maintain good customer relations. Although our Group has entered into employment contracts with all our executive Directors and senior management, these contracts cannot prevent them from terminating their employment. Hence, the resignation of any of our executive Directors may impair our Group's ability to manage our business effectively.

We derive all of our revenues in Hong Kong and any downturn in the Hong Kong economy could have a material adverse effect on its business and financial condition

All of our revenues are generated in Hong Kong. The Directors anticipate that our revenues generated in Hong Kong will continue to represent a substantial proportion of our total revenues in the near future. Any significant decline in the condition of Hong Kong economy could adversely affect consumer buying power and thus reduce consumption of our Group's services, which in turn would have a material adverse effect on our Group's revenues and profitability.

RISKS RELATING TO THE INDUSTRY

We encounter intense competition in the Hong Kong telecommunications market and may not remain competitive

The consolidated SBO Licences held by our Group allow us to provide MVNO and ETS services in Hong Kong. According to OFCA, as in March 2014, there were 17 MVNO licencees, and as in April 2014, there were 276 ETS licencees. Currently, there are five major mobile service operators which are MNOs in Hong Kong. While our paging services had a significant market share of over 70% in 2013 according to the Industry Report, our other telecommunications services (including "One card two numbers" services and IDD services) face primarily price competition. On the other, our 40%-owned associate, NWM, which principally engages in mobile services, also faces keen competition. Our profit margin may be reduced if the competition further intensifies. If we cannot maintain our competitive edge, including our network of shops and ability to provide quality services at competitive pricing, our business and financial performance would be adversely affected.

We have operated in this competitive landscape for over 35 years and has had to formulate our business strategies in light of the market development and changes. However we cannot guarantee that we may remain competitive in the market. The prices of our Group's products and services may fall and there may be a decrease in the size of our Group's customer base in the event that existing or potential customers choose telecommunications services and products from other providers.

Our financial performance could be materially and adversely affected when we compete with our competitors

Our Group basically competes on price, scope of geographical network coverage, service plan varieties, usage convenience as well as other ancillary value-added services. Our competitors and other new entrants may be able to provide a broader range of services and products by, for example, bundling mobile communications with fixed line and/or broadband services. We may not be able to offer certain bundled services and thus our services may appear less attractive. Our competitor may also enter into global or regional alliances which may give them a competitive advantage through greater access to a broader range of products offerings and increased leverage with suppliers.

This may require our Group to incur increased spending in acquiring, expanding and retaining its customer base. In order for our Group to maintain or increase the customer base, it may also be necessary to lower our rates and prices, or launch new services or products. Any new services or products launched may not be commercially successful or launched according to expected schedules. Any such failure to maintain or increase the customer base may have a material adverse effect on our Group's revenue and profitability.

Our retail business faces intense competition

The Hong Kong retail market of mobile phones is highly competitive. There are numerous companies and shops selling mobile phones in Hong Kong. There are also new entrants to the market from time to time. The competition in the market is intensive. We compete in the market on price, customer services, network of shops, our reputation and brand names. In addition, it is also crucial for us to assess market trend and consumers' preference, and to procure attractive product mix in our shops in order to attract customers. If we are unable to compete successfully with existing or new competitors, our business, financial condition, results of operations and profitability may be materially and adversely affected.

Any unfavorable changes in the regulatory environment may materially and adversely affect our operation and financial performance

The telecommunications industry is a highly regulated industry in which regulators' decisions may materially and adversely affect the financial condition and results of operations of our Group. Our Group is subject to government regulation regarding licences, competition, frequency spectrum allocation and costs and arrangements pertaining to interconnection and leased lines. Our Group's business and operations could be materially and adversely affected by changes in laws, regulations or government policy affecting our business activities.

There is no assurance that our Group's business, financial condition and the results of operations will not be materially and adversely affected by any government-mandated regulatory reforms or changes in law, regulations or government policies in the future.

RISKS RELATING TO THE PLACING

An active trading market of the Shares may not develop

Prior to the Placing, there has been no public market for any of the Shares. The Placing Price for our Group's Shares was the result of negotiations among our Company and the Sole Lead Manager for itself and on behalf of the other Underwriters. The Placing Price may differ significantly from the market price for the Shares following the Placing. However, even if approved, being listed on GEM does not guarantee that an active trading market for the Shares will develop following the Placing or that the Shares will always be listed and traded on GEM. Our Group cannot assure that an active trading market will develop or be maintained following completion of the Placing, or that the market price of the Shares will not fall below the Placing Price.

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile

Upon Listing, the trading volume and market price of the Shares may be affected by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

Purchasers of the Placing Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future

The Placing Price is higher than the net tangible asset value per Share immediately prior to the Placing. Therefore, the purchasers of the Placing Shares will experience an immediate dilution in unaudited pro forma adjusted combined net tangible asset value to HK$0.51 per Share. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

The Shares held by the Controlling Shareholders of our Group are subject to lock-up beginning on the date on which trading in our Group's Shares commences on GEM. While our Group is not aware of any intentions of its existing Shareholders to dispose of significant amounts of their Shares upon expiry of relevant lock-up periods, there is no assurance that the Controlling Shareholders will not dispose of the Shares held by them. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling

Shareholder, or the availability of Shares for sale by any substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial Shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Any options granted under the Share Option Scheme may dilute the Shareholders' equity interests

Our Company has conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option had been granted to subscribe for Shares under the Share Option Scheme. Following the issue of new Shares upon exercise of the options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the consolidated comprehensive income statement of our Group over the vesting periods of the options. The fair value of the options shall be determined on the date of granting of the options. Accordingly, the financial results and profitability of our Group may be adversely affected.

Our Group may not be able to declare and distribute dividends to the Shareholders

Dividends of approximately HK$23.2 million, nil and nil were declared and paid out of our Group for the financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013 respectively. Subsequent to the Track Record Period, in May 2014, we had declared dividends of HK$138 million to the then shareholders of our Company (namely CKK Investment and the Cheung Brothers), which were fully net off against the same amount of receivables due to us from our related companies and Directors prior to the Listing. The amount of dividends that were declared in the past should not be used as a reference or basis upon which future dividends will be determined. In the future, the amount of dividends that our Group may declare and pay will be subject to, among other things, the full discretion of the Board, our Group's future operations, earnings, financial performance, cash requirements and availability and any other factors which the Board may consider relevant. Our Group may not be able to declare and distribute dividends to the Shareholders in any year as a result of the abovementioned factors.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain facts, forecasts and other statistics including those relating to the Hong Kong economy and the paging, mobile phones and mobile services industries that have been extracted from government official sources and publications, the Industry Report or other sources. Our Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Placing and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of the Directors. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

The Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Group or the Shares

Prior to the completion of the Placing, there may be press and media coverage regarding our Group and the Placing. The Directors would like to emphasise to the prospective investors that our Group does not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by the Directors or management. The Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Group or the Shares. Prospective investors are also cautioned that in making their decisions as to whether to purchase the Shares, they should rely only on the financial, operational and other information included in this prospectus.

In preparation for the Listing, the following waivers and exemption have been sought from strict compliance with certain provisions of the GEM Listing Rules and the Companies Ordinance:

ACCOUNTS IN THIS PROSPECTUS

According to Rules 7.03(1) and 11.10 of the GEM Listing Rules, the Accountants' Report contained in this prospectus must include the consolidated results of our Group in respect of the two financial years ended 31 March 2014 (being the two financial years immediately preceding the issue of this prospectus).

Pursuant to section 342(1) of the Companies Ordinance, a company incorporated outside Hong Kong and proposing to offer shares to the public in Hong Kong must state the matters specified in Part I of the Third Schedule to the Companies Ordinance and set out the reports specified in Part II of that schedule in its prospectus.

According to Paragraph 27 of Part I of the Third Schedule to the Companies Ordinance, our Group is required to include in this prospectus a statement as to the gross trading income or sales turnover of the Company for the three years ended 31 March 2014 including an explanation of the method used for the computation of such income or turnover and a reasonable break-down between the more important trading activities. According to Paragraph 31 of Part II of the Third Schedule to the Companies Ordinance, our Group is required to include in this prospectus a report by the auditors of the Company in respect of the profits and losses and assets and liabilities of our Company for the three years ended 31 March 2014.

Pursuant to section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), all references to "3 preceding years", "3 financial years" and "3 years" in paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance are substituted by a reference to "2 preceding years", "2 financial years" and "2 years", respectively, for a prospectus issued in relation to an application for the listing of securities on GEM.

The Accountants' Report for the two years ended 31 March 2013 and the nine months ended 31 December 2013 is set out in Appendix I to this prospectus. However, strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to, the Companies Ordinance and Rules 7.03(1) and 11.10 of the GEM Listing Rules would inevitably delay the timetable significantly as the financial statements are required to be audited up to 31 March 2014 and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the accountant's report to cover such period. This would not only involve additional costs but also require substantial work to be carried out for audit purposes. It would be unduly burdensome for the audited results for the financial year ended 31 March 2014 to be finalised in a short period of time.

In such circumstances, the Sole Sponsor has, on behalf of our Company, applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules, on the conditions that:

(i) the Shares of our Company are listed on the Stock Exchange on or before 31 May 2014;

(ii) our Company obtains a certificate of exemption from the SFC from strict compliance with similar requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to, the Companies Ordinance; and

(iii) if this prospectus is to be issued before 31 May 2014, our Company will include (a) a profit estimate for the year ended 31 March 2014 in this prospectus which complies with Rules 14.29 to 14.31 of the GEM Listing Rules; and (b) a statement made by our Directors in this prospectus that there has been no material adverse change to the financial and trading positions or the prospects of our Group since 31 December 2013.

An application has also been made to the SFC for a certificate of exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to, the Companies Ordinance in relation to the inclusion of the Accountants' Report for the full year ended 31 March 2014 in this prospectus on the ground that it would be unduly burdensome to do so within a short period of time after 31 March 2014. A certificate of exemption has been granted by the SFC under section 342A of the Companies Ordinance on the conditions that (i) the particulars of the exemption are set out in this prospectus and (ii) the prospectus is issued on 26 May 2014.

The Directors and the Sole Sponsor confirmed that all information that is necessary for the public to make an informed assessment of the business, assets and liabilities, financial position and profitability of our Group has been included in this prospectus, as such the waiver granted by the Stock Exchange from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and the exemption granted by the SFC from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance will not prejudice the interests of the investing public.

The Directors and the Sole Sponsor confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in the Group's financial and trading positions or prospects since 31 December 2013 and there is no event since 31 December 2013 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into and expected to continue certain transactions which will constitute non-exempt continuing connected transactions of our Company that are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the GEM Listing Rules after the Listing. The Sole Sponsor has applied to the Stock Exchange for a waiver on behalf of our Company from strict compliance with the announcement requirement under Chapter 20 of the GEM Listing Rules in respect of such non-exempt continuing connected transactions.

The Stock Exchange has granted a waiver from strict compliance with the applicable requirement(s) under the GEM Listing Rules as mentioned above and our Company will comply with the relevant requirements of Chapter 20 of the GEM Listing Rules upon the Listing. Further details of such non-exempt continuing connected transactions and such waiver are set out in the section headed "Continuing Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

(a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;

(b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and

(c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Placing.

Copies of this prospectus are available, for information purposes only, at the offices of (1) Guotai Junan Capital Limited at 27/F Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong; and (2) Ever-Long Securities Company Limited at 18th Floor, Dah Sing Life Building, 99–105 Des Voeux Road Central, Hong Kong, during 4:30 p.m. to 5:00 p.m. on Monday, 26 May 2014 and during 9:00 a.m. to 5:00 p.m. from Tuesday, 27 May 2014 to Friday, 30 May 2014 (both dates inclusive).

PLACING IS FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing and the Listing which is sponsored by the Sole Sponsor and managed by the Sole Lead Manager. The Placing Shares are fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement. For further details about the Underwriters and the Underwriting Agreement, please refer to the section headed "Underwriting" in this prospectus.

SELLING RESTRICTIONS

No action has been taken to permit any offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Placing Shares will be required to confirm, or by his/her acquisition of the Placing Shares be deemed to confirm, that he/she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective subscribers for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue and the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme.

Under section 44B(1) of the Companies Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules) without taking into account any Shares that may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Friday, 30 May 2014.

Shares will be traded in board lots of 4,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8336.

Our Company will not issue any temporary document of title.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM.

Our Company's principal register of members will be maintained by the principal share registrar and transfer office Appleby Trust (Cayman) Ltd. at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

Dealings in the Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Placing Shares. None of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Placing Shares.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Cheung King Shek (張敬石)	DD388, Lot 96 41 Castle Peak Road Tsing Lung Tau New Territories Hong Kong	Chinese
Cheung King Fung Sunny (張敬峯)	House A 28 LaSalle Road Kowloon Tong Kowloon Hong Kong	Chinese
Mok Ngan Chu (莫銀珠)	Flat C, 15/F Block 5 Harmony Garden Siu Sai Wan Hong Kong	Chinese
Wong Wai Man （黃偉民）	Flat C, 9/F Block 9 Hong Kong Garden 100 Castle Peak Road New Territories Hong Kong	Chinese
Non-executive Directors		
Cheung King Shan (張敬山)	Flat C, 6/F Tower 6 Beverly Villas 16 LaSalle Road Kowloon Hong Kong	Chinese

Name	Residential Address	Nationality
Cheung King Chuen Bobby (張敬川)	DD388, Lot 96 41 Castle Peak Road Tsing Lung Tau New Territories Hong Kong	Chinese
Independent non-executive Directors		
Hui Ying Bun (許應斌)	Block 10 Route Twisk Villa 99 Route Twisk Tsuen Wan New Territories Hong Kong	Chinese
Ho Nai Man Paul (何鼐文)	C4, 10 Floor Greenille Gardens 17 Shiu Fai Terrace Hong Kong	Chinese
Lam Yu Lung (林羽龍)	Unit C, 13/F Tower 7 South Horizons Apleichau Hong Kong	Chinese

Please refer to the section headed "Directors, Senior Management and Staff" in this prospectus for further information on our Directors.

PARTIES INVOLVED IN THE PLACING

Sole Sponsor	Guotai Junan Capital Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Bookrunner and Sole Lead Manager	Guotai Junan Securities (Hong Kong) Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Co-Lead Manager	Telecom Digital Securities Limited Units 3608–12, Tower 2, Metroplaza 223 Hing Fong Road Kwai Fong New Territories Hong Kong
Co-Managers	Ever-Long Securities Company Limited 18th Floor Dah Sing Life Building 99–105 Des Voeux Road Central Hong Kong
	Luk Fook Securities (HK) Limited Units 502–6, 5th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Legal advisers to our Company	*As to Hong Kong law:* Cheung & Lee in association with Locke Lord (HK) LLP 21/F Bank of China Tower 1 Garden Road Central Hong Kong *As to Cayman Islands law:* Appleby 2206–19 Jardine House 1 Connaught Place Central Hong Kong *As to Macau law:* Rato, Ling, Vong, Lei & Cortés – Advogados Avenida Da Amizade, 555 Macau Landmark Office Tower 23 2301–2302 Macau
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* Hastings & Co. 5th Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Auditors and reporting accountants	SHINEWING (HK) CPA Limited *Certified Public Accountants* 43th Floor The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong

Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Industry consultant	Frost & Sullivan Suite 2802–2803 Tower A, Dawning Centre 500 Hongbaoshi Road Shanghai PRC

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong	19/F, YHC Tower, No. 1 Sheung Yuet Road Kowloon Bay Hong Kong
Company's website	www.telecomdigital.cc *(Note: contents in this website do not form part of this prospectus)*
Company secretary	Chan Yi Kan *HKICPA* Flat 7, 14/F, Block F Fanling Centre 33 San Wan Road Fanling, New Territories Hong Kong
Authorised representatives	Cheung King Fung Sunny House A 28 LaSalle Road Kowloon Hong Kong Chan Yi Kan Flat 7, 14/F, Block F Fanling Centre 33 San Wan Road Fanling, New Territories Hong Kong
Compliance officer	Cheung King Fung Sunny
Audit committee	Lam Yu Lung *(Chairman)* Hui Ying Bun Ho Nai Man Paul
Remuneration committee	Ho Nai Man Paul *(Chairman)* Hui Ying Bun Lam Yu Lung

Nomination committee	Hui Ying Bun *(Chairman)* Ho Nai Man Paul Lam Yu Lung
Principal share registrar and transfer office in the Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Union Registrars Limited 18th Floor, Fook Lee Commercial Centre Town Place 33 Lockhart Road Wanchai Hong Kong
Compliance advisor	Guotai Junan Capital Limited 27/F, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Central Hong Kong

This section contains information and statistics extracted from publicly available government sources. Moreover, certain facts, information, statistics and data set forth in this section and elsewhere in this prospectus are derived from the Industry Report prepared by Frost & Sullivan. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of our or their respective affiliates, directors, officers, representatives or advisors, or any other persons or parties involved in the Placing and no representation is given as to its accuracy.

INTRODUCTION

We commissioned Frost & Sullivan to conduct an analysis of the telecommunications industry in Hong Kong as well as the paging service market in Macau, and to prepare the Industry Report. We have paid a fee of approximately RMB500,000 for the Industry Report. Our Directors are of the view that the payment of the fee does not affect the fairness of comment set out in the Industry Report.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. It has over 40 global offices with more than 1,800 industry consultants and market research analysts. The Industry Report mainly includes information on mobile phone, mobile services, and paging service markets in Hong Kong and Macau.

In compiling and preparing the Industry Report, Frost & Sullivan has adopted the assumptions that (i) the social, economic and political environment in Hong Kong and Macau is likely to remain stable in the forecast period and (ii) related industry key drivers are likely to drive the market in the forecast period.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Frost & Sullivan has also implemented scientific research and detailed customer interviews. All of the samples were evenly distributed in Hong Kong.

OVERVIEW OF HONG KONG MACRO ECONOMY

Nominal GDP and per capita GDP

According to the data from the Hong Kong Census and Statistic Department and the Industry Report, the nominal GDP in Hong Kong grew at a CAGR of approximately 5.06% from HK$1,707 billion in 2008 to HK$2,185.5 billion in 2013. The growth of Hong Kong's nominal GDP was steady in recent years. From 2011 to 2012, the GDP growth rate slowed but continued to be positive, mainly due to the European debt crisis, downgrade of the US sovereign credit rating and their substantial negative impacts to Hong Kong's capital market and export.

Driven by the continuous growth of Hong Kong economy, per capita nominal GDP demonstrated a steady increase in the past years. In 2008, Hong Kong's per capita nominal GDP was HK$245,300, and it climbed to HK$302,700 in 2013, realised a CAGR of 4.29%. As affected by sluggish global economy, Hong Kong's per capita nominal GDP growth experienced a drop to 4.44% in 2012.

Outlook for the Hong Kong economy in 2014

As a small open economy, Hong Kong's economic performance will hinge crucially on the global economic and financial conditions. Taking into account the likely improvement in export growth, the Hong Kong economy (in terms of real GDP) is projected to expand by 3% to 4% in 2014, after the 2.9% growth in 2013. Per capita GDP, in real terms, is projected to expand by 2.1% to 3.1% in 2014; while per capita GDP, at current market prices, is projected to expand by about HK$304,500 to HK$307,400. Along with the stable growth of GDP and per capita GDP of Hong Kong, and as the purchasing power of people has improved over the years, it is expected that the number of people who can afford high-quality telecommunication consumer products and services will increase.

MOBILE PHONE MARKET IN HONG KONG

Industry value chain

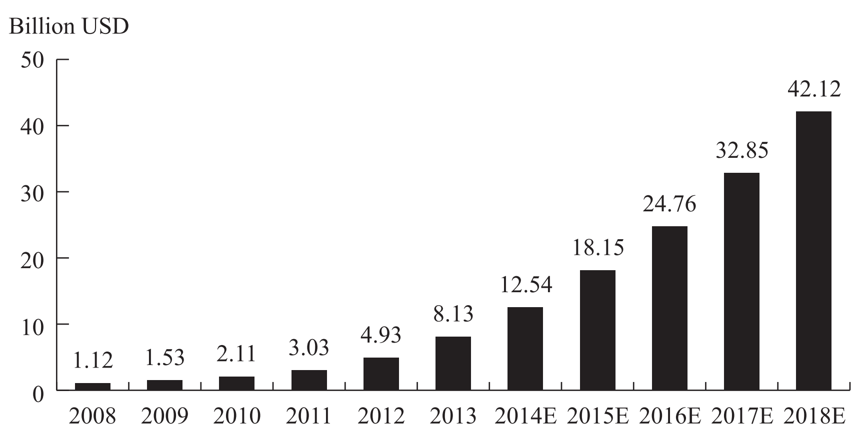
In Hong Kong, electrical appliance stores and stand-alone outlets are the major sellers in mobile phone market. Larger distributors or retailers can have a stronger bargaining power towards handset manufacturers (or the brand owners) due to their large customer base, bulk-purchasing ability, broad geographical coverage of outlets, and well-known brand image and reputation, and therefore they can bargain a lower purchasing price from handset manufacturers. In addition, larger mobile phone sellers can also gain advantages by acquiring the latest issues from mobile phone manufacturers and restocking their inventories at a faster speed than most of the smaller retailers in the market. It is observed that larger retailers may procure their merchandise directly from handset manufacturers, while small to medium size retailers usually procure their merchandise from distributors of handsets. It is common that handset manufacturers (or the brand owners) may set recommended wholesale price of each model of their handsets, while the retail price of handsets are usually determined by the retailers on their own with reference to their own market positioning and sales strategy.

Industry lifecycle

According to the Industry Report, the industry lifecycle of the mobile phone industry is at its early maturity stage in which market becomes increasingly saturated because most consumer demand is satisfied and distribution channels are full. The characteristics of a mature market include salability, stable competitive structure and stable growth. Growth is no longer the main focus. Market share and cash flow become the primary goals of the major companies. Marketing tactics in this stage are intended to differentiate products and services from those of the competitors. It is observed that larger retailers usually carry out marketing campaigns, and offer promotional gifts and discount. Also, they usually have a chain of outlets in popular shopping areas in Hong Kong and therefore have a wider exposure to potential consumers. Moreover, larger retailers have established their reputation and therefore consumers have confidence on that the handsets sold by them are properly authorised and warranted products rather than defective or fake products. On the contrary, smaller retailers primarily compete on price.

Mobile phone market size

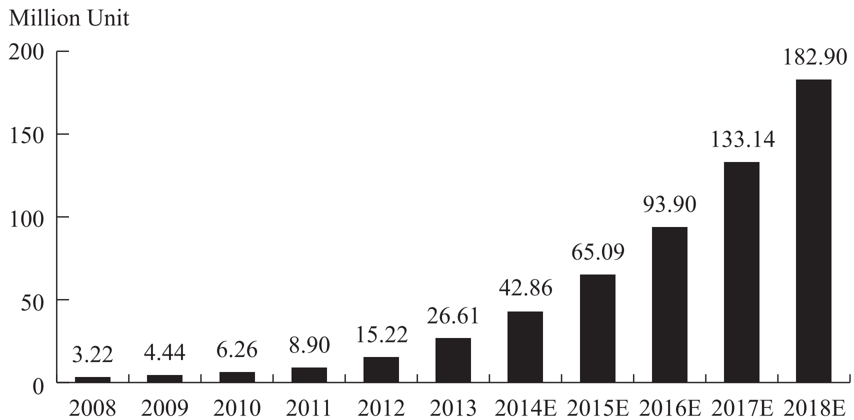
Mobile phone market size by revenue (Hong Kong)



Source: Census and Statistics Department of Hong Kong; Frost & Sullivan

Driven by the development of mobile technology, lower prices and the comprehensive Information and Communication Technology (ICT) infrastructure built in Hong Kong which facilitates the popularity of mobile phones, Hong Kong's revenue of mobile phones experienced a solid growth from USD2.11 billion in 2010 to USD8.13 billion in 2013 with a CAGR of 56.77%. Benefiting from increasing number of commercial 3G/4G networks and popularity of smartphones in Hong Kong, the market size is estimated to hit USD42.12 billion at a CAGR of 38.96% in 2018.

Mobile phone market size by shipment (Hong Kong)



Source: Census and Statistics Department of Hong Kong; Frost & Sullivan

The shipment of mobile phone in Hong Kong experienced a rapid growth from 6.26 million units in 2010 to 26.61 million units in 2013 with a CAGR of 61.99%. As the market is becoming increasingly saturated, mobile phone shipment is expected to reach 182.9 million units in 2018 with a slower CAGR of 47.04%. Severe competition in the market is expected to reduce the price and profit margin for mobile phones.

Mobile phone usage, especially the usage of smartphones, has been surging. Such surge has been powered by the frequent update of product models by mobile phone manufacturers or brand owners. Due to keen competition amongst mobile phone manufacturers, new models of mobile phones with new features are being put to the market every 3 to 6 months to stimulate consumers' demand. In addition, along with the continuous advancement of technology, smartphone apps are becoming more popular, user experience is continuously enhanced, and more and more types of smartphones are available at affordable pricing. Accordingly, featured phones are tended to be replaced by smartphones, which drives the surge of the shipment of mobile phone in Hong Kong.

Market drivers

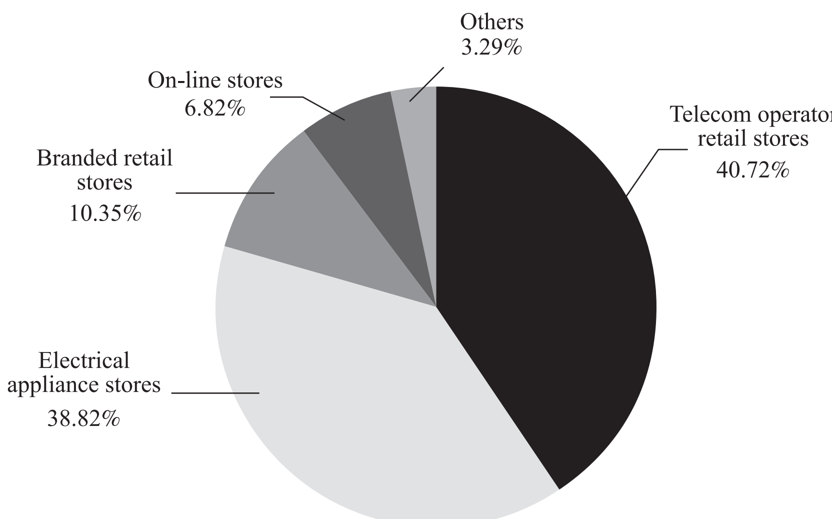
The major market drivers on demand side for the mobile phone industry include (i) the increasing wireless accessibility of economical and simple sources of personalised entertainment and informational service via Internet; (ii) increasing smartphone penetration; according to the Industry Report, mobile phone users usually upgrade or replace their smartphones with new models every 12 to 18 months and more users are changing from featured phones to smartphones; (iii) increasing phone processing capabilities empowered by the vigorous development of smartphone apps and penetration of mobile Internet in daily life; and (iv) growing wireless network penetration rates.

On the other hand, the major market drivers on supply side for the mobile phone industry include (i) increasing number of dealers and retailers and diversification of distribution channels; (ii) increasing product choices for consumers and new models of handsets being put to the market frequently and (iii) the price of mobile phones becoming more and more affordable. Due to the innovation of smartphone technology and keen competition amongst mobile phone manufacturers, the average price of mobile phones in Hong Kong has been decreasing, from about HK$2,600 per unit in 2010 to about HK$2,400 per unit in 2013.

Competitive landscape of mobile phone market in Hong Kong

Analysis of sale of mobile phones in Hong Kong by distribution channel

The following chart illustrates the sales of mobile phones in Hong Kong by various distribution channels during the year ended 31 December 2013:

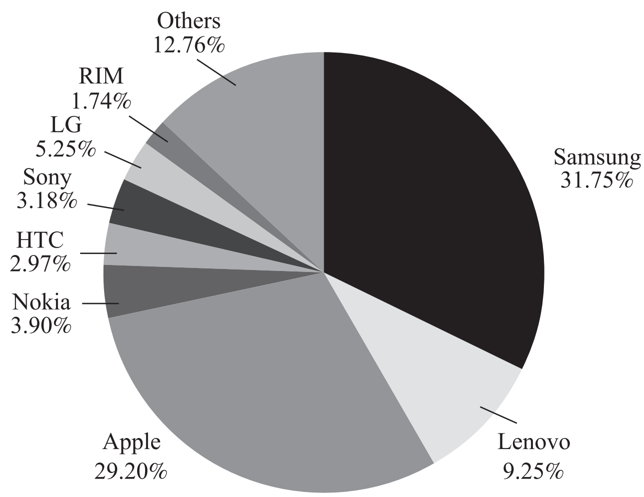


Source: Frost & Sullivan

Telecom operator retail stores are the most popular mobile phone distribution channel and constituted 40.72% of the total sales of mobile phones in Hong Kong in 2013. They usually attract customers by offering discounted price for handsets when new customers join their mobile service tariff plans. Electrical appliance stores accounted for 38.82% of the total sales of mobile phones in Hong Kong in 2013, making them the second largest distribution channel. They often attract customers by carrying out promotional campaigns, advertising, and giving out gifts (such as various accessories) to customers for any purchases of goods. Branded retail stores such as those of Apple, Sony and Samsung accounted for about 10.35% of total sales of mobile phones in Hong Kong in 2013. Due to the shopping habit of people in Hong Kong, online stores and other distributors together contributed to the remaining 10.11% of the sales.

Analysis of market share by brands of mobile phone

The following chart illustrates the market share of mobile phone of various brands in Hong Kong (by unit of shipment) for the year ended 31 December 2013:



Source: Frost & Sullivan

During the Track Record Period and as at the Latest Practicable Date, we have been engaged in the distribution of mobile phones of two international renowned brands. As illustrated in the chart above, these two brands respectively accounted for 5.25% and 3.18% of the total sales of mobile phones (in terms of unit of shipment) in Hong Kong in 2013. In our retail shops, we sell mobile phones of various major brand names, including Samsung, Sony, LG, Sharp, HTC, Motorola and Lenovo.

Unit of shipment is a measure of the number of new mobile phones (branded or unbranded) shipped by a vendor to all distribution channels or directly to end users. Units are counted as they leave the vendor. While units that are intended to be sold in Hong Kong are tracked, some of these units are carried out of the country for unofficial resale in other countries, often called "grey" units. These units continue to be counted under the Hong Kong market.

Major mobile phone retailers in Hong Kong

The table below sets out the major competitors in the mobile phone market in Hong Kong and their competitive advantages respectively:

Retailer	**Market share** *(note 1)*	**Number of retail outlets as at 31 December 2013**	**Brands of mobile phones available for sale**	**Background**
Fortress	11.89%	93	Blackberry, HTC, Huawei, LG, Motorola, Nokia, Oppo, Samsung, Sharp, Sony	A subsidiary of a Hong Kong listed company which operates electronic and electrical appliances retail chain stores
Broadway	9.70%	39	LG, Sony, Samsung, HTC, Nokia, Motorola, Blackberry, Sharp	A Hong Kong-based company which operates electronic and electrical appliances retail chain stores
Sunning	8.99%	30	Alcatel, Blackberry, HTC, Huawei, Samsung, Lenovo, LG, Motorola, Nokia, Sony, ZTE, Sugar	A chain of electronic and electrical appliances retail chain stores which is owned by a PRC company
Chung Yuen Electrical Co., Ltd	4.33%	12	HTC, LG, Nokia, Samsung, Sony	A Hong Kong-based company which operates electronic and electrical appliances retail chain stores
Sub-total of top-four	34.91%			
Wilson Communications Limited	N.A. *(note 2)*	23	Apple, Alcatel, Nokia, Huawei, HTC, Lenovo, Meizu, LG, Samsung, Acer, Motorola, Asus, Blackberry, ZET, Sony	A chain of retail shops which is mainly engaged in sales of mobile phones and accessories
Cyber Telecom	N.A. *(note 2)*	5	Sony, Nokia, Motorola, Samsung, LG, HTC	A chain of retail shops which is mainly engaged in sales of mobile phones and accessories
Our Group	0.5%	50	Samsung, LG, Sony, Sharp, HTC, Lenovo, Motorola	

Notes:

1. Market share is calculated based on the units of mobile phones sold in Hong Kong during the year ended 31 December 2013.

2. Information not available.

Source: Frost & Sullivan

The retail market of mobile phones in Hong Kong are characterised by numerous retailers with several outstanding leading larger-scale retailers as discussed in the table above. Fortress, Broadway, Sunning and Chung Yuen are the four largest retailers of mobile phones in Hong Kong, taking up approximately 11.89%, 9.70%, 8.99% and 4.33% of the market respectively. Due to the diversity of retail channels, the retail market of mobile phone is comparatively dispersive, in which the top four players have already taken up 34.91% of market share in total. With reference to the total shipment of mobile phones of 26.61 million units during the year ended 31 December 2013, it is estimated that the number of mobile phones that we sold in our retail operation of about 130,000 units accounted for about 0.5% of the market share.

HONG KONG MOBILE SERVICE MARKET

Usage of mobile service in Hong Kong

The following table provides the details of the historical operating statistics of the past 6 years for mobile telecommunications services in Hong Kong:

	2008 *(Note 1)*	2009	2010	2011	2012	2013
Mobile Subscribers						
Pre-paid SIM	5,284,239	5,829,518	6,599,978	7,764,863	8,758,911	9,346,992
Post-paid SIM	6,089,985	6,377,392	6,816,033	7,166,085	7,633,930	7,847,299
Total *(Note 2)*	11,374,224	12,206,910	13,416,011	14,930,948	16,392,841	17,194,291

	2008 *(Note 1)*	2009	2010	2011	2012	2013
Mobile data usage (Mbytes)	133,145,730	638,388,712	1,847,525,584	4,133,957,457	7,674,492,895	12,073,456,279

Notes:

(1) For the last month of each year.

(2) "Total" is the sum of "Pre-paid SIM" and "Post-paid SIM".

Source: OFCA

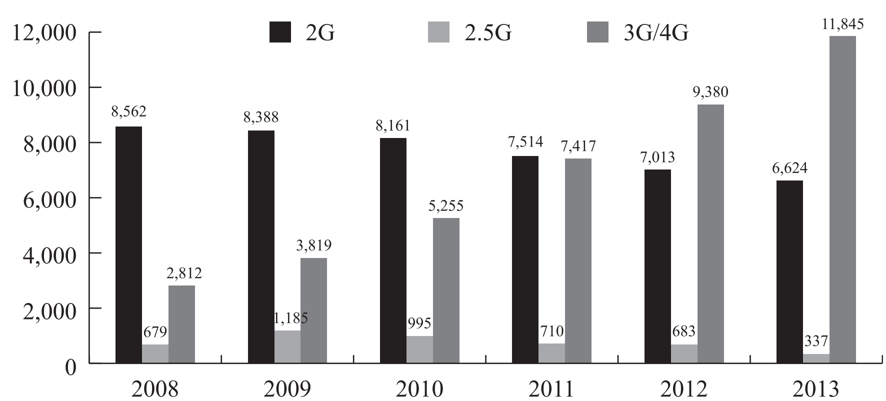
Over the years, Hong Kong has developed comprehensive and efficient information and communication technology infrastructure which facilitates the rapid take-up of communication and online services. The number of mobile subscribers in Hong Kong has more than doubled in the past decade. From 2008 to 2013, it grew at a CAGR of 8.57% from 11.4 million to 17.2 million. It is predicted to maintain this fast growth speed with a CAGR of 6.53% and reach 23.6 million in 2018. The number of mobile subscribers as a ratio to population in Hong Kong also experienced a fast increase. The ratio rose from 163.36% in 2008 to 238.09% in 2013, making Hong Kong one of the places with the highest ratio in the world.

Development trend

The mobile service market of Hong Kong is developing rapidly in terms of application of technology and services offered. The second generation (2G) and 2.5 generation (2.5G) mobile services are increasingly being replaced by the third generation (3G) mobile services, which were launched in Hong Kong in 2004, enabling consumers to enjoy a wider choice of multi-media mobile services.

In addition to 3G services, all 5 major mobile service operators in Hong Kong have deployed 4G services utilising Long Term Evolution technology. This has enabled mobile service subscribers to enjoy data downlink speeds of up to 150 Mbps. With a wide range of high-speed mobile data services available in the market, subscribers are able to download and upload large files via the Internet and enjoy faster and better quality video-streaming and web-browsing on mobile devices.

The table below illustrates the market size by segmentation of 2G, 2.5G, 3G and 4G:



Source: Frost & Sullivan

According to the Industry Report, it is expected that the mobile service industry will continue to have fast development as driven by (i) the increasing customer demand for fast mobile network service and advancing mobile wireless technology; (ii) the fast development of smart devices, such as smartphones and smart tablets; and (iii) the expansion of Wi-Fi accessibility.

Key market drivers

The major market drivers on demand side are:

New era of mobile network industry: From the beginning of 2014, global hardware devices and wearable smart devices take the opportunity to develop its market. As the newly launched Google Glass and other wearable smart devices in the fitness and healthcare applications have been developed by Apple, people began to have interest on these new products. On the other hand, with the growing popularity of mobile payment and Social Network Services ("SNS"), mobile network industry will be the next key area of development.

Strong demand for smartphones: 2014 is still the golden year of personal electronic products like smartphones, tablet computers and touch screen notebook computers. It is expected that global smartphone shipment will grow at CAGR of 16.7% from 2014 to 2018 and global tablet computer shipment will grow at CAGR of 24.8% from 2014. The rapid growth in demand for personal electronic products will be a strong driver to the mobile service industry in the next three to five years.

Rising disposable income and living standards: The rising disposable income in the future is one of the dominant drivers to Hong Kong mobile service industry. Along with the improvement of living standards, Hong Kong residents tend to demand for better mobile services, especially faster data transaction speed. Also, as users look for better entertainment and communication experience, data usage is expected to increase, which in turn serves as a strong driver.

The major market driver on supply side is:

Increasing coverage of 3G and 4G network: As a result of the mobile telecommunications technology development, there has been an increase in number of countries with 3G/4G network coverage. Hence, more operators have introduced corresponding roaming plans. The increase in demand has driven price competition among the operators.

Market players in the mobile service industry

Currently, there are five major mobile service operators operating mobile service business in Hong Kong, namely, China Mobile Hong Kong Company Limited, CSL, Hong Kong Telecommunications (HKT) Limited, Hutchison Telephone Company Limited and SmarTone Mobile Communications Limited.

As at 31 March 2014, there are 17 MVNOs in Hong Kong. The table below sets out a list of MVNOs in Hong Kong.

China Motion Telecom (HK) Ltd.
China Unicom (Hong Kong) Operations Limited
China-Hongkong Telecom Limited
CITIC Telecom International Limited
Telecom Digital Mobile Limited
IMC Networks Limited
Technical Data Limited
New World Mobility Limited
Truphone (Hong Kong) Limited
Telekomunikasi Indonesia International (Hong Kong) Limited
Future Power International Limited
Airstar Telecom Holding Limited
Delcom (HK) Limited
Amoeba Limited
GreenRoam Limited
Easycall Limited
China Data Enterprises Limited

Source: OFCA

Among the 17 MVNOs in Hong Kong, 2 MVNOs, namely China Motion Telecom (HK) Limited and China Unicom (Hong Kong) Operations Limited, provide post-paid mobile voice and data services as NWM does, while the rest of the MVNOs provide various other telecommunication services such as "One card two numbers", sales of pre-paid phone cards, roaming, and web-based/cloud-based services. Each of China Motion Telecom (HK) Limited and China Unicom (Hong Kong) Operations Limited relies on a single MNO to supply Hong Kong airtime for its mobile business. China Motion Telecom (HK) Limited is using the network of CSL for its mobile services; while China Unicom (Hong Kong) Operations Limited is using the network of HKT for its mobile services.

To prevent monopoly and to support the MVNOs, Hong Kong Government requires all MNOs operating in the 1.9–2.2 GHz band for 3G services to share 30% of its network capacity with MVNOs, and MVNOs can choose their business partner. It is common for MVNOs providing post-paid mobile telecommunications services to choose one single MNO to cooperate with in order to ensure stable service. This also applies to the situation in Hong Kong.

Entry barriers

Industry scale effect: The telecommunications industry has strong scale effect. Mobile service market has strong capital effect as operators need huge capital investment during the initial set up period as well as the high maintenance costs in the long run.

Special equipment: For telecommunications industry, hardware equipment and telecom network communication are used for very restricted purpose, which is difficult to be diverted to other purposes.

Characteristic of public welfare: Communication industry is considered to be part of the public utilities and therefore has the urge to provide a fair and transparent market which results in fierce competition and lower profit margin.

Uncertainty & risk: Since the introduction of competition mechanism, the competition landscape of telecommunications industry market becomes much more complicated. Especially in recent years, several mergers took place which imposed more risk for new entrants as the market size became smaller as a result of the mergers.

Competitive landscape of mobile service industry in Hong Kong

Hong Kong has five major mobile service operators in a crowded market. Competition is keen among them. The operators compete with each other on pricing, value-added services, coverage of signals, brand names and customer services. They offer various tariff plans to attract different groups of targeted customers with various packages of data usage, speed and airtime. They also offer various mobile phones and accessories at discounted price for customers who subscribe for their mobile plans. In addition, they also offer other services such as IDD and sales of pre-paid SIM cards.

The following table illustrates the number of subscribers and revenue of the five major mobile service operators in Hong Kong:

Company	**No. of Subscribers as at 31 December 2013** *(million people)*	**Revenue for the year ended 31 December 2013** *(HK$ Billion)*	**Brands Owned**
CSL	4.13	8.58	One2free, 1O1O, New World Mobility
Hutchison	3.30	9.36	Three, 3Home Broadband
SmarTone	1.87	12.71	SmarTone
HKT	1.65	2.65	HKT, MobileOne
China Mobile	1.10	not available	China Mobile

Source: Annual reports of the respective companies, Frost & Sullivan

Competitive position of NWM

NWM, being a 60%-owned subsidiary of CSL and a 40%-owned associate of our Group, is engaged in the business of mobile service under the brand name of "New World Mobility".

According to the Industry Report, NWM targets at the mid to low-end market, and the tariff plans offered by NWM are relatively more economical (with lower service coverage, speed and data or voices usage) as compared to those offered by the other competitors. For example, NWM has tariff plan of HK$60 per month for 3G services and 1,700 minutes of local airtime; as well as tariff plan of HK$88 per month for "4G Lite" services (download speed of 1Mbps) and 2,500 minutes of local airtime. These plans are relatively economical and are relatively affordable to mid to low income group including retired people and students.

According to public information available, CSL had about 4.1 million subscribers as at 31 December 2013 and its revenue amounted to about HK$8.58 billion for the year ended 31 December 2013. Nevertheless, there is no public information as to how much each of the brands of CSL (being "1O1O", "one2free" and "New World Mobility") contributed to the total number of subscribers or revenue of CSL. As one of our business segments is to provide operation services to NWM, in order to evaluate the market position of NWM, Frost & Sullivan has estimated the key performance indicators of NWM as below:

	Number of Subscribers (thousand)	
As at the end of each year	**Estimation range**	**Best Estimation**
2013	600–900	682.4
2012	500–800	597.2
2011	400–600	486.7
2010	250–400	402.4

Source: Frost & Sullivan

It is noted that the five major mobile service operators in Hong Kong had about 12.05 million subscribers in aggregate. According to the Industry Report, it is estimated that NWM had about 682,400 subscribers as at 31 December 2013. As compared to the estimated number of mobile service subscribers as at 31 December 2013 of about 17.19 million, it is estimated that NWM had a market share of about 4.0% (in terms of number of subscribers) in Hong Kong as at 31 December 2013 according to the Industry Report.

Furthermore, the ARPU and annual churn rate of NWM are also estimated in the Industry Report. ARPU (Average Revenue per User) is an index used by telecommunications service providers primarily to measure the average profitability of all subscribers. Annual churn rate measures the percentage of subscribers switching from one service provider to other service providers. Based on the research conducted by Frost & Sullivan by studying subscribers' choices over voice and data plans offered by NWM, and the tariff plans of NWM during 2010 to 2013, the estimations are set out in the following table:

	ARPU (HK$/Subscriber/Month)		**Annual Churn Rate**	
	Estimation range	**Best Estimation**	**Estimation range**	**Best Estimation**
2013	54–67	61.9	1.8%–2.2%	2.14%
2012	45–55	52.8	1.8%–3.5%	2.12%
2011	35–45	41.2	2.0%–4.5%	2.19%
2010	35–45	40.1	2.5%–4.5%	2.18%

Source: Frost & Sullivan

According to the Industry Report, it is estimated that NWM's ARPU per month was HK$40.1, HK$41.2, HK$52.8, and HK$61.9 respectively during each of the years 2010 to 2013. As NWM targets mainly the middle to low end consumers, the tariffs of its packages are relatively lower than those of other operators, resulting in a relatively lower ARPU when compared with those of the other operators, for example, the ARPU of HKT and Hutchison in 2013 were approximately HK$210 and HK$254, respectively.

Based on the Industry Report, it was estimated that annual churn rates of NWM are 2.2%, 2.2%, 2.1%, 2.1% respectively during each of the years 2010 to 2013, while the churn rate of HKT and Hutchison in 2013 were 1.8% and 1.9%, respectively.

Estimation methodology of Frost & Sullivan

In estimating the aforesaid performance indicators of NWM, Frost & Sullivan has taken into account the following:

i. it is estimated that the mid to low income group of employed labor are the major customers of NWM;

ii. according to the Hong Kong Census and Statistics Department, (i) the total population of Hong Kong was about 7.2 million by the end of 2013; (ii) the employed labor force of Hong Kong was about 3.8 million by the end of 2013; and (iii) about 56.9% of the employed work force was within the income group having a monthly income of HK$6,000 to HK$20,000;

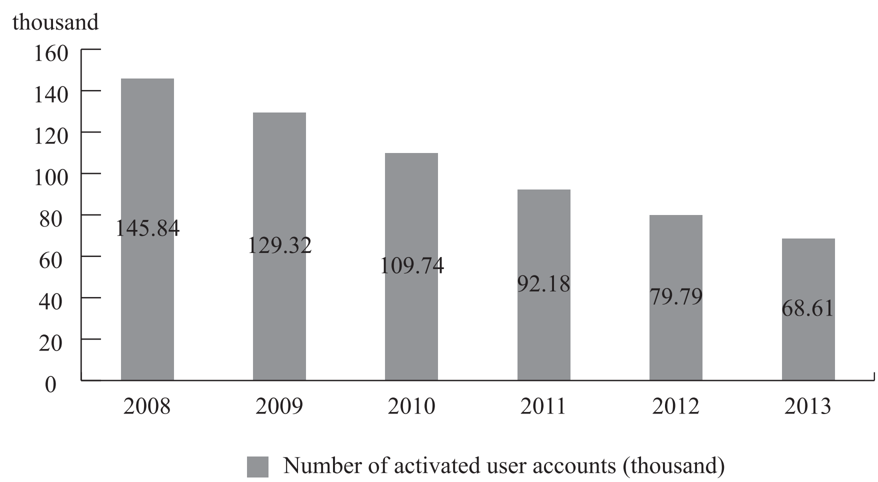
iii. Frost & Sullivan had conducted research by interviews with targeted customer group and analysed the valid samples obtained through such research.

PAGING SERVICE

Paging service provides a wireless telecommunication method to users with the application of pagers that receive and display numeric or text messages at low radio frequency. The low radio frequency used by paging systems leads to good coverage which may be advantageous in certain circumstances. Due to the availability of various channels of mobile communications, individual subscribers for paging service represent a minor portion of the paging market.

According to the Industry Report, the total number of paging receivers in Hong Kong has experienced a decrease during the last few years, making the paging market now a niche market. Along with the decrease in the number of paging receivers, the number of paging and information broadcasting activated user accounts in Hong Kong, as illustrated by the following chart, has also recorded a decreasing trend over the past years.

Paging and Information Broadcasting: Number of Activated User Accounts (HK)



Source: Frost & Sullivan

Corporate users constitute more than 80% of the paging market demand. The industries of these corporate users cover hospitals, public safety, retail stores, logistics companies, construction companies, property agency, hotels and property management companies and banks. Such industries require a communication network with high reliability, enough simplicity, direct connections and simulcast ability. In addition, these industries often involve the need of sending messages to staff that are working in various locations. According to the Industry Report, customers from these industries create a demand for paging service. Moreover, as the population in Hong Kong continues to expand, some industries such as healthcare and public safety may follow to expand, creating potential customers for radio paging service providers. In Macau, the boom of tourism and gaming industry is also expected to create a demand for casino paging solutions.

Market size and market share of our Group

Paging is a niche market with few subscribers and service providers. The total number of paging receivers has experienced a decrease during the last few years from 118,000 units in 2008 to 50,250 units in 2013.

According to the Industry Report, we are one of the paging operators in Hong Kong and the only paging operator in Macau. In 2013, Telecom Digital has taken 74.63% and 100% of market share (in terms of number of users) in the Hong Kong and Macau markets respectively. According to the Industry Report, it was estimated that the second largest operator in the paging market of Hong Kong had about 4.07% of market share (in terms of number of subscribers) in 2013.

REGULATORY AND LEGAL MATTERS

Hong Kong Licensing framework

The telecommunications industry in Hong Kong is regulated by OFCA according to the Telecommunications Ordinance. The Telecommunications Ordinance sets out the overall licensing framework for Hong Kong's telecommunications market. Essentially, no person may establish, operate or maintain any means of telecommunications or offer any telecommunications services in the course of business without an appropriate licence. The Telecommunications Regulations (Chapter 106A of the Laws of Hong Kong) and the Telecommunications (Carrier Licences) Regulation (Chapter 106V of the Laws of Hong Kong) set out the prescribed licences and provide for the licence conditions that may be issued under the Telecommunications Ordinance. Our Group must obtain the necessary approvals and/or licences to carry on its existing scope of business pursuant to the Telecommunications Ordinance together with its subsidiary legislation.

PRS Licence

Public radiocommunications services, including radio paging, which are outside the scope of the UCL may be operated by service providers under a PRS Licence granted by OFCA. As at the Latest Practicable Date, (i) TDD and (ii) TD2 each hold a PRS Licence to provide public radio paging services and currently provides (i) one-way and (ii) two-ways wireless data services, respectively, under (i) two channels of 172MHz and eleven channels of 280MHz; and (ii) thirty two channels of 800MHz, respectively.

The licence will be based on a PRS Licence in the form published in the Hong Kong Government Gazette by OFCA. Such licence will be valid for 10 years and, subject to the discretion of OFCA, it may be extended for a further period of up to 3 years. TDD's PRS Licences were issued on (i) 1 July 2008 for a period of 10 years; and (ii) on 20 December 2011 for a period of 10 years and was extended for 3 more years on 23 November 2011. The annual licence fee payable on the grant and on the anniversary of the grant of a PRS Licence while the licence for the provision of public radio paging services remains to be in force shall be the sum of (i) HK$1,000 per base station for the 1st to the 50th base stations installed; (ii) HK$500 per base station for the 51st to the 100th base stations installed; (iii) HK$100 per base station for the 101st base station installed and any additional base stations installed; (iv) HK$700 for each 100 mobile stations or less used; (v) HK$50 for every 1 kHz of spectrum assigned to the licencee; and (vi) HK$3 for every subscriber number allocated to the licencee.

SBO Licence

Since August 2008, OFTA has created and started using the UCL as the only carrier licence to be issued for the provision of facility-based fixed, mobile and/or converged services, in lieu of the fixed-line and mobile carrier licences. Service providers who do not have their own network facilities but wish to provide telecommunications services may seek a UCL holder to offer and provide their services under a SBO Licence.

A SBO Licence presently operates under a three-class (class 1, class 2 and class 3) structure. Class 1 services are those services that have all the attributes of conventional telephone services, and licencees under class 1 are required to fulfil the licensing conditions of the fixed telecommunications network service licences, fixed carrier licences or UCL relevant to the provision of local voice telephone services or the equivalent licence conditions contained in the SBO Licence. Class 2 services are those services that do not have all the attributes of conventional telephone services, and class 2 licencees are only subject to minimal licensing conditions that serve to protect consumer interests and safeguard fair competition. Class 1 and class 2 SBO Licences were introduced in January 2006. Subsequently, in October 2009, a class 3 type of service was added to the SBO licensing regime. The class 3 SBO Licence replaced the PNETS licences that were in use up until that time. From October 2009 onwards, no new PNETS licences will be issued. For the provision of public telecommunications services other than local voice telephone services by using the transmission facilities provided by licensed carrier or establishing or maintaining transmission facilities which do not cross public streets or unleased Government lands, the operator may apply for a SBO Licence under which one or more types of class 3 services are authorised. For the avoidance of doubt, the provision of local voice telephone services is not permitted under the SBO Licence for class 3 services, except for the provision of MVNO service. Class 3 services which may be authorised under the SBO Licence include the following eight categories of services:

(a) ETS;

(b) IVANS, including IAS;

(c) MVNO service;

(d) private payphone service;

(e) public radio communications relay service ("Radio Relay");

(f) security and fire alarm signals transmission service ("Security & Alarm");

(g) teleconferencing service; and

(h) any other services designated by OFCA as a "class 3 service".

For the purpose of the provisional licence fee calculation, the SBO licencee is required to report to OFCA one month before the licence renewal date (the "Self-Declaration"): (a) the estimated quantity of phone numbers to be held by the licencee as at the forthcoming licence renewal date; and (b) the estimated quantity of fixed/base stations and mobile stations in respect of the MVNO services, as the case may be. In general, the provisional licence fee to be payable on the renewal of licence would be based on the information as reported by the SBO licencees in the Self-Declaration.

An SBO licence is valid for one year, and is renewable at the discretion of OFCA on an annual basis at:

(a) a fixed fee of:

(i) HK$25,000 where services other than class 3 services (i.e. class 1, class 2 or other local voice telephony services) are provided by the licencee during the validity period of the SBO Licence; or

(ii) HK$750 for each type of class 3 services provided during the validity period of the SBO Licence, if the licencee is authorised to provide class 3 services only, provided that if the licencee is authorised to provide services other than class 3 services (i.e. class 1, class 2 or other local voice telephony services), only the fixed fee under (i) above will apply and the licencee does not need to pay the fixed fee under (ii) above for any additional class 3 services that may be authorised;

(b) a fee of HK$3 for each subscriber number allocated or assigned to the licencee; and

(c) when apparatus for radiocommunications is possessed, used, established or maintained for the purposes of the service provided, the following additional fees shall be payable on the issue or renewal of the licence:

(i) a fee of HK$750 for every base or fixed station; and

(ii) a fee of HK$700 for each 100 mobile stations or less used by customers of the service.

In accordance with the UCL special condition 37 for an MNO, the MNO operating in the 1.9–2.2 GHz band for 3G services is obliged to open 30% of its network capacity to MVNOs who are not affiliated to any MNOs. In the case of TDM and NWM (which are non-affiliated MVNOs), they are permitted to use 30% of the MNO's network capacity on a commercial basis. The network capacity is determined as the sum of the capacities of the installed base station equipment plus the extra capacity that can reasonably be deployed through the addition or reconfiguration of base station equipment in a prescribed period of time. However, this does not impose an obligation on the UCL licencees to deploy additional carrier frequency or base station sites.

As at the Latest Practicable Date, our Group holds four SBO Licences, with TDD holding (i) an ETS Licence; (ii) an IAS Licence; and (iii) an IVANS Licence; and TDM holding an MVNO Licence. In addition, NWM separately holds an MVNO Licence. For operations under NWM's MVNO Licence, please refer to the paragraph headed "Scope of business — 4. Provision of operation services to NWM" in the "Business" section of this prospectus.

Macau Licensing framework

Radio-communications in Macau are principally regulated by the Radio-communications Act (Decree-Law n.° 18/83/M, dated 12 March 1983) and the Administrative Regime for Radio-communications (Decree-Law n.° 48/86/M, dated 3 November 1986). According to the said legislation, nobody in the territory of Macau or aboard a vessel or aircraft subject to the laws of Macau may possess any radio-communications emitter, receiver or emitter/receiver, nor establish or use a radio-communications station or network without previous government authorisation and the necessary licences.

The Radio-communications Act and the Administrative Regime for Radio-communications contain the rules and regulations for the government authorisation and the administrative procedures for the concession of related licences. For our Group to operate in Macau under its existing scope of business, it must (i) obtain and maintain valid the government authorisation for the establishment and use of a radio-communications station or network and related licences; (ii) obtain and maintain valid a holding licence issued by the DSRT; and (iii) comply with the rules provided in the Radio-communications Act and the Administrative Regime for Radio-communications and subsidiary legislation.

Government Authorisation

Any individual or corporation wishing to establish and operate a radio-communications station or network must first obtain a government authorisation. The government authorisation is granted by dispatch of the director of the DSRT and, unless suspended or revoked, its validity period is unlimited.

A holder of a government authorization for the establishment and use of a radio-communications station or network to whom, by reason of public interest or satisfaction of international regulations, a technical change to its equipments is imposed, does not have any right of compensation to cover the costs resulting from such change.

Our Group holds a government authorisation to establish a radio-communications network in Macau comprising 16 (sixteen) stations for the purpose of paging persons. Our Group is authorised to use the frequencies 279.0875, 279.3125, 279.6625 and 279.9125 MHz, subject to a maximum power of 25.0 W and adjacent spacing of 25.0 kHz. The current government authorisation was issued on 7 October 2013 (22nd amendment) and unless suspended or revoked by the DSRT, its validity period is unlimited.

Reasons for the suspension and revocation of our Group's government authorisation are specified in the Radio-communications Act and the Administrative Regime for Radio-communications and include our Group not respecting the conditions under which the authorisation was granted, our Group not applying measures foreseen to eliminate perturbations originated by our radio-communications station, our Group not paying relevant fees in the specified deadlines, our

Group objecting to the verification of our equipments by duly credentialed supervisory agents, and our Group committing or being responsible for any infraction considered "serious" or "very serious" according to existing legislation.

Station Licence

Station licences are the legal instrument that must in all circumstances accompany the respective station and that, before the supervisory entity, proves the legality of its use in the framework of the respective government authorisation. A station licence is valid for five years and its renewal must be requested at least 30 days before its expiry. If our Group's Government Authorisation is suspended or revoked, the station licences for the equipments that comprise our Group's network or station are automatically suspended or revoked.

Station licence fees are payable on the grant, on the renewal and annually according to the General Fees and Fines Table for Radio Services in force.

Our Group holds eighteen station licences, sixteen of which for base stations and two for portable stations.

Homologation Licence

All radio-communications equipments used in Macau must be previously homologated by the DSRT and their user must hold a homologation licence, i.e. the legal instrument proving that the respective equipment, by satisfying the necessary technical requirements, may be commercialised and used in radio-communications networks or stations. A homologation licence is valid for ten years. Equipments of the same make and model that have obtained a type or collective homologation do not require a new homologation.

Homologation licence fees are payable on the grant and annually according to the General Fees and Fines Table for Radio Services in force.

Our Group holds six type homologation licences.

Holding License

Under Macau Law, it is prohibited to sell, rent, borrow or donate a radio-communications emitter, receiver or emitter/receiver to anyone who is not authorised to hold such equipment under a government authorisation. Furthermore, importers or sellers of any radio-communications emitter, receiver or emitter/receiver must request a holding licence from the DSRT and register any movement of the radio-communications equipment in a specific registration book.

Each holding licence is exclusive to its holder and to the specific commercial establishments of the holder and must be kept, along with the updated Registration Book, at the holder's registered office. Holding licence fees are payable on the grant and annually according to the General Fees and Fines Table for Radio Services in force.

Our Group holds one holding licence which unless suspended or revoked by the DSRT is valid for an unlimited period of time.

Reasons for the suspension and revocation of our Group's holding license are specified in the Radio-communications Act and the Administrative Regime for Radio-communications and include our Group providing the DSRT with falsified elements, namely catalogues or manuals which technical specifications have been altered; our Group suspending its commercial activity due to a sanction imposed by other official bodies; the operations licence of our Group having been revoked by other official bodies, and our Group committing or being responsible for any infraction considered "serious" or "very serious" according to existing legislation.

OUR BUSINESS DEVELOPMENT

Introduction

Our Group was founded by Mr. Cheung Kung Wing, the father of the Cheung Brothers in 1974 when the predecessor of our Group, Telecom Service Limited, was incorporated in Hong Kong, and was one of the first paging operators in Hong Kong. During the 40 years after our establishment, we continued to grow and expand.

In 1998, we started our business of mobile services and in 1999 we started to use the brand name “Rabbit” for our mobile services. As an MVNO, we provided mobile service by purchasing airtime and network services from MNOs and we started to purchase airtime from CSL since 2003. We also opened our shops to provide customer services in connection with our paging and mobile services and we started to engage in retail sales of mobile phones and other telecommunication products in our shops.

During 1999 to 2002, we further expanded our paging business by acquiring the paging business of other paging operators.

During 2002 to 2003, we broadened our scope of service by launching Mobitex based services, “One card two numbers” services, IDD and international call forwarding services.

We also engage in the distribution of mobile phones. Currently, we act as a distributor for two international renowned brand names of mobile phones.

As mentioned above, we started to purchase airtime from CSL since 2003. After our years of business relationship with CSL, both parties considered that it was beneficial to modify the business relationship by forming a joint venture to carry out the mobile services business in a synergic manner by utilising the retail operations of TDM and the mobile network infrastructure of CSL. Accordingly, TDM and CSL established a joint venture via NWM and entered into the Shareholders Agreement in October 2008. Following the Shareholders Agreement, the subscribers for our then mobile services which we provided under the brand name of “Rabbit” were transferred to NWM. Since then, we do not directly provide mobile services, but we provide operation services to NWM. For further details of the set-up of our joint venture via, and our business with, NWM, please refer to the paragraph headed “Scope of business — 4. Provision of operation services to NWM” in the “Business” section of this prospectus.

Along with the trend of information technology development, we started to launch smartphone apps in 2010 and we started to provide services of information broadcasting via Internet in 2012.

Today, our business segments include (i) retail sales of mobile phones and pre-paid SIM cards; (ii) distribution of mobile phones; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to NWM.

Business milestones

The key milestones in the business development of our Group include the following:

1974	Mr. Cheung Kung Wing, the father of the Cheung Brothers, founded Telecom Service Limited, being the predecessor of our Group, as one of the first paging operators in Hong Kong.
1998	We started our business of mobile service.
1999	We started to use the brand name "Rabbit" for our mobile service.
1999–2002	We acquired the paging business of China-Hong Kong Telelink, Chevalier (Paging Services) Limited, Hutchison Paging Limited and China Motion Paging Limited.
2002	We launched Mobitex based service and "One card two numbers" service.
2003	We launched IDD service.
2007	We started to distribute handsets of an international renowned brand.
2008	We, together with CSL, formed the joint venture via NWM and entered into the Shareholders Agreement in connection with the operation of NWM.
2010	We started to distribute handsets of another internal renowned brand and we started to launch smartphone apps to the market.
2012	We started to provide service of information broadcasting via Internet, namely, "RaceMate".
2013	We launched the service of "Racing Odds" (a service of information broadcasting via Internet).

CORPORATE DEVELOPMENT AND REORGANISATION

Our Corporate History

Our Company was incorporated on 20 November 2002 in the Cayman Islands as an exempted company with limited liability. As of the Latest Practicable Date, the authorised share capital of our Company is HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each. As part of the Reorganisation, our Company became the holding company of our Group. As of the Latest Practicable Date, we currently have ten wholly owned subsidiaries, namely, TD Investment, TSN, Carries Technology, TDD, TDC, Mango, TD2, TDS, TDM and Telecom Macau, and one associated company, namely NWM.

The following sets forth the corporate development of each member of our Group, all of which are private companies since their respective dates of incorporation. We also underwent certain reorganisation steps in contemplation of the Listing, particulars of which are set forth in the paragraph headed "Reorganisation" in this section.

Telecom Digital Investment Limited

TD Investment was incorporated in the BVI on 12 March 2014 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. Upon its incorporation, 1 share of TD Investment was allotted and issued to Sun Asia at par value.

On 20 May 2014, Sun Asia transferred its 1 share of TD Investment to our Company in consideration of and in exchange for which our Company allotted and issued 16 Shares in aggregate, credited as fully paid, with 4 Shares to each of the Cheung Brothers at the direction of Sun Asia. As a result, TD Investment became a direct wholly owned subsidiary of our Company.

TD Investment is principally engaged in investment holding.

Telecom Service Network Limited

TSN was previously known as Pin Development Limited and was incorporated in Hong Kong on 3 September 1999 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. The name of TSN was changed to Telecom Service Network Limited (電訊物流網絡有限公司) on 2 May 2001. Upon its incorporation, 1 share of TSN was allotted and issued for cash at par value to each of Keystone Nominees Limited and Megatrend Nominees Limited.

On 28 September 1999, TSN allotted and issued 998 shares at par value to Pin International Holdings Limited. Separately, on 4 October 1999, each of Keystone Nominees Limited and Megatrend Nominees Limited transferred its 1 share of TSN to Mrs. Cheung Pin Tsip Yan (mother of the Cheung Brothers, "Mrs. Cheung") and Pin International Holdings Limited, respectively at par value. As a result, as of 4 October 1999, Pin International Holdings Limited and Mrs. Cheung held 999 shares and 1 share of TSN, respectively.

On 11 April 2001, Pin International Holdings Limited transferred its 999 shares of TSN to Sun Asia at par value. As a result, as of 11 April 2001, Sun Asia and Mrs. Cheung held 999 shares and 1 share of TSN, respectively.

On 8 September 2003, Mrs. Cheung transferred her 1 share of TSN to Mr. Cheung King Shek who held the share in trust for and on behalf of East Asia at par value. On the same day, Sun Asia transferred its 999 shares of TSN to East Asia at par value. As a result, immediately prior to the Reorganisation, TSN was held as to 99.9% by East Asia and 0.1% by Mr. Cheung King Shek who held the share in trust for and on behalf of East Asia.

On 14 May 2014, TD Investment acquired the entire issued share capital of TSN from East Asia and its trustee Mr. Cheung King Shek for a nominal cash consideration of HK$1.00. Following the transfer, the trust arrangement in TSN between East Asia and Mr. Cheung King Shek was terminated. As a result, TSN became an indirect wholly owned subsidiary of our Company.

TSN is principally engaged in trading of telecommunication products and provision of logistics services.

Carries Technology Limited

Carries Technology was incorporated in Hong Kong on 30 June 1987 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Upon its incorporation, 1 share of Carries Technology was allotted and issued at par value to each of Datsun Court Company Limited and Canway Secretarial Services Co. Limited.

On 4 January 1989, Carries Technology's authorised share capital was increased to HK$500,000 divided into 500,000 shares of HK$1.00 each. On 29 December 1988, each of Datsun Court Company Limited and Canway Secretarial Services Co. Limited transferred its 1 share of Carries Technology to HI-Q Telecom Co. Limited and Widease Limited, respectively, at par value. On 10 January 1989, Carries Technology allotted and issued 149,999 shares at par value to each of HI-Q Telecom Co. Limited and Widease Limited. As a result, as of 10 January 1989, HI-Q Telecom Co. Limited and Widease Limited each held 150,000 shares of Carries Technology.

On 13 June 1991, HI-Q Telecom Co. Limited transferred its 150,000 shares of Carries Technology to Mr. To Shu Tong. On the same day, Widease Limited transferred its 150,000 shares of Carries Technology to Mr. Cheung King Shek. As a result, as of 13 June 1991, Mr. To Shu Tong and Mr. Cheung King Shek each held 150,000 shares of Carries Technology.

On 13 January 1994, Mr. To Shu Tong transferred his 150,000 shares of Carries Technology to Asia Paging Co., Limited at consideration of HK$150,000. As a result, as of 13 January 1994, Asia Paging Co., Limited and Mr. Cheung King Shek each held 150,000 shares of Carries Technology.

On 30 July 1998, Asia Paging Co., Limited transferred its 150,000 shares of Carries Technology to Telecom Service Limited at consideration of HK$4,999,500. As a result, as of 30 July 1999, Telecom Service Limited and Mr. Cheung King Shek each held 150,000 shares of Carries Technology.

On 13 September 2002, Telecom Service Limited transferred its 150,000 shares of Carries Technology to Sun Asia at consideration of HK$999,000. On the same day, Mr. Cheung King Shek transferred the beneficial title of his 150,000 shares of Carries Technology to Sun Asia, but continue to hold on to the legal title of his 150,000 shares of Carries Technology. As a result, immediately prior to the Reorganisation, Sun Asia and its trustee Mr. Cheung King Shek each held 50% shares of Carries Technology.

On 8 May 2014, TD Investment acquired the entire issued share capital of Carries Technology from Sun Asia and its trustee Mr. Cheung King Shek for a nominal cash consideration of HK$1.00. Following the transfer, the trust arrangement in Carries Technology between Sun Asia and Mr. Cheung King Shek was terminated. As a result, Carries Technology became an indirect wholly owned subsidiary of our Company.

Carries Technology is principally engaged in installation, provision of maintenance and management services for paging transmission stations.

Telecom Digital Data Limited

TDD was previously known as Sun Net International Limited and was incorporated in Hong Kong on 3 September 1999 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. The name of TDD was changed to Telecom Digital Limited (電訊數碼有限公司) on 7 April 2000 and subsequently changed to Telecom Digital Data Limited (電訊數碼信息有限公司) on 10 September 2001. Upon its incorporation, 1 share of TDD was allotted and issued at par value to each of Keystone Nominees Limited and Megatrend Nominees Limited.

On 28 September 1999, TDD allotted and issued 998 shares at par value to Sun Asia. In additional, on 4 October 1999, each of Megatrend Nominees Limited and Keystone Nominees Limited transferred its 1 share of TDD to Sun Asia and Mr. Cheung King Fung, Sunny, respectively, at par value. As a result, as of 4 October 1999, Sun Asia and Mr. Cheung King Fung, Sunny held 999 shares and 1 share of TDD, respectively.

On 6 September 2002, TDD's authorised share capital was increased to HK$5,000,000 divided into 5,000,000 shares of HK$1.00 each. On the same day, TDD allotted and issued 4,999,000 shares at par value to Sun Asia. On 3 September 2010, Mr. Cheung King Fung, Sunny transferred his 1 share of TDD to Mr. Cheung King Shek at nil consideration. As a result, immediately prior to the Reorganisation, TDD was held as to 99.99998% by Sun Asia and 0.00002% by Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia.

On 8 May 2014, TD Investment acquired the entire issued share capital of TDD from Sun Asia and its trustee Mr. Cheung King Shek for a nominal cash consideration of HK$1.00. Following the transfer, the trust arrangement in TDD between Sun Asia and Mr. Cheung King Shek was terminated. As a result, TDD became an indirect wholly owned subsidiary of our Company.

TDD is principally engaged in trading of telecommunication products and provision of paging services, maintenance services and two-way wireless data services.

Telecom Digital Corporate Limited

TDC was previously known as Greateam Limited and was incorporated in Hong Kong on 19 January 1990 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. The name of TDC was changed to Chevalier (Paging Services) Limited (其士(傳訊服務)有限公司) on 18 April 1990 and subsequently changed to Telecom Digital Corporate Limited (電訊數碼商務有限公司) on 18 December 2002. Upon its incorporation, 1 share of TDC was allotted and issued for cash at par value to each of Acota Limited and Time Way Limited.

On 1 March 1990, each of Acota Limited and Time Way Limited transferred its 1 share of TDC to Chevalier (OA) Holdings Limited and Proud Rich Limited, respectively. On 3 February 1997, Proud Rich Limited transferred its 1 share of TDC to Lucky Fine Limited. As a result, as of 3 February 1997, Chevalier (OA) Holdings Limited and Lucky Fine Limited each held 1 share of TDC.

On 7 June 2001, each of Chevalier (OA) Holdings Limited and Lucky Fine Limited transferred its 1 share of TDC to TDD, at consideration of HK$3,000,000 and nil, respectively. On the same day, TDC allotted and issued 997 shares and 1 share at par value to TDD and Mr. Cheung King Shek who held the share in trust for and on behalf of TDD, respectively. As a result, immediately prior to the Reorganisation, TDC was held as to 99.9% by TDD and 0.1% by Mr. Cheung King Shek who held the share in trust for and on behalf of TDD.

On 8 May 2014, the trust arrangement in TDC was terminated by transferring to TDD 1 share of TDC held by Mr. Cheung King Shek in trust for an on behalf of TDD at nil consideration. As a result, TDC was legally and beneficially held as to 100% by TDD, which became an indirect wholly owned subsidiary of our Company following the acquisition of the entire interests in TDD by TD Investment as mentioned above.

TDC currently does not carry on any business.

Mango Limited

Mango was incorporated in Hong Kong on 5 August 2002 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. The name of Mango was supplemented with a Chinese name and became Mango Limited (金網數碼有限公司) on 14 April 2004. Upon its incorporation, 999 shares and 1 share of Mango were allotted and issued at par value to Sun Asia and Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia, respectively. As a result, immediately prior to the Reorganisation, Mango was held as to 99.9% by Sun Asia and 0.1% by Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia.

On 8 May 2014, TD Investment acquired the entire issued share capital of Mango from Sun Asia and its trustee Mr. Cheung King Shek for a nominal cash consideration of HK$1.00. Following the transfer, the trust arrangement in Mango between Sun Asia and Mr. Cheung King Shek was terminated. As a result, Mango became an indirect wholly owned subsidiary of our Company.

Mango is principally engaged in provision of technical support activities.

Telecom Digital 2 Limited

TD2 was incorporated in Hong Kong on 7 August 2002 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Upon its incorporation, 999 shares and 1 share of TD2 were allotted and issued at par value to Sun Asia and Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia, respectively. As a result, immediately prior to the Reorganisation, TD2 was held as to 99.9% by Sun Asia and 0.1% by Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia.

On 8 May 2014, TD Investment acquired the entire issued share capital of TD2 from Sun Asia and its trustee Mr. Cheung King Shek for a nominal cash consideration of HK$1.00. Following the transfer, the trust arrangement in TD2 between Sun Asia and Mr. Cheung King Shek was terminated. As a result, TD2 became an indirect wholly owned subsidiary of our Company.

TD2 is holding a PRS licence.

Telecom Digital Services Limited

TDS was incorporated in Hong Kong on 17 September 2001 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Upon its incorporation, 999 shares and 1 share of TDS were allotted and issued at par value to Sun Asia and Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia, respectively. As a result, immediately prior to the Reorganisation, TDS was held as to 99.9% by Sun Asia and 0.1% by Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia.

On 8 May 2014, TD Investment acquired the entire issued share capital of TDS from Sun Asia and its trustee Mr. Cheung King Shek for a nominal cash consideration of HK$1.00. Following the transfer, the trust arrangement in TDS between Sun Asia and Mr. Cheung King Shek was terminated. As a result, TDS became an indirect wholly owned subsidiary of our Company.

TDS is principally engaged in provision of operation services and sales of telecommunication products.

Telecom Digital Mobile Limited

TDM was incorporated in Hong Kong on 27 August 2001 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Upon its incorporation, 999 shares and 1 share of TDM were allotted and issued at par value to Sun Asia and Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia, respectively. As a result, immediately prior to the Reorganisation, TDM was held as to 99.9% by Sun Asia and 0.1% by Mr. Cheung King Shek who held the share in trust for and on behalf of Sun Asia.

On 8 May 2014, TD Investment acquired the entire issued share capital of TDM from Sun Asia and its trustee Mr. Cheung King Shek for a nominal cash consideration of HK$1.00. Following the transfer, the trust arrangement in TDM between Sun Asia and Mr. Cheung King Shek was terminated. As a result, TDM became an indirect wholly owned subsidiary of our Company.

TDM is principally engaged in provision of operation services.

Telecom (Macau) Limited

Telecom Macau was incorporated in Macau on 15 June 1977 as a limited liability company by quotas, with a registered capital of MOP100,000, divided into 4 (four) quotas: one quota in the nominal amount of MOP50,000, one quota in the nominal amount of MOP20,000, one quota in the nominal amount of MOP20,000 and one quota in the nominal amount of MOP10,000 held by Mr. Cheung Kung Wing, Mr. Cheung King Shek, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny respectively.

On 27 January 2000, Mr. Cheung Kung Wing divided his quota in the nominal amount of MOP50,000 into three separate quotas: one in the nominal amount of MOP14,000, one in the nominal amount of MOP24,000 and one in the nominal amount of MOP12,000, which he then transferred, respectively, to Mr. Cheung King Shek, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny for a cash consideration of MOP14,000, MOP24,000 and MOP12,000, respectively. Pursuant to such acquisition, Mr. Cheung King Shek unified his two quotas in the nominal amounts of MOP20,000 and MOP14,000 into one single quota of the nominal amount of MOP34,000; Mr. Cheung King Chuen Bobby unified his two quotas in the nominal amounts of MOP20,000 and MOP24,000 into one single quota of the nominal amount of MOP44,000; and Mr. Cheung King Fung Sunny unified his two quotas in the nominal amounts of MOP10,000 and

MOP12,000 into one single quota of the nominal amount of MOP22,000. The division, transfer and unification of Telecom Macau's quotas were provisionally registered with Macau authorities on 2 February 2000 and such registration became definitive on 10 March 2000.

As a result, immediately prior to the Reorganisation Telecom Macau was held as to 44% by Mr. Cheung King Chuen Bobby, as to 34% by Mr. Cheung King Shek and as to 22% by Mr. Cheung King Fung Sunny.

On 12 May 2014, TD Investment acquired from each of Mr. Cheung King Shek and Mr. Cheung King Chuen, Bobby their quotas in Telecom Macau for a nominal cash consideration, respectively, of MOP1.00 and MOP1.00. On 12 May 2014, Mr. Cheung King Fung Sunny divided his quota in the nominal amount of MOP22,000 into two separate quotas: one in the nominal amount of MOP21,000, and one in the nominal amount of MOP1,000, which he then transferred, respectively, to TD Investment and TDD. Pursuant to such acquisition, TD Investment unified its three quotas in the nominal amounts of MOP44,000, MOP34,000 and MOP21,000 into one single quota of the nominal amount of MOP99,000.

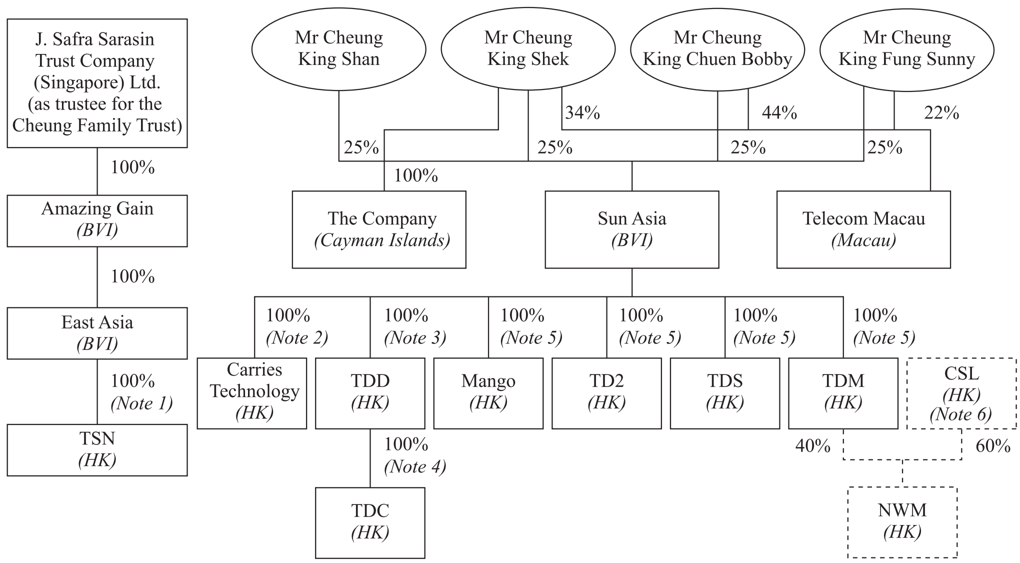
Such division, transfer and unification were properly and legally completed and settled on 12 May 2014 and are duly registered with Macau authorities as of 13 May 2014.

Pursuant to the written resolutions of the directors of TDD dated 9 May 2014 and the power of attorney executed before a Macau Notary on 23 May 2014, TDD granted all powers relating to (a) social rights and (b) its quota of MOP1,000 in Telecom Macau, including the powers to enable the attorney to assign the referred quota into its own name, in favour of TD Investment. This Power of Attorney forms an irrevocable act and cannot be revoked by TDD without TD Investment's consent. As a result thereof, TD Investment is the beneficial owner of the entire registered capital of MOP100,000 in Telecom Macau and hence beneficially owns the entire registered capital of Telecom Macau taking into account the registered capital of MOP99,000 held under its name.

Telecom Macau is principally engaged in trading of telecommunication products and provision of paging services.

Reorganisation

The following chart sets out our shareholding and corporate structure immediately prior to the Reorganisation:



Notes:

1. 1 share representing 0.1% of the entire issued share capital in TSN was held by Mr. Cheung King Shek (being a nominee) in trust for and on behalf of East Asia.

2. 150,000 shares representing 50% of the entire issued share capital in Carries Technology were held by Mr. Cheung King Shek (being a nominee) in trust for and on behalf of Sun Asia.

3. 1 share representing 0.00002% of the entire issued share capital in TDD was held by Mr. Cheung King Shek (being a nominee) in trust for and on behalf of Sun Asia.

4. 1 share representing 0.1% of the entire issued share capital in TDC was held by Mr. Cheung King Shek (being a nominee) in trust for and on behalf of TDD.

5. 1 share representing 0.1% of the entire issued share capital in each of TDM, TDS, Mango and TD2 was respectively held by Mr. Cheung King Shek (being a nominee) in trust for and on behalf of Sun Asia.

6. CSL is an indirect wholly owned subsidiary of CSL New World Mobility Limited, which is indirectly owned by Telstra Corporation Limited and New World Development Company Limited as to 76.4% and 23.6%, respectively. All of CSL, CSL New World Mobility Limited, Telstra Corporation Limited and New World Development Company Limited are Independent Third Parties.

The Reorganisation involves the following steps:

1. *Incorporation of TD Investment*

On 12 March 2014, TD Investment was incorporated in the BVI with limited liability, with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one fully paid share of US$1.00 was allotted and issued to Sun Asia at par value.

As a result, TD Investment is wholly owned by Sun Asia.

2. *Incorporation of CKK Investment*

On 12 March 2014, CKK Investment was incorporated in the BVI with limited liability, with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one fully paid share of US$1.00 allotted and issued to Amazing Gain at par value.

As a result, CKK Investment is wholly owned by Amazing Gain.

3. *Transfer of interests in our Company from Mr. Cheung King Shek to CKK Investment*

On 7 May 2014, CKK Investment acquired 1 Share from Mr. Cheung King Shek, representing the entire issued share capital of our Company, for a nominal cash consideration of HK$0.01.

Following this transfer, our Company becomes a wholly-owned subsidiary of CKK Investment.

4. *Subscription of the Shares by CKK Investment*

On 7 May 2014, CKK Investment subscribed for 43 new Shares, credited as fully paid, at par value of HK$0.43 in total.

CKK Investment held a total of 44 Shares following this subscription.

5. *Transfer of interests in each of Carries Technology, TDD, TDC, Mango, TD2, TDS and TDM (collectively as the "Principal Operating Subsidiaries") from Sun Asia and its trustee Mr. Cheung King Shek to TD Investment*

   (a) On 8 May 2014, TD Investment acquired from Sun Asia and its trustee, Mr. Cheung King Shek, their entire interests in Carries Technology for a nominal cash consideration of HK$1.00.

   (b) On 8 May 2014, TD Investment acquired from Sun Asia and its trustee, Mr. Cheung King Shek, their entire interests in TDD (together with its wholly-owned subsidiary TDC) for a nominal cash consideration of HK$1.00. On 8 May 2014, the trust arrangement in TDC was terminated by transferring to TDD 1 share of TDC held by Mr. Cheung King Shek in trust for and on behalf of TDD at nil consideration.

(c) On 8 May 2014, TD Investment acquired from Sun Asia and its trustee, Mr. Cheung King Shek, their entire interests in Mango for a nominal cash consideration of HK$1.00.

(d) On 8 May 2014, TD Investment acquired from Sun Asia and its trustee, Mr. Cheung King Shek, their entire interests in TD2 for a nominal cash consideration of HK$1.00.

(e) On 8 May 2014, TD Investment acquired from Sun Asia and its trustee, Mr. Cheung King Shek, their entire interests in TDS for a nominal cash consideration of HK$1.00.

(f) On 8 May 2014, TD Investment acquired from Sun Asia and its trustee, Mr. Cheung King Shek, their entire interests in TDM (together with its 40% owned associated company NWM) for a nominal cash consideration of HK$1.00.

Following these transfers, the trust arrangements in each of our Principal Operating Subsidiaries between Sun Asia and its trustee, Mr. Cheung King Shek, were terminated respectively. The entire interests in each of our Principal Operating Subsidiaries are solely owned by TD Investment.

6. *Transfer of interests in Telecom Macau from Mr. Cheung King Shek, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny to TD Investment*

On 12 May 2014, TD Investment acquired from each of Mr. Cheung King Shek and Mr. Cheung King Chuen, Bobby their quotas in Telecom Macau for a nominal cash consideration, respectively, of MOP1.00 and MOP1.00.

On 12 May 2014, Mr. Cheung King Fung Sunny divided his quota in the nominal amount of MOP22,000 into two separate quotas: one in the nominal amount of MOP21,000, and one in the nominal amount of MOP1,000, which he then transferred, respectively, to TD Investment and TDD.

Pursuant to such acquisitions, TD Investment unified its three quotas in the nominal amounts of MOP44,000, MOP34,000 and MOP21,000 into one single quota of the nominal amount of MOP99,000.

Pursuant to the written resolutions of the directors of TDD dated 9 May 2014 and the power of attorney executed on 23 May 2014, TDD granted all powers relating to (a) social rights and (b) its quota of MOP1,000 in Telecom Macau, including the powers to enable the attorney to assign the referred quota into its own name, in favour of TD Investment.

Following these division, transfers, unification and power of attorney, Telecom Macau became a wholly beneficially-owned subsidiary of TD Investment.

7. *Transfer of interests in TSN from East Asia and its trustee to TD Investment*

On 14 May 2014, TD Investment acquired from East Asia and its trustee, Mr. Cheung King Shek, their entire interests in TSN for a nominal cash consideration of HK$1.00.

Following this transfer, the trust arrangement in TSN between East Asia and its trustee, Mr. Cheung King Shek, was terminated. The entire interests in TSN are solely owned by TD Investment.

8. *Transfer of interests in TD Investment from Sun Asia to our Company*

On 20 May 2014, our Company acquired from Sun Asia its entire interests in TD Investment in consideration of and in exchange for which our Company allotted and issued 16 Shares in aggregate, credited as fully paid, with 4 such Shares to each of the Cheung Brothers at the direction of Sun Asia.

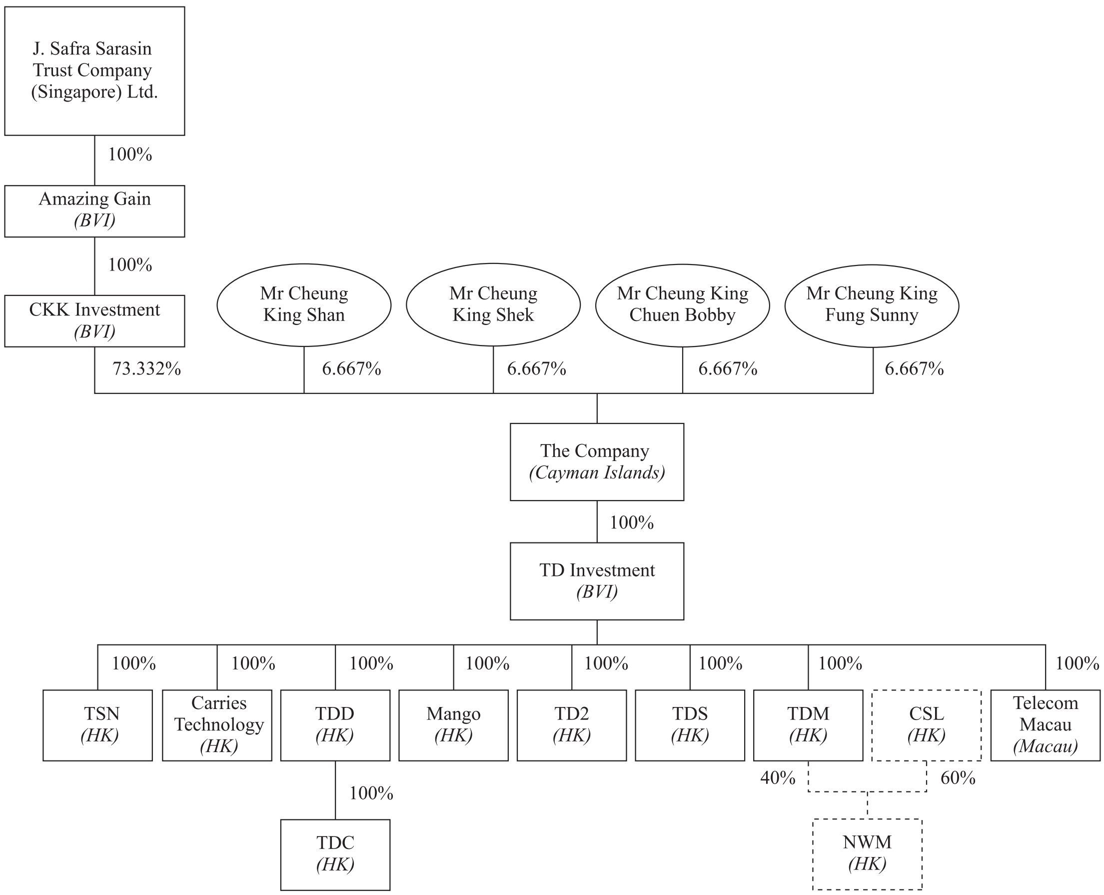
Following this transfer, the entire interests in TD Investment (together with the entire interests in each of our Principal Operating Subsidiaries, TSN and Telecom Macau as well as 40% interests in NWM) are solely owned by our Company.

9. *Increase in authorised share capital of our Company*

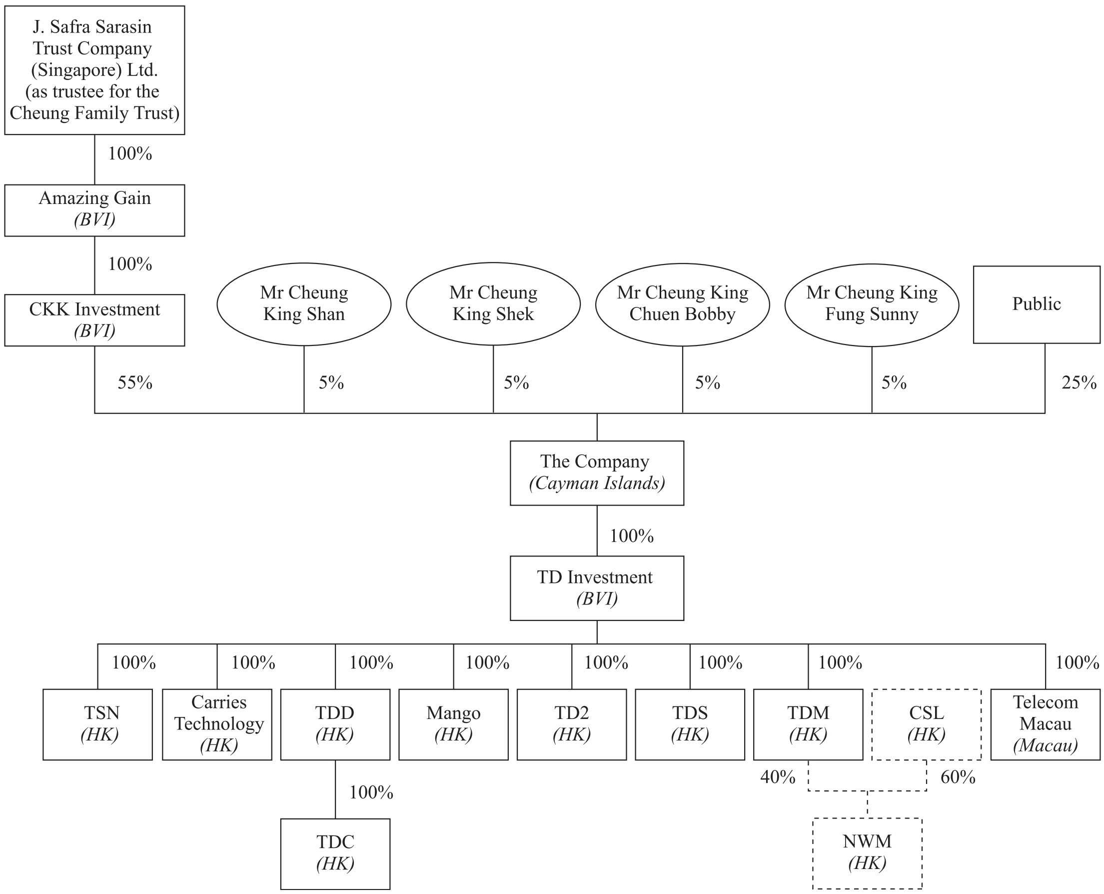
On 20 May 2014, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each.

Upon completion of the Reorganisation but before the Placing and the Capitalisation Issue, the entire issued share capital of our Company was held as to 73.332% by CKK Investment, 6.667% by Mr. Cheung King Shek, 6.667% by Mr. Cheung King Shan, 6.667% by Mr. Cheung King Chuen Bobby and 6.667% by Mr. Cheung King Fung Sunny, respectively.

The following chart sets out our shareholding and corporate structure as at the Latest Practicable Date, immediately before the Placing and the Capitalisation Issue:



The following chart sets out our shareholding and corporate structure immediately after completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued under the Over-allotment Option and upon the exercise of the options that may be granted under the Share Option Scheme):



OVERVIEW

Our Group was founded in 1974 as one of the first paging operators in Hong Kong. In the past 40 years, we have been actively engaged in the telecommunications and related business in Hong Kong.

Our principal business currently comprises:

(i) Retail sales of mobile phones of various brands and pre-paid SIM cards — We sell mobile phones of various brands and local pre-paid SIM cards for mobile voice services at our shops in Hong Kong. We currently sell seven international renowned brands of mobile phones at our network of shops in Hong Kong comprising 51 shops.

(ii) Distribution of mobile phones — We are currently a distributor of mobile phones of two international renowned brands in Hong Kong and we distribute the mobile phones of these two brands to wholesalers and retailers. We obtained non-exclusive distribution right of mobile phones of these two international renowned brands in Hong Kong in 2007 and 2010 respectively. The terms of such distribution rights continue year to year until terminated.

(iii) Provision of paging and other telecommunications services — We have been providing paging services in Hong Kong since 1974 and in Macau since 1977 and are one of the paging operators in Hong Kong and the only paging operator in Macau according to the Industry Report. Our principal services include the traditional message paging services which allow users to receive messages, and the Mobitex based services which allow users to receive and send messages. Our paging services also support self-entry of message through the Internet and support "one-to-many" paging services which are used by entities such as disciplinary forces, hospitals, logistics companies, construction companies, property agency, hotels and property management companies and banks. We have designed a series of specific devices for our Mobitex based services and "Mango" is the name of the series of such devices. The current models of devices of our "Mango" series for Mobitex based services include "Mango Combo" and "Mango Deluxe". As at 31 December 2013, we had about 50,800 and 13,800 users for our paging and Mobitex based services respectively. We also provide other telecommunications services including data services (which provide users with continuously updated stock data and gaming data of The Hong Kong Jockey Club through the Internet or mobile apps), IDD, international call forwarding, and "One card two numbers" services.

(iv) Provision of operation services to our associate, NWM — Our wholly owned subsidiary, TDM, provides operation services to NWM for a services fee. NWM is an MVNO which provides services in the brand name of "New World Mobility" ("新世界傳動網") and is our associate owned as to 40% by TDM and as to 60% by CSL. The operation services we provide to NWM include sales management services, marketing operation services, customer services, billing, payment and debt collection services, and customer data compilation and analysis services. We provide sales and customers services to NWM Subscribers at our shops in Hong Kong.

As at the Latest Practicable Date, we have 51 shops in Hong Kong and a service centre in Macau.

For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, we had a total revenue of HK$840.2 million, HK$1,091.1 million and HK$890.5 million and a net profit of HK$6.9 million, HK$50.4 million and HK$67.7 million, respectively. The following table sets out a breakdown of our total revenue during the Track Record Period according to our four major streams of business:

	Year ended 31 March				**Nine months ended 31 December**			
	2012		**2013**		**2012**		**2013**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Retail sales of mobile phones and pre-paid SIM cards	163,819	19.5	479,775	44.0	369,312	45.3	353,862	39.8
Distribution of mobile phones	383,863	45.7	318,971	29.2	229,553	28.1	316,355	35.5
Paging and other telecommunications services	237,462	28.2	179,147	16.4	139,058	17.0	102,414	11.5
Provision of operation services to NWM	55,037	6.6	113,196	10.4	77,917	9.6	117,844	13.2
Total	840,181	100.0	1,091,089	100.0	815,840	100.0	890,475	100.0

COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths of our Group have contributed to our success to date.

We have experienced management

Our executive Directors have served our Group for 23 years to 36 years and participated in the business development of our Group. They thus have extensive experience in the telecommunications business including but not limited to paging services, mobile and other telecommunications services, distribution and retail sales of mobile phones and telecommunications accessories, as well as the operation of the front end and back end of telecommunications business. Their experience and expertise have contributed to the growth of our Group, and continue to enable our Group to respond effectively to rapid changes and keen competition in the telecommunications market.

We have established a foothold in the telecommunications market

We have established a foothold in the Hong Kong telecommunications market. We had approximately 50,800 users of our paging services and approximately 13,800 users of our Mobitex based services as at 31 December 2013. About 50% of our paging services subscribers have subscribed for our services for more than five years. As cellular technologies become more affordable and more available, advanced telecommunications services began to displace paging as a commercial product. However, paging services now exist largely as niche products for their simplicity, high reliability, and low cost. In 2013, we have taken 74.63% and 100% of market share (in terms of number of users) in Hong Kong and Macau markets respectively.

We have used our existing brand name "Telecom Digital" ("電訊數碼") for more than 12 years and the brand name of "Mango" for our Mobitex based services since 2002. Our established brand names help us attracting customers and marketing our products and services.

We have extensive network of shops in Hong Kong

As at the Latest Practicable Date, we had a total of 51 shops in Hong Kong. Our shops, the gross areas of which range from approximately 50 sq.ft. to approximately 1,100 sq.ft., are generally at locations with high pedestrian flow in different districts in Hong Kong. The extensive network of our shops enables us to provide efficient and quality services to our customers as well as serves an effective means to market our services and goods.

The map below shows the locations of our shops in Hong Kong as at the Latest Practicable Date:

Our business model comprises various operations generating synergy

We sell mobile phones and pre-paid SIM cards and distribute mobile phones of international renowned brands. In addition, we are also engaged in provision of paging and other telecommunications services and provide operation services to NWM. The integration of these operations has formed a business model which brings synergies and operational efficiency. Specifically, we can leverage on our network of shops and customer base to cross-sell various telecommunications products and services. Our marketing, advertising and branding effort benefits our sales of various products and services as a whole. Moreover, our back office resources, such as our administrative staff, customer service team, billing system, as well as IT system also support and contribute to the development of our various business operations.

OUR BUSINESS STRATEGIES

We intend to continue to focus on the telecommunications market in Hong Kong in which we have extensive experience and expertise. We believe that the continuous development of the telecommunications technology will result in sustained increasing demand for our services and products.

We will endeavour to achieve our business objective and adopt the following business strategies.

Strengthen our business of retail sales of mobile phones by expanding our shops network and opening flagship stores

While we expect that the proportion of our revenue from paging and other telecommunication services would reduce gradually, we expect our operation of retail sales and distribution of mobile phones would together contribute a larger portion of our revenue in the future. We believe that it is important for us to continue to strengthen our market competitiveness by expanding our network of shops. As at the Latest Practicable Date, we have 51 shops. We target to expand our shops network in Hong Kong to 52 shops, 56 shops and 61 shops as at 31 March 2015, 2016 and 2017, respectively. We plan to open about 10 new shops in the coming three years in order to achieve our expansion plan on our shops network.

In determining whether to open an additional new shop in a place, we first study the performance of our existing shop in the same or nearby district in terms of the amount of retail sales, the queuing time of shop visitors, the number of customers visiting our shops for our customer services, the number of existing and new customers of NWM's mobile services, the market demand for mobile phones and/or our paging and other telecommunication services, the flow of people in the district, the expected benefit (such as improvement in customer service quality and potential market penetration as brought by additional shop visitors), as well as the rental and staff cost to operate the shop. We perform feasibility study for opening new shops based on the aforesaid information and assess whether it is worthwhile to open a new shop in a specific location. Regarding the location of a new shop, we will select the premises for lease situated on the street level at prime shopping areas or within shopping malls with high flow of people.

Moreover out of the 10 new shops, two of which are intended to be our flagship stores with larger floor area. The flagship stores would showcase our products and services. More importantly, the flagship stores would provide more enhanced customer experience. In our flagship stores, we shall provide customer services include management of customer accounts, arrangement for repair and maintenance of devices, training courses and interest groups for new products and services for customers. We believe that the flagship stores would further enhance customer experience and satisfaction as well as the corporate image of our Group.

Total capital expenditure for refurbishment of the 10 new shops (including flagship stores) is estimated at about HK$5 million. We intend to finance such capital expenditure by the net proceeds from the Placing in about 36 months after Listing. The investment costs, comprising primarily equipment, leasehold improvement, furniture and fixtures, of a new shop is estimated to be approximately HK$500,000.

Moreover, we also need to recruit additional sales force to operate these new shops. We intend to spend HK$5 million of our net proceeds from the Placing to finance the additional staff cost for such new shops for the coming 22 months after Listing.

During the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, our average monthly revenue per shop were approximately HK$445,000, HK$988,000 and HK$1,048,000 respectively. Such average monthly revenue per shop is calculated based on summation of our revenue from two out of our four business segments (being retail sales of mobile phones and pre-paid SIM cards and provision of operation services to NWM), divided by the number of shops as of the respective year/period end. We use the revenue of these two segments to calculate the average monthly revenue per shop because our operations carried out in our shops are mainly related to these two segments, while our customer service for paging and other telecommunication services is mainly provided through customer hotline and online payment platform. During the Track Record Period, our averagely monthly revenue per shop increased mainly due to the increase in revenue of our retail sales of mobile phones, as well as the increase in subscribers of NWM's mobile services (which therefore led to increase in revenue of NWM and thus our revenue from provision of operation services to NWM). We will monitor the operation of each of our shops to avoid over-saturation of shops. However, there is no assurance that the feasibility study that we conduct for opening new shops is accurate due to over-saturation of the market as a result of our new shop or new shops of our competitors. Based on our experience during the Track Record Period, it is estimated that a new shop will break even, i.e. its monthly revenue is at least equal to its monthly expenses, in about one to two months after its commencement of business. Depending on the rentals of the shop, the investment in a shop will be recovered in 3 to 17 months after its commencement of business based on the total investment costs for a shop and as estimated based on the monthly revenue and expenses per shop during the Track Record Period.

Expanding our head office and logistics vehicle fleet to cope with our growth of business

In order to support the growth of our businesses and to enhance our operational efficiency, we plan to expand our head office in Hong Kong. We intend to purchase office premises in Hong Kong as our head office. We believe that purchasing our own premises rather than renting premises for our head office will let us have a greater flexibility for catering our expansion. As at the Latest Practicable Date, we have not yet identified a specific property to acquire. Nevertheless, as we currently rent premises as our head office in Kowloon Bay, we plan to acquire the premises for expansion of office in Kowloon Bay district. We currently intend to acquire premises of about 8,000 sq.ft. in about 12 months after Listing. With a larger office, we can cater a larger logistics team and technicians to cope with the growth our business. Total capital expenditure for the purchase of premises and the expansion of our office is estimated at about HK$86.8 million. We intend to finance such capital expenditure by the net proceeds of HK$54.0 million from the Placing and the remaining by bank mortgage loan.

We also plan to purchase additional trucks to enhance our logistics vehicle fleet along with the expansion of our distribution and retail business. Currently, we have 10 trucks in our logistics vehicle fleet. We plan to purchase 10 new trucks to replace five of our existing and aged trucks and to expand our logistics fleet. Total capital expenditure for addition of trucks is estimated at about HK$2.0 million. We intend to finance such capital expenditure by the net proceeds from the Placing within 24 months after Listing.

Enhance management capability and efficiency by implementing an ERP system

We believe that an enhancement of our management capability and efficiency could increase our competitiveness. We plan to implement a group-wide ERP system, which are specifically designed to improve the efficiency of our resource planning and reduce the operating costs of our operations by allowing us to have a more effective communication and data flow among our different operation functions, enhancing our ability to accumulate and analyse our operational data, and thus providing support to our customer services, distribution, retail sales, human resources and finance and accounting operations.

We plan to implement ERP system construction in two phases. The first phase will focus on the integration of IT systems used in our retail outlets. The second phase will gradually integrate our purchasing, selling, logistics, and financing operations in various sectors of our business, so as to allow for synchronisation and simultaneous operation of our various systems. Upon completion, our ERP information system will provide statistical data for our business strategy analysis. It will give us instant access to key business information such as inventory records, sales information, market trends and customer needs, and performs accounting and financial analysis.

The ERP system will thus provide us with a solid platform for efficient management, an excellent source of statistical data for our business strategy analysis, a platform for better internal communication and efficient management and a strong foundation for future business development, thereby making revenue-generating and cost-saving impact on us. The total investment for the ERP system is estimated at approximately HK$5.0 million. We intend to finance such capital expenditure by the net proceeds from the Placing in 24 months after Listing.

SCOPE OF BUSINESS

During the Track Record Period, our scope of business included:

1. Retail sales of mobile phones and pre-paid SIM cards

2. Distribution of mobile phones

3. Provision of paging and other telecommunications services

4. Provision of operation services to NWM

1. Retail sales of mobile phones and pre-paid SIM cards

We offer mobile phones of seven brands including Samsung, LG, Sony, Sharp, HTC, Lenovo and Motorola for sale at our shops. We also sell pre-paid SIM cards for voice mobile services.

Prior to December 2012, we sold an immaterial amount of mobile phone accessories. Starting from December 2012, in order to avoid competition with TSO, which has also been selling accessories for mobile phones and personal electronic products of certain brands at its service centres, we ceased to engage in the sale of the accessories and agreed to allow TSO to sell the accessories at our retail shops on a consignment basis. Further details of the consignment of accessories are in "Continuing Connected Transactions — A. Non-exempt Continuing Connected Transactions — 4. Transactions with TSO" in this prospectus.

The following table sets out the breakdown of revenue of our retail sales business of mobile phones and pre-paid SIM cards during the Track Record Period:

	Year ended 31 March				**Nine months ended 31 December**			
	2012		**2013**		**2012**		**2013**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Sale of mobile phones	146,938	89.7	457,621	95.4	353,336	95.7	339,273	95.9
Consignment fee received from TSO	—	—	590	0.1	3	0.1	1,188	0.3
Sale of pre-paid SIM cards	16,881	10.3	21,564	4.5	15,973	4.2	13,401	3.8
Total	163,819	100.0	479,775	100.0	369,312	100.0	353,862	100.0

Suppliers

Suppliers involved in our retail business include two international renowned brands with which we have distributorship agreements. Mobile phones of these two brands sold in our retail business are sourced from our distribution business. Such inter-segment sales are eliminated in full on combined financial statements as set out in note 8 to the Accountants' Report. For mobile phones of other brands, we procure merchandise from the brands or their designated distributors. We also purchase pre-paid rechargeable SIM cards for voice mobile services from CSL. We have not entered into any supply agreement of fixed term with the supplier for our retail business. Generally we are required to settle the payment for mobile phones and pre-paid SIM cards upon receipt of the goods or with a credit term within 15 days to 30 days of the invoice.

Our purchasing policy is to provide a range of quality products at market price. We continuously review new and existing products with a view to maintaining a range of high quality, brand-name consumer electronic products within our product mix. We source merchandise only from a pre-qualified list of suppliers who meet our quality standards. In general, if the suppliers have available stock, it takes two to three days from submitting an order to a supplier to receiving the ordered goods. Procurement decisions are based on inventory levels and movement, expected sales and lead times of the products. In this regard, our sales reporting and inventory monitoring system can provide us the number of units of mobile phones we sell and the inventory level, and we can monitor our retail sales of mobile phones every day as well as the inventory levels of the products in stores and warehouses, and consult our suppliers from time to time about the delivery time of the goods.

Customers and sales and marketing activities

During the two years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, we sold 58,000 units, 132,300 units and 98,700 units of mobile phones under our retail sales of mobile phones, respectively.

For our retail operations, our profitability depends to a large extent on the price competitiveness of the products we offer. Our primary pricing policy is to offer the products at market prices. We review the selling prices of the products regularly and make adjustments based on the recommended retail price and discount range set by our suppliers, the expected profit margin on individual products determined by management, the prices set by our competitors and the anticipated market trends and expected demand from customers. For the mobile phones we sell under our retail operation, there is no difference between the pricing policy on the brands of mobile phones of which we have the distribution rights and the pricing policy on the other brands of mobile phones.

We primarily market our mobile phones and other telecommunication products to visitors at our shops by displaying their demo units. Our customer services staff at the shops also explain to visitors the features and specifications of the products. We also run regular sales promotion campaigns, including seasonal sales and festival sales. Our sales promotions include direct discounts and gifts such as accessories, coupons and movie tickets. All retail sales are made through immediate payment.

We conduct our retail business of mobile phones mainly at our shops. As disclosed in the paragraph headed "4. Provision of operation services to NWM" in this section, TDM (being our wholly-owned subsidiary) provides operation services to NWM which include, among others, sale management services pursuant to which TDM offers, markets and sells NWM's mobile services under the brand of "New World Mobility ("新世界傳動網")" at our Group's shops. Since it is common for mobile service operators in Hong Kong to offer handset bundle tariff plans to customers, as our own promotional and marketing strategy to benefit both our retail sale of mobile phones and NWM's mobile services business, we offer sales discount on selected mobile phone models to NWM Subscribers as well as subscribers for our Group's paging or Mobitex based services. Such promotional and marketing activities are planned and carried out solely at our own discretion and we plan such activities mainly based on market trend and demand for various types of mobile phones. Generally, the discount we offer to NWM Subscribers ranges from HK$300 to HK$1,600 or from approximately 8% to 40% for different models of mobile phones. Such discount is usually the same for both new and existing NWM Subscribers. Such discounts are determined by us after taking into account of the discount prices offered by other mobile services providers to their subscribers, discount prices offered by other retailers, as well as the popularity of the brands and models of the mobile phones and the period of time for which the models have been launched to the market. We do not provide mobile phones on a zero-price basis to NWM Subscribers. We do not receive rebate from NWM for handsets sold to NWM Subscribers at a discounted price. For the handsets sold at a discounted price, we record such discounted price as our revenue.

Set out below is the breakdown of revenue from sale of mobile phones in our retail business to NWM Subscribers and to other customers respectively:

	Year ended 31 March				Nine months ended 31 December	
	2012		2013		2013	
	HK$'000		*HK$'000*		*HK$'000*	
New NWM Subscribers *(Note 1)*	80,411	54.7%	245,199	53.6%	97,687	28.8%
Existing NWM Subscribers *(Note 2)*	45,210	30.8%	194,328	42.5%	225,265	66.4%
Other customers	21,318	14.5%	18,094	4.0%	16,321	4.8%
Total	146,939	100%	457,621	100%	339,273	100%

Notes:

1. A new subscriber for NWM's mobile services who enters into the mobile service agreement with NWM for a term of 12 months is entitled to purchase mobile phones of designated models from our Group at a discounted price.

2. Our Group also sells mobile phones of designated models to existing NWM Subscribers at various discounted prices so long as they extend their service agreements with NWM for a further term.

The mobile phones we sell under our retail operation are covered by the "defective on arrival" return arrangement and protected by the warranty offered by the manufacturers. We do not extend or separately provide warranty on the mobile phones we sell under our retail operation.

2. Distribution of mobile phones

Currently we distribute mobile handsets of two international renowned brands to Independent Third Parties, which include household electrical appliances retailers, mobile phones retailers and wholesalers. One of the brands is a multinational mobile phone manufacturing company headquartered in Tokyo, Japan, and is a wholly-owned subsidiary of another Tokyo-based global enterprise which is engaged in a broad range of businesses, including the electronic business, entertainment businesses and financial services business. It has a market share of approximately

3.18% (by unit of shipment) in Hong Kong for the year ended 31 December 2013 pursuant to the Industry Report as referred to on page 66 of this prospectus. The other one is a global enterprise, headquartered in Korea and engaged in consumer electronics, mobile communications and home appliances. It has a market share of approximately 5.25% (by unit of shipment) in Hong Kong and was the second largest Korean brand of mobile phones in Hong Kong (in term of unit of shipment) for the year ended 31 December 2013 pursuant to the Industry Report as referred to on page 66 of this prospectus.

We obtained the non-exclusive distribution right of mobile phones of these two international renowned brands in Hong Kong in 2007 and 2010 respectively. The terms of such distribution rights continue year to year until terminated. The two international renowned brands have the right to appoint other distributors in Hong Kong, but currently, we are the only distributor which directly procures mobile phones from them for distribution purpose in Hong Kong.

The major terms of the relevant supply agreements between these two brands and us include:

Distribution — The suppliers authorise us to distribute and sell their designated models of mobile phones to other retailers in Hong Kong on a non-exclusive basis.

Pricing — The prices of the mobile phones sold by the suppliers to us are determined after arm's length negotiation between the suppliers and us with reference to the prices of the mobile phones to be resold by us to retailers as determined by the suppliers. In case of reduction in the prices of the mobile phones sold by the suppliers to us, the suppliers will provide a retrospective reduction in the price for affected mobile phones still on the stock in our warehouse. The suppliers will also provide a retrospective reduction in price for affected mobile phones still on the stock at the possession of our distribution customers which have been invoiced within a specified period of time prior to the date of the price reduction. The payment of such stock compensation is made by way of debit notes issued by us to the suppliers and credit notes issued by us to our distribution customers.

We also sell mobile phones of these two suppliers in our retail business. The primary pricing policy for retail sales of mobile phones of these two suppliers is to offer the mobile phones at market prices, which is the same as the policy for retail sales of mobile phones of other brands. Further details of the pricing policy for retail sales of mobile phones are set out in the above sub-paragraph headed "Scope of business — 1. Retail sales of mobile phones and pre-paid SIM cards — Customers and sale and marketing activities" in this section of this prospectus.

Payment and settlement — We are required to settle the payment to the two suppliers in Hong Kong dollars within 15 days to 30 days from the date of invoice.

Minimum purchase target — No minimum purchase target is set by the suppliers. Our purchase orders placed with the suppliers are based on the purchased orders placed by the retailers with us and our own retail sales.

Sales return policy — One supplier allows us to sell back to it such stocks which have been purchased by us for more than 90 days. The other supplier allows us to return defective products to it within one month from delivery.

Defective on arrival — The suppliers as manufacturer of the mobile handsets provide a "defective on arrival" policy to the end users of the handsets. If a defective handset is returned by an end user to the retailer being our customer within 10 days from the date of the original purchase by the end user, but no later than a month from the handset's date of production, it will be considered as defective on arrival ("DOA"). In the event of a DOA handset, we return to the supplier the defective handset in the original box with all accessories included in the kit together with the original receipt and fault report, and are entitled to replace such defective handset with a new handset and claim replacement (or reimbursement, at the supplier's sole discretion) within 10 business days following the approval of the DOA claim presented by us.

Warranty — The suppliers as manufacturer of the mobile handsets also provide warranty to the end users of the handsets in addition to the above DOA policy. In the case of valid and timely claims by end users under the warranty, the suppliers will at their own expense repair or replace the defective handsets. They are responsible for providing or procuring the provision of in-warranty and out-of-warranty services to the end users. Generally the warranty provided by the suppliers has a term of one-year and does not cover operational or functional error of the handsets caused by any network system, or any negligent handling or misuse of the handset by the end user.

Delivery — The suppliers are responsible for the delivery of the products to us at their own costs. We are responsible for the delivery of products from us to the retailers.

Our suppliers under our distribution operation benefit from our distribution logistics, warehousing management, and repackaging service. We separately charge the suppliers for storage of the handsets to be distributed to our customers in our warehouse and any re-packaging or labelling work. The suppliers are generally required to settle our charges within 14 days from the date of invoice. On the other hand, our distribution operation also complements our retail operation by providing a stable and reliable supply source of mobile phones.

Our operation flow

We source mobile phones from the sales offices of such international manufacturers located in Hong Kong. The purchasing process is supported by our management information system to facilitate better inventory control and tracking of sales. Therefore our management and our suppliers are able to monitor and achieve an optimal level of inventory. Procurement decisions are based on inventory levels and movement, expected sales and lead times of the products. In this regard, our sales reporting and inventory monitoring system provides us the number of units of mobile phones we sell and the inventory level, and we make reference to our retail sales of mobile phones every day, monitor the inventory levels of the products in warehouses, and consult our suppliers from time to time about the delivery time of the goods. In general, if the suppliers have available stocks, it takes approximately 7 to 14 days from placing an order to a supplier to receiving the ordered goods.

Generally our customers place with us purchase orders which set out the models and amount of the mobile phones they intend to purchase. We arrange the delivery of the goods to the customers on the same day or the following day on which we receive the purchase orders. We also issue our invoices to the customers together with our delivery notes upon the delivery of the goods to the customers.

Customers

Under our distribution business, we, as the authorised distributor of our two suppliers, sell mobile phones of such two international renowned brands to household electrical appliances retailers, mobile phones wholesalers and retailers in Hong Kong. We have not entered into supply contracts of fixed term with these customers. However we entered into agreements with these customers which set out the payment terms of the sale and purchase of mobile phones and stipulate that the title of mobile phones passes only upon payment. The payment term ranges from immediate payment to 30 days credit term.

During the two years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, we sold 189,500 units, 140,200 units and 115,500 units of mobile phones under our distribution sale of mobile phones, respectively.

3. Paging and other telecommunications services

During the Track Record Period, our paging and other telecommunications services can be broadly categorised into (A) data services, which primarily relate to delivery of data; and (B) voice services, which primarily relate to voice calls, as follows:

A. Data services:

i. Paging services
ii. Mobitex based services
iii. Smartphone apps
iv. Information broadcasting through Internet

B. Voice services:

v. "One card two numbers" services
vi. IDD and international call forwarding services

The following table sets out a breakdown of our revenue from our paging and other telecommunications services during the Track Record Period:

	Year ended 31 March				Nine months ended 31 December			
	2012		2013		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Paging	173,106	72.9	125,149	69.9	97,739	70.3	69,263	67.6
Mobitex based services	47,121	19.8	36,630	20.4	28,708	20.6	19,486	19.0
Smartphone apps	3,895	1.7	4,344	2.4	3,011	2.2	3,464	3.4
Others *(Note)*	13,340	5.6	13,024	7.3	9,600	6.9	10,201	10.0
Total	237,462	100.0	179,147	100.0	139,058	100.0	102,414	100.0

Note: Others include information broadcasting services via Internet, "One card two numbers" services, IDD and international call forwarding services.

The following table sets out the approximate number of subscribers (rounded down to nearest hundreds) for our paging and telecommunications services during the Track Record Period:

	As at		
	31 March 2012	**31 March 2013**	**31 December 2013**
Data services			
Number of users of our paging services	74,300	58,900	50,800
Number of users of our Mobitex based services	21,200	16,300	13,800
Number of users of our smartphone apps	58,500	36,100	39,800
Number of users of our information broadcasting services via Internet	N/A	100	100
Voice services			
Number of users of our "One card two numbers" services	400	300	300
Number of users of our IDD and/or international call forwarding services	85,100	99,000	101,600

A. Data services

i. *Paging services*

Our services

We have been providing paging services in Hong Kong and Macau since 1974 and 1977, respectively. TDD, one of our wholly owned operating subsidiaries, currently provides paging services in Hong Kong and holds a PRS Licence. Telecom Macau, another one of our wholly owned operating subsidiaries, currently provides paging services in Macau and holds the relevant licences granted by the Macau government to possess wireless telecommunications equipment and install and use wireless telecommunications bases for paging services.

— Message paging

Paging generally means sending of messages by a paging system to pagers that receive and display text messages. Operators at call centres personally answer incoming telephone calls directed to them by the automatic distribution system, and are responsible for entering the paging messages into the operating system or responding to message retrieval enquiries from subscribers. The paging system sends messages to the pager of the subscriber for the paging services and the subscriber's pager alerts him or her and displays the message.

Our paging services support self-entry of message through the Internet at our website at www.telecomdigital.cc. Moreover, we can provide remote access terminals to corporate customers so that such customers can install the relevant software at their own terminals and transmit messages through such terminals by themselves to the designated user accounts at their own discretion. As such, messages can be sent to pagers without going through our operators, thereby keeping such messages highly confidential. Our paging services also support "one-to-many" paging services by which messages can be sent to an individual pager or a selected group of pagers. With these characteristics, our paging services are used by entities such as disciplinary forces, hospitals, logistics companies, construction companies, property agency, hotels, property management companies and banks.

Our popular models of pagers include:

Model number: C-RX88C

Colour display pager with vibrating alert

- Storage of 100 personal and 300 group messages

Model number: C-RX288t

Black and white display pager with vibrating alert

- storage of 100 personal and 300 group messages

— Personal call answering service — "My Number"

Since mobile phones and SMS are widely used, we also provide modified paging services, and designated such services as "My Number" services so that subscribers can read paging messages on their mobile phones without pagers. A subscriber can forward any missed or unattended calls to the designated paging number. Our operators at the call centres answer such missed or unattended calls, record messages from the callers, and send the messages to the subscribers by way of SMS so that the subscriber does not miss any message from any caller when he does not answer the call.

— Information broadcasting through pagers

Apart from message paging, we also offer information broadcasting services through pagers. Information broadcasting services involve the transmission of continuously updated information from sources simultaneously to a group of subscribers. Our information broadcasting services primarily cover (i) prices of securities quoted on the Stock Exchange; (ii) gaming information of the Hong Kong Jockey Club including odds and results of horse racing and football matches; and (iii) forex information provided by a forex trading company. Such information from the respective sources is relayed to us in digital format through an online connection and is automatically processed and transmitted to the relevant subscribers.

The low radiofrequency used by paging systems leads to good coverage which may be advantageous in certain circumstances. For example, pagers are still in use in places where the operation of the radio transmitters contained in mobile phones is problematic or prohibited. One such type of location is a hospital complex, where sensitive medical equipment is protected from possible interference by radio transmitters and where there is a greater need of assurance for a timely delivery of a message. In addition, paging provides an effective means for an entity to disseminate messages to various groups of persons who may be working at different locations. In this light, our paging services are used by disciplinary forces, logistics companies, construction companies, property agency, hotels and property management companies.

As at 31 December 2013, we had approximately 50,800 users of our paging services and are one of the paging operators in Hong Kong.

We have designed the pagers used by the subscribers of our paging services. More dedicated pagers are designed for receiving information such as stock price and odds of horse racing and football matches. Such dedicated pagers include 揀股王 ("JC Stock II"), 英皇外匯機 ("Emperor Forex Pager"), "Go Go", "Win Win", and 波霸 ("Power Goal").

揀股王 JC Stock II

Primarily cover information on stock trading, horse racing and football matches including:

- data on Hong Kong listed companies including trading price, profits, assets, dividend ratio
- comparison of the data on Hong Kong listed companies
- chart diagram on trading price of listed shares
- stock market information
- information on horse racing (including odds, race card and winnings)
- information on football matches (including fixtures, odds and results)

英皇外匯機 Emperor Forex Pager

Primarily cover information on forex and indexes including:

- rates of major currencies including Hong Kong dollars, US dollars, Euros, Japanese Yen, British Pound, Swiss Franc
- Hang Seng Index, futures indexes and global indexes

Go Go

Primarily cover information on football and horse racing matches including:

- fixtures, odds and results of football matches; goal alert
- odds and results of horse racing matches

Win Win

Primarily cover information on football matches including:

- updated fixtures and football matches results of different countries
- historical performance of football teams
- odds of football matches
- football news
- goal in chosen football matches

波霸 Power Goal

Primarily cover information on football and horse racing matches including:

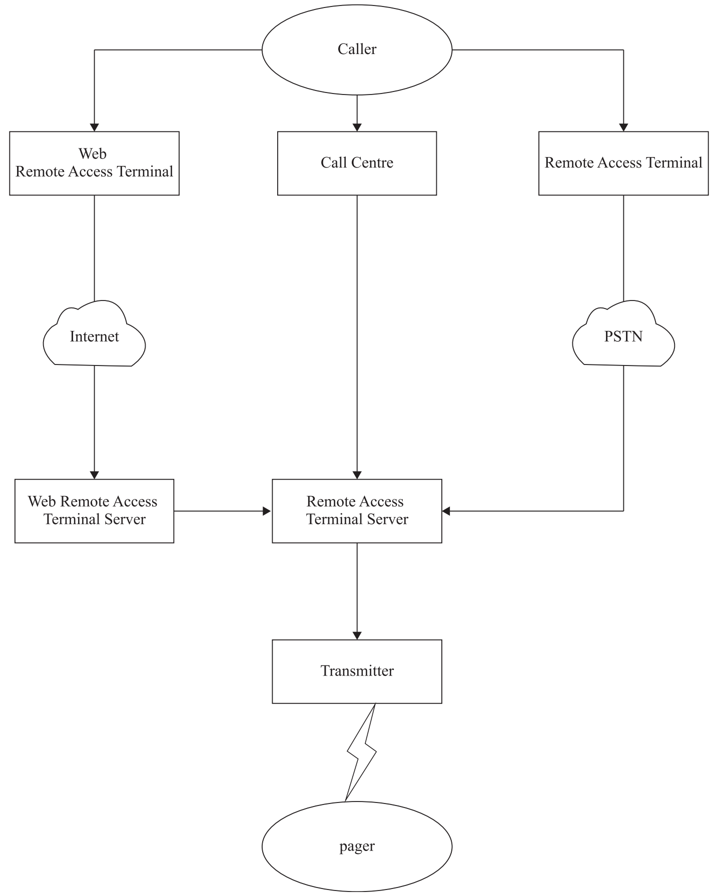
- fixtures, odds and results of football matches; goal alert
- odds and results of horse racing matches

In addition to pagers, we also designed a device which is able to have the function of a general mobile phone as well as a pager and is named as "Mango Phone". The paging function of "Mango Phone" enables it to receive the information and data broadcast by our paging network.

Mango Phone

- provide updated market price on Hong Kong listed stocks and indices
- get continuously updated information and odds on horse racing and football matches

Our operation flow



When a caller calls and the operator completes the input of the message, the message is transformed to a digital format which is distributed via telephone lines to the transmission sites located throughout Hong Kong and via satellite to the transmission sites located in Pearl River Delta. The transmission sites then transmit the signal by means of very high frequency (VHF) and ultra high frequency (UHF) radio waves to the pager which recognises the radio message with the same frequency and matching code.

We have installed transmitters at 121 cell sites in Hong Kong so as to provide extensive radio coverage of the populated areas of Hong Kong. Our cell sites accommodate our transmitters for both our paging services and Mobitex based services. Our Group does not engage third party service providers for set-up, operation and maintenance of cell sites located in Hong Kong. Such cell sites in Hong Kong are maintained by our own engineers and technicians. The operating costs of the cell sites in Hong Kong incurred by our Group amounted to approximately HK$24.0 million, HK$24.8 million and HK$16.7 million for the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, respectively.

We have entered into an agreement with an Independent Third Party in the PRC pursuant to which 132 cell sites in certain Pearl River Delta areas (including Shenzhen, Dongguan, Swatow, Zhuhai, Guangzhou) are provided to us so that subscribers of our paging services can receive messages in such places. Salient terms of the agreement between the service provider and us are as follows:

- *Obligations of the service provider* — The service provider is responsible for the maintenance of the cell sites in the PRC.
- *Service fees* — The service fees we pay for the services is determined by the cost of the maintenance of the cell sites incurred by the service provider plus a mark-up of 6%. For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, such service fees paid by us amounted to approximately HK$3.8 million, HK$2.1 million and HK$1.6 million, respectively.
- *Payment term* — The monthly service fee shall be paid within 10 days from the date of the monthly invoice issued to us.
- *Term and termination* — The agreement commenced on 1 January 2014 and expires at the end of December 2015. We may terminate the agreement at any time by giving at least one month's advance notice in writing to the service provider.

For the purpose of transmitting messages from Hong Kong to certain Pearl River Delta areas, we have also engaged a satellite service provider, which is an Independent Third Party, to provide us a satellite link for a monthly charge so that our service provider in the PRC can receive paging messages from us and transmit the same in the Pearl River Delta area as mentioned above. Salient terms of the agreement between the service provider and us are as follows:

- *Obligations of the service provider* — The service provider provides satellite link form Hong Kong to Shenzhen.
- *Service fees* — We have to pay a monthly service fee of US$2,650. For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, such service fees paid by us amounted to approximately HK$199,000, HK$232,000 and HK$186,000, respectively.
- *Payment term* — The monthly service fee shall be paid in advance on the first day of every month.

- *Term and termination* — The current agreement commenced from 1 November 2013 and expires on 31 October 2014. Either party may terminate the agreement at any time by giving at least 30 days' advance notice in writing to the other party.

Suppliers and service providers involved

We have established our paging system and network of shops in Hong Kong. However, in order to effectively manage our costs while growing our business, we have gradually chosen to source certain services from third party service providers which provide us set-up, operation and maintenance of cell sites in the PRC, call centre services, as well as the manufacture, repair and refurbishment of our pagers and Mango Devices. This structure offers us cost advantages and flexibility in dealing with competition. Moreover, we source data on the stock market, horse racing and football matches from the primary sources for the operation of our service of information broadcasting through pagers.

Since July 1999, we have engaged an Independent Third Party, which is principally engaged in provision of outsourcing service of customer relationship management and operates its customer relationship management service centres in Guangzhou, to operate the call centre for our paging services. Salient terms of the agreement between the service provider and us are as follows:

- *Obligations of the service provider* — The service provider is responsible for the operation of our 24 hour paging service hotline. It assigns a designated team of operators to handle calls in respect of our paging services.

- *Our obligations* — We provide, at our own costs, to the service provider the standard and qualification required for the recruitment, training and management of the operators.

- *Service fees* — The service fees we pay for the call centre service is determined by the number of seats of operators exclusively dedicated to us, i.e. workstations that are not shared with others, times a fixed rate, both of which were mutually agreed between the service provider and us. For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, such service fees paid by us amounted to approximately HK$7.3 million, HK$8.9 million and HK$4.2 million, respectively.

- *Payment term* — The monthly service fee becomes due on the date of the invoice which is issued to us at the end of every month.

- *Term and termination* — The agreement commenced on 1 March 2014 and expires at the end of February 2017. Either party may terminate the agreement at any time by giving at least 90 days' advance notice in writing to the other party.

Since mid-2013, we rent the pagers to our customers and the pagers are returned to us upon termination of the subscription for our paging services. We also arrange repairing and maintenance services to the subscribers for their pagers. The pagers were manufactured by Radiotex and were repaired and refurbished by TSO. Both Radiotex and TSO are associates of our Controlling Shareholders and thus our connected persons. Please refer to the section headed "Continuing Connected Transactions" in this prospectus for further details.

Moreover we entered into agreements with the following Independent Third Parties which provide us information and data for the information broadcasting operation of our paging business as well as our Mobitex based services and other data services:

Data and information provider	Data and information provided	Subscription fees
HKEx Information Services Limited	securities and derivatives market data including bid/ask, high/low, last traded price, cumulative turnover and volume, etc.	a monthly fee comprising a fixed amount and a variable amount with reference to the data used and the number of our relevant subscribers
HSI Services Limited	real time Hang Seng family of Indexes	a fixed annual fee, and a quarterly fee comprising a fixed amount and an amount determined by the number of our services subscribers on a variable rate with reference to the number of our service subscribers
Dow Jones & Co. Inc	global equities news and market talk	a fixed quarterly fee
Finet Holdings Limited	Finet Hong Kong newswire headlines and full story	an one-time fixed fee plus a monthly fee

Data and information provider	Data and information provided	Subscription fees
China Investment Information Services Ltd.	real time and end-of market information on B shares, derivatives and indexes	a fixed annual fee
The Hong Kong Jockey Club	football betting related information (including match list result, match result, odds, team list, league list, player list, etc.) and horse race betting related information (including odds, will-pay, pool investment, race results, race information on horse, jockey and trainer, etc.) and Mark-Six lottery results and information	a fixed annual fee
Asia Sports Information Technology Company Limited	information on football matches of various football leagues including fixtures, match analysis, real time score, match results	a fixed monthly fee

We enter into agreements with the Hong Kong Jockey Club for provision of horse racing and football match data every year. The agreements between the other information services providers and us are continuous contracts which are automatically renewable from year to year. The payment terms given by the above information services providers generally range from 10 days to 60 days.

Customers and sales and marketing activities

The subscribers for our paging services include individuals as well as entities such as disciplinary forces, hospitals, logistics companies, construction companies, property agency, hotels, property management companies and banks. As at 31 December 2013, approximately two-thirds of the users were individual subscribers and approximately one-third of the user accounts were subscribed by corporate customers.

Currently, for individual customers, the tariff plan for our message paging services is HK$98 per month (exclusive of the registration fee of HK$398 and the first annual government licence administrative fee of HK$15). Depending on whether the subscriber subscribes for information and data on all of or either one of stock market and horse racing and football matches, the tariff plans for our information broadcast services range from HK$680 per year to HK$298 per month (exclusive of the registration fee of HK$398 to HK$680). Depending on the choice of the phone number made by the subscriber, the tariff plans for our "My Number" services range from HK$28 to HK$48 per month.

For corporate customers of our paging services, the terms of our services are usually for a fixed term, which range from one year to three years. The monthly services charge offered to corporate customers ranges from approximately HK$68 to HK$268 per user account (exclusive of the annual government licence administrative fee of HK$15), depending on the scope of services, the type of the pagers used as well as the total number of users.

Monthly payment advices are sent to individual subscribers of our paging services. Monthly, quarterly or annual invoices or payment notices are sent to corporate subscribers of our paging services in accordance with the service agreements. A credit term of 30 days is generally given to the corporate customers for our paging services.

We primarily market our paging services to visitors at our shops by displaying our various kinds of pagers and distributing leaflets on our various paging services which show the tariff plans and scope of services. Our customer services staff at the shops also market our paging services and explain to visitors details of our paging services.

We also conduct direct marketing to existing subscribers for our services by way of paging broadcast. Our direct sales team visit potential corporate clients to market our paging services by explaining to them the features of our paging services which can provide them an effective and economical means to communicate with their staff.

ii. ***Mobitex based services***

Our services

We market our Mobitex based services under the brand name of "Mango". Our Mobitex based services apply the technology of Mobitex to provide two-way communication services to users whereby through our specially designed "Mango" series devices, subscribers for our Mobitex based services do not only receive constantly updated information and data of the stock market and odds and results of horse racing and football matches, which is the same as our paging services, but can also (i) send betting entries to the betting system of the Hong Kong Jockey Club, if they have betting accounts with the Hong Kong Jockey Club; and (ii) send their transaction instructions of stock investment to TD Securities, if they have securities trading accounts with TD Securities.

Our specially designed devices for Mobitex based services include "Mango Deluxe" and "Mango Combo".

Mango Deluxe

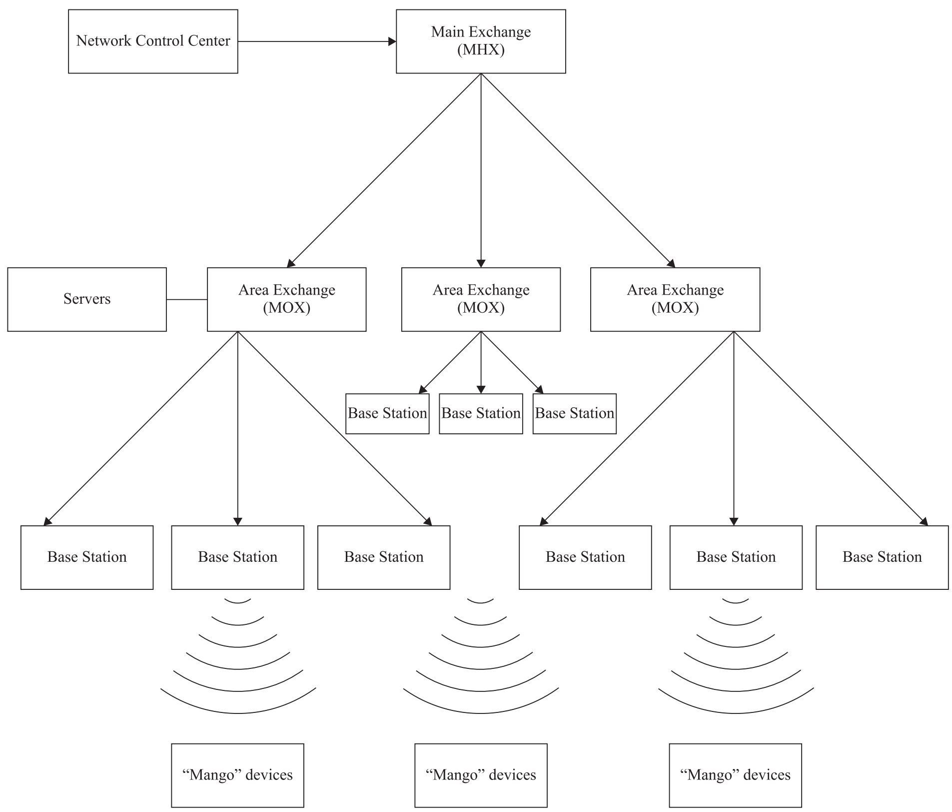
- colour touch screen
- get continuously updated information and odds on horse racing and football matches
- enable subscribers to place bets on horse racing and football matches, buy Mark-Six, and trade Hong Kong listed shares
- enable subscribers to transfer funds between their designated account and betting account
- provide updated market price on Hong Kong listed stocks and indices and enable subscribers to conduct securities trading via TD Securities
- enable users to check cash and securities balances on stock accounts and status of transaction orders
- provide access to e-mail, SMS and with dairy function

Mango Combo

- get continuously updated information and odds on horse racing and football matches
- enable subscribers to place bets on horse racing and football matches, buy Mark-Six, and trade Hong Kong listed shares
- enable subscribers to transfer funds between their designated account and betting account
- provide updated market price on Hong Kong listed stocks and indices and enable subscribers to conduct securities trading via TD Securities
- enable users to check cash and securities balances on stock accounts and status of transaction orders
- provide access to e-mail, SMS and with dairy function

Our operation flow

Our Mobitex based services are interactive mobile data services over the Mobitex network. Mobitex is an Open Systems Interconnection Model based open standard, national public access wireless packet-switched data network. As a wireless data technology, it was developed in the beginning of the 1980s. In the mid-1990s Mobitex gained consumer popularity by providing two-way data communication services. Our Mobitex network transmit messages by means of radio waves of approximately 800 MHz.



The Mobitex technology uses a hierarchy of switches and base stations to route data packets to and from end users. A Mobitex network generally comprises the following:

- *Mobile terminals* — The mobile terminals (which, under our Mobitex based services, are Mango Deluxe and Mango Combo) communicate with the base stations.

- *Base stations* — The base stations communicate with the mobile terminals roamed in to them. The base stations are connected to local switches (MOX), which route traffic to other regions. The main function of the base stations is to route traffic in their coverage area. It schedules the traffic on the radio path so that the usage of radio media is as efficient as possible.

- *Servers* — In Mobitex, the servers for user applications are called fixed terminals (or FSTs). They are connected to the local level of switches (MOXs), via Transmission Control Protocol/Internet Protocol (TCP/IP). This is the hardware that is running the actual application.

- *Switches* — The area (MOX) and main exchange switch (MHX) handle switching and routing and provide connection points between wireless devices and fixed terminals. The switch also provides an important gateway function to other networks.

- *Network Control Centre* — The entire network is supervised and managed from the Mobitex network management centre (NCC). The NCC handles all operation and maintenance tasks, including network configuration, alarm handling, subscriber administration and billing information. Individual base stations and other network components can be reconfigured from this central site, which minimises the need for costly and time-consuming site visits.

Suppliers and service providers involved

Similar to our paging services, the Stock Exchange, the Hong Kong Jockey Club and other information and data suppliers also provide data on the stock market, horse racing and football matches and other information for our Mobitex based services.

In addition, in order to enable our subscribers to receive and send data with the use of our Mobitex based services when they are in certain areas in the PRC, we have engaged an Independent Third Party, which operates a Mobitex network in the PRC, to provide us the roaming services for wireless data communication. As such, subscribers of our Mobitex based services can receive and send messages in Dongguan, Swatow, Zhuhai, Guangzhou, Shenzhen, Shanghai and Beijing. Salient terms of the agreement between the service provider and us are as follows:

- *Obligations of the service provider* — The service provider is responsible for the maintenance of the wireless data communication network in the PRC, which network first receives the data required to be broadcast in the PRC from our network in Hong Kong and then transmits such data via satellite to transmitters in various areas in the PRC.

- *Our obligations* — We provide to the service provider with the model number and device number of the Mango Device of the subscriber who subscribes for roaming services in the PRC.

- *Service fees* — The service fees we pay for the roaming service is determined by the number of subscribers for roaming services with a minimum monthly charge of RMB10,000. For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, such service fees paid by us amounted to approximately HK$281,000, HK$270,000 and HK$202,000, respectively.

- *Payment term* — The service fees are determined at the end of every two months and such service fees for every two months are payable in the following month.

- *Term and termination* — The current agreement commenced from 1 January 2014 and expires on 31 December 2014. Either party can terminate the agreement if the other party is liquidated, or is unable to perform its duties under the agreement as a result of revocation of its licences, or does not perform its duties under the agreement, or commits a breach of the provisions of the agreement without remedying the same within the period of time specified by the non-defaulting party.

Customers and our sales and marketing activities

The subscribers for our Mobitex based services are mostly individual customers. As at 31 December 2013, we had about 13,800 users of our Mobitex based services.

Depending on whether the subscriber subscribes for information and data on all of or either one of stock market and horse racing and football matches as well as the type of the Mobitex device used, the tariff plans for our Mobitex based services range from HK$99 per month to HK$298 per month (exclusive of the registration fee of HK$198 to HK$398).

Payment advice is sent to subscribers for our Mobitex based services every month in respect of payment of monthly subscription fee.

We primarily market our Mobitex based services to visitors at our shops by displaying our various kinds of Mobitex devices and distributing leaflets on our Mobitex based services which shows the tariff plans and scope of services. Our customer services staff at the shops also market our Mobitex based services and explain to visitors details of the services. We also market our Mobitex based services by advertisements on light public buses and mass media such as television, newspaper, etc. When the horse racing season starts, we set up promotion booth at the racecourses.

iii. *Smartphone apps*

We have developed two applications for smartphones, namely "TD Stock Pro" and "Mango Pro", which were launched to the market in 2010 and 2012, respectively. These two apps can be downloaded by the users from mobile apps stores to their smartphones. During the Track Record Period, there were approximately 114,000 and 45,000 times of download of "TD Stock Pro" and "Mango Pro". As at 31 December 2013, there were approximately 3,100 subscribers for the services of "TD Stock Pro" and "Mango Pro".

Screen shots of "TD Stock Pro" are shown below:

"TD Stock Pro" allows subscribers to have access to real time trading prices of Hong Kong listed stocks. It also provides useful data such as average closing price for the preceding 10 to 25 days, and price charts for the past period ranging from a week to the two years, and shares of top 20 gainers and losers. It also allows subscribers to trade shares and check the details of their securities accounts with the use of smartphones. Moreover subscribers can read news on the financial market. The current monthly subscription fee for the services ranges from HK$128 to HK$298.

Screen shots of "Mango Pro" are shown below:

The application "Mango Pro" enables subscribers to have access to real-time information on odds of horse racing and football matches provided by the Hong Kong Jockey Club as well as the data on past horse racing and football matches. It also allows subscribers to place bets with the use of smartphones. The current monthly subscription fee for the services is HK$38.

Payment advice is sent to subscribers of our smartphone apps every month in respect of payment of monthly subscription fee.

We market "TD Stock Pro" and "Mango Pro" by advertisements on mass media such as television, newspaper, etc. We also market the two apps to visitors at our shops by displaying our mobile phones which have installed the two apps and distributing leaflets on the two apps which shows the tariff plans and scope of services. Our customer services staff at the shops also market the apps and explain to visitors details and functions of the apps.

iv. ***Information broadcasting via Internet***

We currently provide two services of information broadcasting via Internet, namely, "RaceMate" and "Racing Odds". "RaceMate" is a software which enables the users to use their personal computers to obtain information on horse racing matches for analysis use for an annual subscription fee of HK$6,000. It does not only update its comprehensive database (both races and track work) over the Internet every day, but also serves as an analytical tool for odds and results of horse racing. "RaceMate" provides the users with a mechanism for evaluating the returns of his own prediction model via the real dividends of past races, and enables the users to improve the effectiveness of his prediction model by modifying the model from time to time.

"Racing Odds" is an online service we provide to subscribers. Users can use their personal computer to obtain real time horse racing odds supplied by the Hong Kong Jockey Club for an annual subscription fee of HK$3,000.

B. Voice services

v. ***"One card two numbers" services***

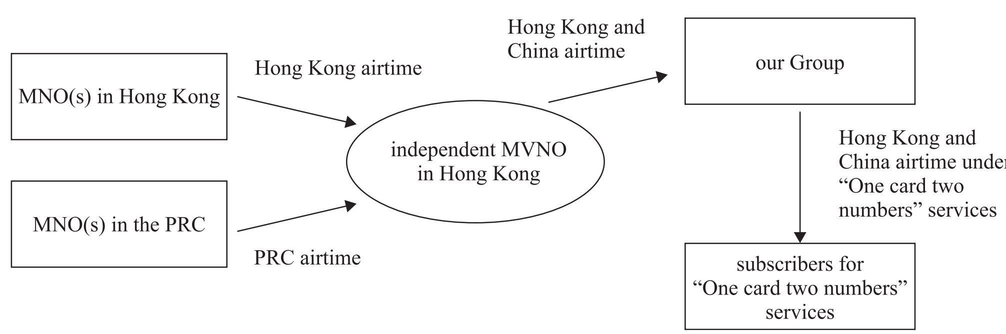
Our services

We have been providing "One card two numbers" services since 2002. Under the "One card two numbers" services, the subscribers can simultaneously possess mobile phone numbers of Hong Kong and the PRC in one single SIM card. If the subscriber is in Hong Kong, the mobile handset of the subscriber automatically switches to a local mobile phone number of Hong Kong, whereas if he is in the PRC, his mobile handset automatically switches to a local mobile phone number of the PRC. Therefore when the subscriber makes phone calls in Hong Kong or China, local calls dialed and received are only subject to local telephone charges but not the higher charges for international roaming services. In addition, people in Hong Kong (or the PRC, as the case may be) can call the subscriber by dialing the subscriber's local numbers in Hong Kong (or the PRC, as the case may be) to avoid paying charges for IDD services. Furthermore, it is not necessary for the subscriber to switch SIM cards or rely on the call-forwarding services when he travels between Hong Kong and China.

Our "One card two numbers" services had been launched to the market for about 12 years. The increased popularity of smart mobiles led to a rapid growth of alternative means of communications (e.g. social networking applications) which had reduced the usage for traditional voice services. Accordingly, we had only approximately 400, 300 and 300 users of our "One card two numbers" services as at 31 March 2012 and 2013 and 31 December 2013, respectively.

Our operation flow and supplier involved

We have entered into an agreement with an independent MVNO pursuant to which the independent MVNO agrees to provide Hong Kong and PRC airtime to us so that we can resell the airtime to the subscribers under the "One card two numbers" services. The following diagram illustrates the relationship among the independent MVNO, other MNOs, the subscribers and us:



At the end of every month, the airtime supplier for our "One card two numbers" services issues an invoice to us for the airtime used by our subscribers under the services in that month. We are required to pay the charges within 30 days from the date of invoice.

Customers and our sales and marketing activities involved in "One card two numbers" services

Our "One card two numbers" post-paid plans are designed for people who frequently travel between Hong Kong and the PRC. The charging scheme of these plans is based on different tariffs of each of Hong Kong and the PRC and is settled by the subscribers monthly.

Currently, our basic tariff plans for "One card two numbers" services comprise monthly fees of HK$28, HK$50, HK$80, HK$140 and HK$280, which provide a basic Hong Kong airtime of 50 minutes, 300 minutes, 500 minutes, 1,000 minutes and 2,000 minutes. Receiving calls in Hong Kong from the PRC is subject to a charge of HK$1 per minute, whereas receiving calls in the PRC from Hong Kong and the PRC is subject to charges ranging from HK$0.65 to HK$1.7 per minute. Making calls in Hong Kong to PRC numbers spend the basic airtime covered by the tariff plan and is subject to an additional IDD charge of HK$0.15 per minute, whereas making calls in the PRC to PRC and Hong Kong numbers is subject to charges ranging from HK$0.65 to HK$3 per minute.

Payment advice is sent to subscribers of our "One card two numbers" services every month in respect of payment of monthly subscription fee.

Our customer services staff at the shops market the services by explaining to visitors details of the services.

vi. ***International direct dialing and international call forwarding services***

Our services

We provide IDD service to both residential and business customers. Our IDD prefix call number is 1551 and our IDD service allows subscribers to make IDD calls to more than 230 overseas destinations.

In respect of our international call forwarding services, when the subscribers for such services are abroad, they can forward their incoming calls to a designated overseas number through our system, and they do not need to pay expensive mobile international roaming charges when they answer calls to their Hong Kong numbers.

To set up the service, the subscriber is required to register with us an overseas mobile or fixed-line telephone number to which calls are to be forwarded. Upon leaving Hong Kong, the subscriber can activate the service by calling our service hotline and forward his mobile or fixed-line phone number to his personal international call forwarding number.

Major suppliers and service providers involved in IDD and international call forwarding services

We installed an interactive voice response system (IVRS) in 2003 and entered into agreements with various telecommunications services providers, which are all Independent Third Parties, for international call termination capacity so that such service providers provide us international telephone communication services between Hong Kong and outbound termination points, by conveying our PSTN international voice traffic from the point of connection of the service providers' system to various destinations abroad, and we can send the voice traffic from our IDD services subscribers to the service providers for termination in other countries.

The fees we paid to the service providers are calculated at the prescribed rates per minutes and determined by the IDD airtime used by our subscribers. The service providers issue invoices monthly to us which set out, in respect of each destination of the IDD calls, the number of calls delivered, the amount of minutes billed, and the rate billed per minute for each call.

Customers and our sales and marketing activities involved in our IDD and international call forwarding services

Our customer services staff at the shops market the services by explaining to visitors details of the services.

Payment advice is sent to subscribers of our IDD and international call forwarding services every month in respect of payment of monthly subscription fee.

4. Provision of operation services to NWM

We co-operated with P Plus Communications Limited ("P Plus") and acted as the wholesaler of its mobile services from 1997. SmarTone Mobile Communications Limited ("SmarTone") acquired P Plus in 1998. From 1998 to 2004, we purchased airtime from SmarTone so as to provide our mobile services. In April 1999, we started to use the brand name "Rabbit" in relation to our mobile services. We had also purchased airtime from New World PCS Limited from 2001 to 2003 and from CSL since 2003. After years of business relationship between TDM and CSL, both parties considered that it was beneficial to modify their business relationship by forming a joint venture to carry on the mobile services business in a synergic manner by utilising the retail operations of TDM and the mobile network infrastructure of CSL. By formation of a joint venture, CSL nor we were required to make substantial investment on separate operations or mobile network infrastructure. Accordingly, TDM and CSL established a joint venture via NWM and entered into the related Shareholders Agreement in October 2008.

Upon the establishment of the joint venture, the subscribers for our then mobile services, which we provided under the brand name of "Rabbit", were transferred to NWM. Since then, we have not directly provided mobile services. Nonetheless, TDM is still an MVNO and is licensed to purchase airtime or network services from MNOs should TDM wish to directly engage in the provision of mobile services again.

NWM provides mobile services in Hong Kong. The principal mobile services provided by NWM to subscribers are mobile voice and data services for which NWM offers various tariff plans. According to the Industry Report, it is estimated that NWM has approximately 682,400 subscribers for mobile voice and data services and a market share of approximately 4.0%, in terms of subscriber numbers, as of 31 December 2013.

Salient terms of the Shareholders Agreement

- Date

  15 October 2008

- Signing parties

  NWM, CSL and TDM

- Capital contributions

  The issued share capital of NWM upon the contribution by CSL and us and as at the Latest Practicable Date amounted to HK$41.6 million, to which CSL contributed HK$25.0 million (or 60%) in cash and TDM contributed HK$16.6 million (or 40%) in cash.

  Upon formation of the joint venture, NWM becomes a non-wholly owned subsidiary of CSL and a 40%-owned associate of our Group.

- Board composition

  The board of NWM comprises 10 directors, of which CSL appointed six directors and TDM appointed four directors.

- Transfer of shares of NWM

  A shareholder must not transfer any of its shares of NWM except with the prior consent of the other shareholder which consent may be withheld in absolute discretion.

- Change of control

  It would be a default on the Shareholders Agreement if a change of control occurs in relation to TDM without the prior written consent of CSL. For the purpose of this clause, as defined in the Shareholders Agreement, change of control to TDM would occur if our Group ceases to have 50% or more of the voting securities of TDM. If such default event occurs, NWM would grant to the non-defaulting shareholder the right to buy or nominate a buyer to buy all customer contracts of NWM at the exit value as agreed by the shareholders of NWM.

  On the other hand, there is no provision in the Shareholders Agreement restricting any change of control in CSL.

- Term and termination

  The Shareholder Agreement does not have a definite term. It continues to have effect until (i) the parties agree to terminate the agreement; (ii) NWM is wound up by an order of a court; or (iii) NWM is wound up as a result of deadlocks (which deadlock arises when, in relation to a matter requiring a unanimous directors' resolution (as mentioned below), the requisite unanimity is not obtained after three successive attempts and the expiry of 18 months following the first attempt). Our Directors confirmed that since the signing of the Shareholders Agreement and up to the Latest Practicable Date, there was not any material disagreement between CSL and TDM.

- General manager

  As at the Latest Practicable Date, NWM has five employees comprising a general manager, a financial manager, a business analyst and two operation supporting executives. The general manager is appointed by and reports to the board of NWM and manages NWM on a day-to-day basis. He is assisted by the other four staff of NWM and is responsible for budget and business plan management, financial management, network and operation resources management, marketing planning and product development.

- Operation services provided by TDM to NWM

  The operation of NWM is undertaken by TDM. The operation services TDM provides to NWM in consideration of monthly services fee under the Shareholders Agreement include:

  (a) *Sale management services* — TDM offers, markets and sells NWM's mobile services under the brand of "New World Mobility" ("新世界傳動網") at our Group's shops. Our Group is responsible for managing our shops and for the payment of any cost incurred in connection with our shops, including but not limited to, staff cost, rental cost and utilities expenses.

  (b) *Marketing operation services* — TDM provides necessary support to NWM in relation to the execution of marketing plans prepared by NWM and such support includes distribution of marketing materials and marketing of NWM's mobile services through TDM's sales and customer services channels at the cost of TDM. TDM also provides necessary support for evaluating the performance of marketing plans such as statistics or database analysis.

  (c) *Customer services* — TDM is responsible for addressing customer enquiries by providing a customer services hotline to address questions from customers or potential customers. In this regard, TDM gives its staff trainings and information on the user plans and other relevant services information of NWM.

(d) *Billing, payment and debt collection services* — TDM is responsible for the preparation and distribution of monthly invoices to customers for mobile services and the collection of the subscription fees and charges from customers.

(e) *Customer data compilation and analysis services* — TDM prepares and makes available to NWM a monthly report detailing customer data information and statistics such as user plans subscribed by customers and their payment history and total and breakdown of their invoices.

The monthly service fee comprises (i) an amount which is primarily based on the number of NWM's mobile service subscribers and the tariff plans, and is arrived at by multiplying the various prescribed rates for each type of tariff plans and the number of the subscribers under the relevant tariff plan; and (ii) an amount which is based on the amount of advertising or promotional services provided by TDM to NWM. The monthly service fee is paid within 20 business days after the date of the invoice.

- Network services provided by CSL to NWM

  CSL supplies network services to NWM to enable NWM to provide mobile services to its consumer customers. NWM pays to CSL a monthly network charges within 20 business days after the date of invoice.

- CSL grants NWM the right to use the trademarks "New World Mobility" and "新世界傳動網" on a royalty-free basis in Hong Kong during the term of the Shareholders Agreement, whereas TDM granted NWM the right to use the trademarks "Telecom Digital" and "Rabbit" on a royalty-free basis in Hong Kong from the day following the date of the Shareholders Agreement up to 30 June 2009.

- Unanimous directors' resolution is required for matters including (i) any shareholders of NWM or their respective related company or related parties shall enter into or vary any contract or arrangement with NWM; (ii) any addition, change or variation of the tariff plans of NWM's mobile services, or calculation of the service fee and the network charges payable by NWM to our Group and CSL respectively; and (iii) approval and adoption of material budget and capital expenditure.

- Unanimous shareholders' resolution is required for matters such as merger or amalgamation, assets disposal, winding up, entering into guarantee or indemnity, creating encumbrances, change in business, equity structure, board composition, company name, memorandum and article of association.

- Non-competition

  For the purpose of promoting the commercial objectives of NWM, we undertake to NWM that while TDM is a shareholder of NWM and for two years from the date TDM ceases to be a shareholder of NWM, we will not, directly or indirectly: (a) knowingly solicit, for the purposes of selling mobile services similar to the business of NWM, anyone who was a customer of NWM at any time within such previous two years; (b) entice away from NWM any employee or anyone who was at any time during such previous two years, an adviser to NWM; nor (c) at any time use a logo or business name substantially identical or deceptively similar to a trademark or business name owned or used by NWM (i.e. "New World Mobility" and "新世界傳動網" at present).

- The Shareholders Agreement is governed by Hong Kong law and is subject to the non-exclusive jurisdiction of Hong Kong courts.

Potential change in shareholders of the holding company of CSL

Pursuant to the joint announcement (the "Joint Announcement") of PCCW Limited (stock code: 0008), the HKT Trust and HKT Limited (stock code: 6823) dated 20 December 2013, HKT Limited ("HKT") conditionally agreed to purchase all the issued share capital of CSL New World Mobility Limited ("CSLNW"), of which CSL is an indirect wholly owned subsidiary ("HKT Transaction") at the purchase price of US$2,425,000,000 (equivalent to approximately HK$18,866,500,000), subject to certain adjustments as described in the Joint Announcement.

The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, customer premises equipment sale, outsourcing, consulting and contact centres. In particular, China Unicom (Hong Kong) Operations Limited, which is an MVNO, is using the network of HKT for its mobile services.

CSLNW is engaged, through its subsidiaries and joint venture interests, primarily in the provision of mobile telecommunications services through 4G, 3G and 2G networks, and the sale of mobile telecommunications products, to customers in Hong Kong under three brand names: "1O1O", "one2free" and "New World Mobility".

As stated in the circular of HKT Limited dated 31 December 2013, HKT has made an application to the Communications Authority for consent to the change in carrier licencee which would result from the completion of the proposed acquisition. HKT has stated in its application that HKT would make the following commitments if desired by the Communications Authority:

(a) HKT would continue to provide wholesale services now provided by CSL and HKT (e.g. MVNO, resale and network sharing arrangements);

(b) HKT and CSL would acquire not more than a total of 2 x 15 MHz of 3G spectrum in the 1.9-2.2 GHz band ("3G Spectrum") upon expiry of the existing assignment of the 3G Spectrum in October 2016. HKT and CSL would not participate in the auction for the 3G Spectrum (see Note); and

(c) HKT would fulfil all of CSL's licence and customer contract obligations.

Note: With regard to (b) above, HKT offered to commit that it would not seek to exercise its right of first refusal to be re-assigned the spectrum in 1920.3–1925.3 MHz paired with 2110.3–2115.3 MHz bands; HKT and CSL offered to commit that they would return the spectrum in the 1930.2–1935.1 MHz paired with 2120.2–2125.1 MHz. and 1935.1–1940.0 MHz paired with 2125.1–2130 MHz upon expiry of the existing assignment in October 2016; and HKT and CSL offered to commit that they would not participate in the auction for the 3G Spectrum.

On 2 May 2014, the Communications Authority issued its consent pursuant to Section 7P of the Telecommunications Ordinance for the proposed acquisition. According to the "Final Decision of the Communications Authority — Application for prior consent under section 7P of the Telecommunications Ordinance in respect of the Proposed Acquisition of CSL New World Mobility Limited by HKT Limited" (the "Decision"), the Communications Authority issued the following directions to HKT and CSLNW:

(i) to divest 29.6 MHz of 3G spectrum upon expiry of the existing assignment on 21 October 2016 (the "Divestment Direction");

(ii) to refrain from participating in any 3G spectrum auctions for five years from 2 May 2014;

(iii) to inform the Communications Authority and other mobile network operators of any planned closure of base transceiver stations for five years from 2 May 2014, unless extended by the Communications Authority taking into account market conditions at the time;

(iv) to continue providing wholesale network access to MVNOs based on the existing MVNO Agreements (as defined below), for three years from 2 May 2014, regardless of any reduction in network capacity of Hong Kong Telecommunications (HKT) Limited and CSL pursuant to the Divestment Direction or any closure of base transceiver station sites post-merger. In particular:

— CSL and HKT shall continue to give effect to their respective MVNO Agreements and keep the terms and conditions (including price and service levels) unchanged, or no less favourable than those in the existing MVNO Agreements, until the expiry date of each relevant MVNO Agreement; and

— if any MVNO Agreement expires within three years from 2 May 2014, CSL and HKT shall, at the discretion of the MVNO concerned, enter into a new agreement on terms and conditions no less favourable than those in the existing MVNO Agreement for a term expiring no earlier than the date falling on three years from 2 May 2014. (the "MVNO Direction");

(v) to continue giving effect to the existing 3G network capacity sharing agreement between HKT and China Mobile Hong Kong Company Limited until the expiry of the agreement or earlier termination thereof in accordance with its terms;

(vi) to procure compliance by entities within the HKT and CSLNW groups with the directions until the expiration of all the directions set out in paragraphs (i) to (v) above; and

(vii) to provide written compliance reports to the Communications Authority every six months until the expiry of all the directions set out in paragraphs (i) to (v) above.

In respect of the MVNO Direction, it is stated in the Decision that the Communications Authority has considered it important CSL and HKT following the HKT Transaction (the "Merged Entity") should continue to honour the wholesale access agreements that HKT and CSL respectively have with MVNOs, to ensure that at least in the short term that the MVNOs would not be deprived of access to network capacity they currently rely on in supplying their own retail mobile services. Accordingly, the Communications Authority has issued the MVNO Direction as mentioned above whereby HKT and CSL be directed to continue providing wholesale network access to MVNOs based on the existing agreements with them for a term expiring no earlier than the date falling on three years from 2 May 2014. As defined in the Decision, MVNO Agreement means an agreement for wholesale access entered into between HKT or CSL and an MVNO for the provision of MVNO services as set out in the MVNO's UCL or SBO Licence, which is in forces on 2 May 2014. The Shareholders Agreement is an existing agreement entered into between CSL, TDM and NWM (as an MVNO) and the Shareholders Agreement falls within the definition of MVNO Agreement as defined in the Decision.

In light of the above directions of the Communications Authority, particularly the MVNO Direction, our Directors expect that the Divestment Direction will not adversely affect the business operation or financial performance of our Group or that of NWM. In this regard, the spectrum resources of HKT, CSL and other mobile service operators are analysed as below:

Mobile service operators	**Subscriber market share**[1]	**Number of existing subscribers**[3] **(Approximate)**	**Spectrum**[1] **(Approximate) MHz**	**Average spectrum resources per subscriber**[4] **(Approximate) Hz**
HKT	11–12%	1,710,610	96	56.1
CSL	19–20%	2,851,000	137.6	48.3
HKT/CSL (Merged Entity)	**31%**	**4,419,050**	**233.6**[5]	**52.9**
HKT/CSL (Merged Entity, excluding the CDMA 2000 spectrum and the spectrum related to the Divestment Direction)	**31%**	**4,419,050**	**189**[6]	**42.8**
Other three major mobile service operators	68%	9,693,390	376.4	being 31.2, 39.3 and 58.1 respectively
Total	Approx 100% (14.255 million)[2]	14,255,000	610	42.8
Total (excluding the CDMA 2000 spectrum)	Approx 100% (14.255 million)[2]	14,255,000	595[7]	41.7

Notes:

1. Information extracted from the application made by HKT to the Communications Authority for prior consent under section 7P of the Telecommunications Ordinance in respect of the HKT Transaction.

2. The subscriber numbers are based on 6/2013 OFCA and public data, after subtracting out from the MNOs both MVNO and reseller numbers, and thus representing post-paid plus activated pre-paid.

3. Calculated by multiplying 14.255 million subscribers by the respective subscriber market share of the mobile service operators.

4. Calculated by dividing the spectrum resources by the number of subscribers of the respective mobile service operators.

5. Being the aggregate spectrum resources that would be held by HKT and CSL after the HKT Transaction (i.e. 96 + 137.6 MHz).

6. Being the aggregate spectrum resources that would be held by HKT and CSL after the HKT Transaction by excluding the CDMA 2000 spectrum (15 MHz) which is only used by inbound roamers and not HKT customers, and the 29.6 MHz of 3G spectrum to be divested by HKT and CSLNW pursuant to the Divestment Direction (i.e. 96 + 137.6 – 15 – 29.6 MHz).

7. Being the aggregate spectrum resources that are held by the MNOs in Hong Kong at present and excluding the CDMA 2000 spectrum (15 MHz) which is only used by inbound roamers and not HKT customers.

Based on the table above, spectrum resources per subscriber of the Merged Entity (after the HKT Transaction and calculated by excluding the CDMA 2000 spectrum (15 MHz) which is only used by inbound roamers and not HKT customers, and the 29.6MHz of 3G spectrum to be divested by HKT and CSLNW pursuant to the Divestment Direction) is estimated at about 42.8 Hz. Such figure is close to the average spectrum resources per subscriber in the overall Hong Kong market and is within the range of spectrum resources available per subscriber of the other mobile service operators in Hong Kong. Based on the above, the Directors believe that CSL and HKT will have sufficient spectrum to fulfill all CSL's licence and customer contract obligations following the Divestment Direction and that the Divestment Direction will not adversely affect the business operation or financial performance of our Group or that of NWM.

The completion of the HKT Transaction took place on 14 May 2014. As at the Latest Practicable Date, we have not been informed by HKT of any potential change on the business and operation of NWM. Furthermore, pursuant to the Shareholders Agreement, unanimous directors' resolution is required if, among others, (i) any shareholders of NWM or their respective related company or related parties shall enter into or vary any contract or arrangement with NWM; or (ii) there is any addition, change or variation of the tariff plans of NWM's mobile services, or calculation of the service fee and the network charges payable by NWM to our Group and CSL respectively. Based on the above and in particular, the MVNO Direction, our Directors consider that the HKT Transaction will not lead to material adverse change on the operation of NWM nor the termination of the Shareholders Agreement.

HKT (under the "PCCW-HKT" mobile brand) and the CSLNW group (under the "1O1O", "one2free" and "New World Mobility" brand) are currently two of the five network-based providers of mobile telecommunications services in Hong Kong. According to the Industry Report, as compared to the other two brands owned by CSLNW (i.e. "1O1O" and "one2free") which seem to target at high-end market and the brand owned by HKT which is more neutral in market positioning, NWM targets at the mid to low-end market and offers relatively more economical tariff plans and voice only plans. As stated in HKT's circular to its shareholders dated 31 December 2013, following the completion of the HKT Transaction, HKT intended to reorganise the business of CSLNW and its subsidiaries by combining and integrating it with HKT's existing mobile telecommunications business in order to unlock and make optimal use of available operational synergies and efficiencies. The board of HKT expects the enlarged HKT group would be able to strengthen multi-brand strategy by providing tailored pricing plans targeted at various customer segments with different data and voice requirements. The Directors expect that such intention of HKT would not have material adverse impact on the Group's operation.

Our Reliance on NWM

We share 40% of the results of NWM. We also receive service income from NWM for providing operation services to it. During the two financial years ended 31 March 2013 and the nine months ended 31 December 2013, the service income received by us from NWM amounted to approximately HK$55.0 million, HK$113.2 million and HK$117.8 million, representing 6.6%, 10.4% and 13.2% of our total revenue. We also recorded a negative segment result of HK$44.4 million and HK$26.5 million for the years ended 31 March 2012 and 2013, and a positive segment result of HK$7.1 million for the nine months ended 31 December 2013. The negative segment results in the first two years was mainly because the customer base of NWM in the years ended 31 March 2012 and 2013 was relatively small and our service income from the provision of operation services cannot cover our costs (which mainly included manpower involved in administrative work). For further details, please refer to the paragraph headed "Financial Information — Selected line items in the combined statements of profit or loss and other comprehensive income — Segment results".

To the best knowledge of the Directors after making reasonable enquiries, the Directors noted that among the 17 MVNOs in Hong Kong, China Motion Telecom (HK) Limited and China Unicom (Hong Kong) Operations Limited provide post-paid mobile voice and data services as NWM does, while the rest of the MVNOs are providing other various telecommunication services such as "One card two numbers", sales of pre-paid phone cards, roaming, and web-based/cloud-based services. Each of China Motion Telecom (HK) Limited and China Unicom (Hong Kong) Operations Limited relies on a single MNO to supply Hong Kong airtime for its mobile business. China Motion Telecom (HK) Limited is using the network of CSL for its mobile services; while China Unicom (Hong Kong) Operations Limited is using the network of HKT for its mobile services. Thus the Directors consider that the reliance of NWM on the provision of airtime and network services solely from CSL is consistent with the industry practice.

While NWM, as a subsidiary of CSL, relies on CSL for the provision of network services, NWM also relies on us for its operation. NWM maintains a minimal number of headcount and it is TDM who is responsible for the operation of NWM under the Shareholders Agreement. Such operation services provided by TDM to NWM include sales management, marketing operation, customer service, billing, payment and debt collection, and customer data compilation and analysis. On this basis, the Directors consider that the reliance on CSL to provide Hong Kong airtime to NWM is equally mutual and complementary.

In the unlikely event that our current business relationship with CSL is terminated, we need to modify our business model in running telecommunications business and may need to seek collaboration with other MNOs apart from CSL. Such alternative collaboration with other MNOs may involve, among others, forming joint venture with other MNOs and replicating the business model of NWM in providing mobile services; or purchasing airtime (and/or network services) from other MNOs and providing mobile services by ourselves as an MVNO. In the event that we purchase airtime from other MNOs and engage in the business of provision of mobile services by ourselves (rather than through our associate), we shall record the relevant subscription fees from the subscribers for our services as our revenue, and record the cost of purchase of airtime as our cost of operation. We shall record 100% of the results of operation, as compared to our current 40% share of the results of NWM as our associate. Other than the above, we do not foresee there would be substantial changes in our operation. This is because, at present, we are already undertaking nearly all operation-related activities for the business of NWM. As disclosed above, we are providing comprehensive operation services to NWM ranging from sales management services to billing services and customer data compilation services. Indeed, NWM has merely five employees. The day-to-day operation of NWM is mainly dealt with by our Group pursuant to the Shareholders Agreement. On this basis, our Directors consider that we would be able to modify our business model should the Shareholders Agreement be terminated.

There is no guarantee that we can successfully modify our business model in this circumstance. Nevertheless, given that (i) our Directors are experienced in the industry; (ii) we have the experience of engaging in the mobile business by purchasing airtime from MNOs other than CSL in the past as disclosed earlier in this sub-section; (iii) we have been collaborating with CSL in relation to the operation of NWM for years and we have not experienced material dispute with CSL so far; (iv) there are currently other MVNOs in Hong Kong engaged in the business of provision of mobile or voice services by purchasing airtime from MNOs, proving that such business model is commercially viable; (v) it is the policy of the Communications Authority that an MNO operating in the 1.9–2.2 GHz band for 3G services is obliged to open 30% of its network capacity to MVNOs which are not affiliated to any MNO in accordance with the licensing conditions; and (vi) in the event that a non-affiliated MVNO and an MNO cannot agree with each other on the terms of interconnection, either of them may call upon the Communications Authority to intervene in the dispute and to determine the terms of interconnection, our Directors are of the view that there would not be material obstacles to modifying our business model in such circumstance.

According to the information from the Communications Authority, at present, HKT, CSL and Hutchison Telephone Company Limited are the principal active providers of wholesale access services to MVNOs. While China Mobile Hong Kong Company Limited or SmarTone Mobile Communications Limited are also potential source of wholesale network access, the Merged Entity would be the primary source of wholesale access for MVNOs following completion of the HKT Transaction. As such, according to the Decision, the Communications Authority has considered it important the Merged Entity should continue to honour the wholesale access agreements that HKT and CSL respectively have with MVNOs, to ensure that at least in the short term that the MVNOs would not be deprived of access to network capacity they currently rely on in supplying their own retail mobile services. Accordingly, the Communications Authority has issued the MVNO Direction as mentioned above.

Other than the service income from the provision of operation services to NWM and the share of results of NWM, we do not record any other income from NWM. Nevertheless, our revenue of retail operation has been primarily derived from the sale of mobile phones at discounted price to NWM Subscribers. The following table sets out the amounts of our revenue, segment results and sharing of results of an associate during the Track Record Period, generated in connection with our business co-operation with NWM:

	Year ended 31 March		Nine months ended 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
— Sales of mobile phones to NWM Subscribers	125,621	439,527	322,952
Percentage of the Group's Revenue	15.0%	40.3%	36.3%
— Service income from provision of operation services to NWM	55,037	113,196	117,844
Percentage of the Group's Revenue	6.6%	10.4%	13.2%
Segment results			
— Sales of mobile phones to NWM Subscribers *(Note)*	5,933	28,327	27,483
Percentage of the aggregate result of all the Group's segments	31.0%	62.4%	44.7%
— Service income from provision of operation services to NWM	(44,395)	(26,475)	7,134
Percentage of the aggregate result of all the Group's segments	Not applicable	Not applicable	11.6%
Share of results of an associate (NWM)	—	12,983	16,836
Percentage of the Group's profit before tax	—	23.8%	23.2%

Note: Please note that these segment results figures set out above are for information only and have been arrived at based on proportion of certain operation expenses of the relevant operation.

As a promotional and marketing strategy of our Group, we offer sales discount on selected mobile phone models to NWM subscribers as well as subscribers for our Group's paging or Mobitex based services. Such promotional and marketing activities are planned and carried out solely at our discretion and we plan such activities mainly based on market trend and demand for various types of mobile phones. We do not provide mobile phones on a zero-price basis and we do not receive rebate from NWM for such sales discount. Since it is common for mobile service operators in Hong Kong to offer handset bundle tariff plans to customers, our Directors consider that such marketing strategy is in line with market practice. Our Directors also consider that such marketing strategy is equally mutual and complementary between NWM and us because this marketing strategy does not only attract customers for our retail operation, but also help NWM to attract new subscribers and to retain existing subscribers.

In the unlikely event that our current business relationship with CSL is terminated, we also need to modify our marketing strategy. It may no longer be commercially sensible for us to offer sales discount on mobile phones to NWM Subscribers. As mentioned above, we may seek alternative collaboration with other MNOs to provide mobile services in the event that our current business relationship with CSL is terminated. In such circumstances, we may also modify our marketing strategy and consider offering sales discounts to the then subscribers of mobile services. To compete with other mobile phones retailers in Hong Kong, we may also modify our marketing strategy by, for examples, offering sales discount to other targeted customer groups, enhancing customer experience and services, and broadening our product mix to attract a wider customer base. As disclosed in the paragraph headed "Our business strategy" above, we intend to open certain flagship stores to provide more enhanced customer experience. In our flagship stores, we may showcase a wide range of products and services, and provide customer services including management of customer accounts, arrangement for repair and maintenance of devices, training courses and interest groups for new products and services.

There is no guarantee that we can successfully modify our marketing strategy for our retail operation in such circumstances. In the event that we cannot successfully or timely modify our marketing strategy, our business and financial performance may be materially and adversely affected.

MAJOR CUSTOMERS OF OUR GROUP

The tables below set forth details of our relationship with the top five customers during the Track Record Period.

For the nine months ended 31 December 2013

Rank	Background	Goods or services provided	Approximate years of relationship (rounded to the nearest whole year) up to 31 December 2013
1st	NWM	Provision of operation services	5 years
2nd	Customer A — trading of mobile phones	Sale of mobile phones under our distribution business	2 years
3rd	Customer B — a home appliance chain store whose retail chain network of approximately 1,600 retail stores covers Hong Kong (where 29 retails stores are located), Japan (Tokyo and Osaka) and the PRC	Sale of mobile phones under our distribution business	11 years
4th	Customer C — a Hong Kong based trading company that specialises in the distribution of major brands of GSM and UMTS handset models	Sale of mobile phones under our distribution business	3 years
5th	Customer D — trading of mobile phones	Sale of mobile phones under our distribution business	1 year

For the financial year ended 31 March 2013

Rank	Background	Goods or services provided	Approximate years of relationship (rounded to the nearest whole year) up to 31 March 2013
1st	NWM	Provision of operation services	4 years
2nd	Customer A	Sale of mobile phones under our distribution business	2 years
3rd	Customer B	Sale of mobile phones under our distribution business	10 years
4th	Customer C	Sale of mobile phones under our distribution business	2 years

Rank	Background	Goods or services provided	Approximate years of relationship (rounded to the nearest whole year) up to 31 March 2013
5th	Customer E — a Hong Kong based home appliance company which is engaged in the retail and distribution businesses of home appliance and has 12 retail stores in Hong Kong	Sale of mobile phones under our distribution business	10 years

For the financial year ended 31 March 2012

Rank	Background	Goods or services provided	Approximate years of relationship (rounded to the nearest whole year) up to 31 March 2012
1st	NWM	Provision of operation services	3 years
2nd	Customer B	Sale of mobile phones under our distribution business	9 years
3rd	Customer A	Sale of mobile phones under our distribution business	1 year
4th	Customer C	Sale of mobile phones under our distribution business	1 year
5th	Customer F — a Hong Kong based company which is engaged in the retail and wholesale of mobile phones and accessories in Hong Kong	Sale of mobile phones under our distribution business	9 years

For the two financial years ended 31 March 2012 and 2013 and for the nine months ended 31 December 2013, the aggregate revenue attributable to the five largest customers of our Group amounted to approximately HK$226.6 million, HK$316.7 million and HK$329.7 million, respectively, representing approximately 27.0%, 29.0% and 37.0% of our total revenue, respectively. For each of the same periods, the revenue attributable to the largest customer of our Group amounted to approximately HK$66.8 million, HK$132.3 million and HK$131.0 million, respectively, representing approximately 8.0%, 12.1% and 14.7% of our total revenue, respectively.

Save that the Cheung Brothers, who are Directors, are also the Controlling Shareholders and thus have an indirect interest in NWM through our Company, to the Directors' best knowledge, none of the Directors or their associates, or any Shareholders who own more than 5% of our Company's issued share capital, had any interest in any of the five largest customers of our Group during the Track Record Period.

CUSTOMER SERVICE

Our shops

Our shops, all of which show our "Telecom Digital" logo, provide customer services to subscribers of our paging services who can make enquiries on our services and products, and pay the subscription fees at our shops. Enquires on services, products and account balances are handled by our customer service staff at our shops. Subscribers can also arrange the replacement of defective pagers for repaired and refurbished pagers at our shops. We also offer to sell mobile phones, pre-paid SIM cards and accessories at our shops. As we also collect service fees on behalf of NWM from the subscribers of its mobile services at our shops under the Shareholders Agreement, our shops also show the "New World Mobility" ("新世界傳動網") logo.

We had 41 shops, 50 shops and 50 shops in Hong Kong as at 31 March 2012, 31 March 2013 and 31 December 2013 respectively. As at the Latest Practicable Date, we had 51 shops in Hong Kong and one service centre in Macau. Three of our shops, which are located in Tsim Sha Tsui, Causeway Bay and Sheung Shui and are specifically named as "M-Zone", have an aggregate floor area of more than 2,700 sq.ft. and provide a more comfortable environment to our customers.

Location	Number of our shops	Total gross floor area
Hong Kong Islands	10	3,096 sq.ft.
Kowloon	16	4,343 sq.ft.
New Territories	25	6,673 sq.ft.

All of our shops are operated by our staff who serve the subscribers of our paging and other telecommunications services and of NWM's mobile services as well as the purchasers of telecommunications products.

Hotline

We have a 24-hour customer hotline service to address all customer-related issues, ranging from pre-service enquiries to general post-service enquiries and maintenance. Such 24-hour hotline is operated by our own customer service staff and supported by an independent customer service provider.

The service provider is principally engaged in provision of call centre services in Shenzhen, the PRC. The service provider has the necessary networking equipment and communication lines, computer and telephone system, as well as customer relationship programme to provide the hotline services to us. We provide the service provider the required materials and information on the services and products of our Group and NWM so that the service provider can train its hotline operators to provide quality customer service to our customers. We also set certain standards to supervise the quality of the hotline services, which include the minimum time to answer a call and resolve any issue raised by the customer, as well as the customer satisfaction.

Customer complaints

We strive to improve the customer experience and satisfaction. Our front end staff at our shop or operators of our service hotline gather and record material relevant information from the customers for their complaints and endeavour to resolve customer queries or complaints. If our front end staff or hotline operators cannot resolve the complaints, they may pass the information to the supervisors who are responsible to assist them to solve the complaint cases. Our customer service department is responsible for making analysis and improvement proposal based on the complaint records, and provides coaching and on-job training to the relevant staff and hotline operators during daily works. During the Track Record Period, we received in the ordinary course of our business customer complaints with respect to our services and goods provided and offered. However none of the complaints had a material adverse effect on our business and operations.

MARKETING AND BRAND

Under the brand of "Telecom Digital" ("電訊數碼"), we offer various goods and services in our shops to provide convenience and accessibility for our customers.

Our website, www.telecomdigital.cc, serves as an effective promotional platform for our services and goods as well as a communication channel with our customers. It sets out the scope, features and costs of our telecommunications services and is an exchange forum through which customers can lodge their enquiries and comments.

We carry out various advertising and promotional activities, which comprise:

(i) advertising campaigns by way of television commercials, radio commercials, newspaper advertisements, magazine advertisements, posters and advertising on the public transportation and Internet;

(ii) advertising in entertainment events in Hong Kong including premiere screenings and sports tournaments; and

(iii) direct marketing to existing subscribers for our services by way of paging broadcast.

We also run regular sales promotion campaigns, including seasonal sales and festival sales. Our sales promotions include direct discounts and gifts such as accessories and movie tickets. These promotions target specific categories of merchandise with the aim of tackling categorical inventory issues and counter-adjusting to festival or cyclical demands.

For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, our expenses on sales promotion amounted to HK$3.0 million, HK$4.0 million and HK$7.6 million respectively.

PRODUCT LIFE CYCLE AND SEASONALITY

Mobile phones are the primary goods we sell at our shops. The product life cycle of a particular model of mobile phone depends on the level of competition, the launching of new mobile phones and the pace of technological development. Due to keen competition amongst mobile phone manufacturers, new models of mobile phones with new features are being put to the market every 3 to 6 months to stimulate consumers' demand. According to the Industry Report, mobile phone users usually upgrade or replace their smartphones with new models every 12 to 18 months and more users are changing from using featured phones to smartphones. During the Track Record Period, the average per unit price of mobile phones generally demonstrated an increasing trend. Such increase was mainly driven by the strong demand for smartphones as stimulated by the frequent update of models in smartphones. As disclosed in the section headed "Financial information" in this prospectus, the average per unit price of mobile phones sold in our retail business was about HK$2,533, HK$3,459 and HK$3,437 for each of the years ended 31 March 2012, 2013 and the nine months ended 31 December 2013 respectively.

The demand for our services and merchandise fluctuates and generally does not fall into any specific pattern during a year, and is not subject to seasonal factor. Apart from the increase in price of mobile phones as discussed above, the price of our services did not fluctuate materially during the Track Record Period.

CASH MANAGEMENT

Revenue from corporate clients is generally settled by cheque. For revenue from the general public, we accept payment at our shops by cash, credit card, EPS (Electronic Payment Services) or Octopus, we also accept payment by posting of cheque, PPS (Payment by Phone Service) system via internet or telephone and online banking. All of our retail sales and subscription fees are denominated in Hong Kong dollars. For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, the average daily amount of cash received by us in our operations were approximately HK$585,000, HK$973,000 and HK$1,165,000, respectively.

We have adopted strict internal control procedures for the handling of cash at our shops, including:

- handling of cash by cashiers only;
- prohibition on the making of any payment from cash proceeds without any official source document;
- daily reconciliation of sales recorded by the point of sale system and actual cash proceeds;
- daily deposits of cash received at our shops on a business day. Cash received at our shops during public holidays will be deposited on the following business day;

- use of sequentially-numbered sales invoices to check against sales amounts and cash proceeds; and
- monthly checks by the accounting staff of the head office on cash proceeds against the records of deposit of cash, as well as the sales invoices to ensure that sales are properly recorded by the point of sale and the billing system.

There had not been any incident of misappropriation of cash from sales or loss of cash during the Track Record Period.

MAJOR SUPPLIERS OF OUR GROUP

The tables below set forth details of our relationship with the top five suppliers during the Track Record Period.

For the nine months ended 31 December 2013

Rank	Background	Goods or services provided	Approximate years of relationship (rounded to the nearest whole year) up to 31 December 2013
1st	Supplier A — a multinational mobile phone manufacturing company headquartered in Tokyo, Japan, and is a wholly owned subsidiary of another Tokyo-based global enterprise which is engaged in a broad range of businesses, including the electronic business, entertainment businesses and financial services business, and generated a sales and operating revenue of US$22,979 million and an income before income taxes of US$855 million for the three months ended 31 December 2013 — has a market share of approximately 3.18% (by unit of shipment) in Hong Kong for the year ended 31 December 2013 pursuant to the Industry Report as referred to on page 66 of this prospectus	Purchase of mobile phones for our distribution business	3 years

Rank	Background	Goods or services provided	Approximate years of relationship (rounded to the nearest whole year) up to 31 December 2013
2nd	Supplier B — an IT company which focuses on mobile and wireless sectors in Hong Kong and the PRC and whose product range includes PDA, PDA phones, smartphones, accessories and related connectivity and software development products	Purchase of mobile phones for our retail business	3 years
3rd	Supplier C — a global enterprise, headquartered in Korea and engaged in consumer electronics, mobile communications and home appliances with five business units — home entertainment, mobile communications, home appliance, air conditioning and energy solutions and vehicle components, and generated consolidated revenues of US$13.35 billion and an operating profit of US$471.47 million for the three months ended 31 March 2014 — has a market share of approximately 5.25% (by unit of shipment) in Hong Kong for the year ended 31 December 2013 pursuant to the Industry Report as referred to on page 66 of this prospectus	Purchase of mobile phones for our distribution business	7 years
4th	HKEx Information Services Limited	Provision of information and data on Hong Kong stock market	11 years
5th	Supplier D — an international corporation which, having operations in 300 cities in 32 countries, is engaged in computer, communication and consumer electronic business and provides integrated services to supply chain of hi-tech business	Purchase of mobile phones for our retail business	1 year

For the financial year ended 31 March 2013

Rank	Background	Goods or services provided	Approximate years of relationship (rounded to the nearest whole year) up to 31 March 2013
1st	Supplier A	Purchase of mobile phones for our distribution business	2 years
2nd	Supplier B	Purchase of mobile phones for our retail business	2 years
3rd	Supplier C	Purchase of mobile phones for our distribution business	6 years
4th	HKEx Information Services Limited	Provision of information and data on Hong Kong stock market	11 years
5th	CSL	Purchase of pre-paid rechargeable SIM cards and recharge vouchers for voice and data mobile services	4 years

For the financial year ended 31 March 2012

Rank	Background	Goods or services provided	Approximate years of relationship (rounded to the nearest whole year) up to 31 March 2012
1st	Supplier A	Purchase of mobile phones for our distribution business	1 year
2nd	Supplier E — a global technology enterprise, headquartered in the US, and the portfolio of which formerly included converged mobile devices such as smartphones and tablets; wireless accessories; end-to-end video and data delivery; and management solutions, including set-tops and data-access devices	Purchase of mobile phones for our distribution business	10 years
3rd	Supplier C	Purchase of mobile phones for our distribution business	5 years
4th	Supplier B	Purchase of mobile phones for our retail business	1 year
5th	HKEx Information Services Limited	Provision of information and data on Hong Kong stock market	10 years

During the Track Record Period, we did not experience any material dispute with any of our major suppliers or any material disruption to our operations as a result of any shortage in the supply of merchandise nor any termination of distribution rights granted by our suppliers which had a material adverse effect on our operations and financial results.

For the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, the aggregate purchases attributable to our five largest suppliers amounted to approximately HK$525.3 million, HK$640.6 million and HK$536.8 million, respectively, representing approximately 76.5%, 73.5% and 76.6% of our total purchases, respectively. For each of the same periods, the purchases attributable to our largest supplier amounted to approximately HK$262.0 million, HK$283.0 million and HK$248.8 million, respectively, representing approximately 38.2%, 32.5% and 35.5% of our total purchases, respectively.

During the Track Record Period, our purchases were all settled in Hong Kong dollars and most of them were settled by cheques or telegraphic transfers. Most of our purchases are settled on a monthly basis and in arrears. We were offered average credit period of 30 days on purchase of goods.

To the Directors' best knowledge, none of the Directors or their associates, or any Shareholders who own more than 5% of our Company's issued share capital, had any interest in any of the five largest suppliers of our Group during the Track Record Period.

LOGISTICS AND INVENTORY CONTROL

We consider an effective logistics and inventory management system is a key factor of the success of our distribution business. As at the Latest Practicable Date, we leased two warehouses with an approximate total area of 16,900 sq.ft.. Our suppliers deliver products directly to our warehouses which are equipped with security systems.

Our warehouses are also equipped with management information system to assist procurement, delivery and inventory management. We deliver the products from the suppliers to our shops or our customers by our own logistics team (comprising 22 staff and 10 trucks).

In order to minimise inventory carrying costs, while at the same time ensuring timely delivery of merchandise to our customers and maintaining a variety of merchandise at our shops, we have a policy to maintain an optimal level of inventory at our warehouses. The average inventory turnover days of our merchandise was 25 days, 25 days and 33 days for the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, respectively. Our shops employ an information system which captures inventory movement. Furthermore, each of the models of merchandise we offer is coded with a unique item code for identification in our point of sale system, which, in turn, is linked with our management information system. Cashiers input the model or item code of the merchandise being sold (as the case may be) and our management information system records the data instantly. With this system in place, the inventory level of a particular model of merchandise can be monitored and controlled.

Our inventory control team and sales managers keep close track of stock movement and helps minimise obsolete stock through conducting promotional activities, selling such products at greater discount to market such products.

We make full provision for obsolete merchandise based on our inventory ageing analysis of different categories of merchandise. The management of our Group assesses the net realisable value and reviews an ageing analysis at the end of the reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. Our Group's quantitative basis to determine allowance for inventories is based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

For the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, the provision for allowances for inventories (included in cost of inventories sold) was approximately HK$3.5 million, HK$2.2 million and nil, respectively.

We do not have goods return policy for unsold obsolete goods because (i) any such goods return policy cannot be unilaterally formulated by us without the consent of the various suppliers; and (ii) the mobile phones we sell under our distribution and retail operations, which generally comprise 80% to 90% of the our inventory, are not slow-moving goods and are not likely to become obsolete or not suitable for use or sale.

During the Track Record Period, we have not experienced any shortage of goods nor theft of loss of goods which caused material adverse impact on our operations and financial performance.

STAFF AND TRAINING

As at the Latest Practicable Date, we had approximately 443 full-time employees. We provide our full-time employees with medical benefit scheme, provident fund scheme, and employee insurance scheme.

Our Company has conditionally adopted the Share Option Scheme under which certain eligible participants may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in the section headed "D. Share Option Scheme" in Appendix V to this prospectus.

We provide trainings to the front end and back end staff. Training provided to front end staff include coaching and monitoring of customer reception skill, and measures necessary to ensure a consistent level of service quality. They receive ongoing trainings on the specific product and service knowledge, problem solution, our policy and practices, the professionalism in respect of handling inquiry, compliant and claims handling, and new product launch training.

We strive to provide employees with a safe and healthy environment. We have issued guidelines to employees to reinforce their awareness in this regard. Each employee that joins our Group is also given a copy of our staff manual. Our employees maintain good hygiene standards and safe working practices in the offices, shops, cell sites and warehouses where they work as well as for delivery of goods. Our Directors confirm that there were no material accidents, health injuries or any non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Our Directors believe that our Group maintains good working relationships with our employees. Our Group has not encountered any difficulty in the recruitment and retention of staff for our operations or experienced any material disruption of our operations as a result of labour disputes during the Track Record Period.

QUALITY CONTROL

We understand that customer loyalty will be lost if customers are dissatisfied with the quality of service and products offered by us. Failures to maintain service or product quality can lead to customer complaints, return of products and detriment to our reputation.

In particular, for our paging services, we use certain performance indicators to measure the quality of our service:

(i) 99% of incoming calls are handled within 30 seconds of the call; and

(ii) 99% of the messages are transmitted within 40 seconds.

Moreover we adopt the following quality control policies to assure the quality of our paging services:

(i) Daily call records are reviewed by operation supervisor weekly. If the measurement result is below the required standards for our paging services, operation manager will adjust the allocation of resources of operators so as to ensure the compliance with the required standards.

(ii) All incidents of system failure or interruption are recorded in writing in a log book. Operation supervisor reviews fault report on paging system. If the measurement result is below the required standards for our paging services, operation manager will discuss with the system manager on the events of system failure, identify and qualify the possible hazards (such as hardware breakdown, software or system breakdown, suspension or interruption of electricity or air-conditioning supply) to sort out short-term and long-term solutions.

Manufacturers of mobile phones provide warranty on the products they supply to us for our distribution and retail operations. End users can return defective products to the manufacturers for replacement within generally a week after the purchase. We also adopt the following quality control policies on the products to be sold by us:

(i) we adopt a stringent supplier selection policy and only purchase from suppliers approved by us so as to reduce the risk arising from product quality problems;

(ii) our warehouses perform a series of checks upon the receipt of the merchandise of, among others, the appearance, packaging, specification and brand logo, etc.;

(iii) our sales staff perform inspections of the appearance and packaging of merchandise on a sampling basis; and

(iv) if any defects are detected, the relevant product will be returned to the supplier for replacement.

During the Track Record Period, we have not encountered any service or product quality issues which caused material adverse impact on our operations and financial performance.

MANAGEMENT INFORMATION SYSTEM

We believe that an efficient management information system significantly improves procurement, inventory and logistics management, and financial and cash management, and help us to minimise costs of maintaining inventory, and improve our overall sales performance. Our management information system is interconnected with our terminals in the headquarters office and the terminals in the shops. During our Track Record Period, each of the years ended 31 March 2012, 2013 and the nine months ended 31 December 2013, our capital expenditure on management information system amounted to approximately HK$1.0 million, HK$2.9 million and HK$6.2 million, respectively.

Our management information system team comprises 41 staff as at the Latest Practicable Date. The duties of our management information system team include (i) planning, execution, monitoring, control and closure of projects relating to our systems; (ii) administration of database engine and servers, system monitoring and improvement of the system performance and capacity; (iii) planning, co-ordination and implementation of security measures to safeguard the database; and (iv) provide on-going help-desk support and maintenance relating to the systems.

All of our shops are equipped with a standard management information system which enables us to analyse and record sales details, and to track inventory on a timely basis. We also use our information system to identify fast and slow moving products, analyse the sales trend of different products based on the historical data of stock orders and selling data, and improve our product mix.

In addition, our established management information system has the functions of billing and customer management functions, and allows activation and suspension of services and management of customer information. In particular, we can analyse the usage pattern of the services subscribers with the use of the system which accordingly facilitates our development or modification of our services and marketing strategies to cope with the rapid changing environment of the telecommunications industry.

During the Track Record Period, we have not encountered any information system error which caused material adverse impact on our operations and financial performance.

We intend to apply part of the proceeds from the Placing to implement an ERP system to integrate our purchasing, selling, logistics, and financing operations in various sectors of our business. We believe that an upgraded management information system will also facilitate even better exchange of information between the headquarters and our shops, and allow us to improve our data analysis to support more in-depth decision-making.

RESEARCH AND DEVELOPMENT

As mentioned above, our management information system team comprises 41 staff as at the Latest Practicable Date. They also carry out research and development of our telecommunications services. During the Track Record Period, our management information system team successfully developed and launched two apps for smartphones, namely TD Stock-Pro and Mango Pro, for subscribers to have access to information and data on securities market and horse racing and football matches; and also improved our billing system.

BUSINESS CONTINGENCY AND DISASTER RECOVERY

We have developed business contingency and disaster recovery plans to cover the situation of any material breakdown or accidental damage to our key networks and other operating equipment. Adequate alarm systems are implemented in our network operations to detect any system outage or equipment malfunction and are supplemented by the emergency call-out of experienced technical staff. We have also implemented controls to protect customer data including rigorous back-up routines and the use of multiple data centres in some of our operations. For example, in case of hardware failure, standby paging servers will be activated to replace the server which fails, and functioning spare parts are always available for backup use; and in case of software or system failure, designated hardware technicians as well as system engineers, who are assigned to standby in case of emergency, are responsible to examine and solve the problem.

These plans are reviewed and modified when the business and regulatory environment require. For example, in case of breakdown of paging services arising from failure or disruption of the public switched telephone network, a unique Internet paging account will be provided to hospital customers, so that such customers can dispatch the message through Internet. We have a monthly maintenance procedure for all major equipment in the core networks and service platforms. We have not experienced any material outage or major breakdown of, or accidental damages to, our network systems or operations.

COMPETITION

Paging and other telecommunications business

In respect of our data services (i.e. mainly paging services and Mobitex based services), we compete with various alternative wireless data service providers as well as other paging and telecommunications operators.

With the rapid development of information technology, nowadays there are numerous ways of wireless communication and there is an enormous sea of published information available. Nevertheless, our paging service, with the characteristic of low radio frequency and support one-to-many paging as well as self-entry of messages, are still needed by specific types of clients such as disciplinary forces and hospitals. We are one of the paging operators in Hong Kong and the only paging operator in Macau. Our other data services (including Mobitex based services and smartphones applications) provide constantly updated stock market and gaming data to users. Although there are other sources of data available, our services provide an additional channel to the users with tailor made setting to a certain extent.

In respect of our voice services (i.e. "One card two numbers" services, IDD and international call forwarding services), we face keen competition. Similar services are provided by other MNOs and MVNOs. As such, the market players mainly compete on pricing.

Distribution and retail sales of mobile phones

In respect of our businesses of distribution and retail sales of mobile phones, we face intensive competition primarily from other distributors and retailers of such products in Hong Kong which exist in a large quantity. We compete with these competitors largely on price, range of products, service quality and sales network coverage. The barriers to entry, however, exist as the costs and time required for establishing strong brand awareness and a distribution network are significant. Moreover, we create competitive edge by offering various types of telecommunications services and products and having a well-established distribution channel.

Hong Kong mobile service market

NWM, being our 40%-owned associate, is engaged in the provision of mobile service. Competition in the mobile service industry in Hong Kong is keen and is dominated by five other major mobile service providers. The mobile service operators compete with each other on pricing, value-added services, coverage of signals, brand names and customer services. According to the Industry Report, the tariff plans currently offered by the other mobile service providers range from HK$51 to HK$508 whereas the tariff plans currently offered by NWM range from HK$28 to HK$200, thus in terms of the price range of the tariff plans, the tariff plans currently offered by NWM are relatively more economical as compared to those offered by other mobile service providers. The industry scale effect, requirement of special equipment, characteristics of public welfare and uncertainty and risk are entry barriers in the mobile industry.

Please refer to the section headed "Industry overview" for details of the competition landscape of the businesses that we engage in.

INSURANCE

We maintain insurance policies in respect of our operations in Hong Kong and Macau. These policies include coverage in respect of losses or damages in respect of buildings, machinery, equipment and inventories. We also maintain employees' compensation and public liability insurances.

We consider our insurance policies to be adequate and in line with industry norms. No significant claims under these insurance policies have been made by our Group during the Track Record Period.

PROPERTY

We rent premises for our office premises, shops, cell sites and warehouses. Our rental expenses for our rented properties were HK$39.6 million, HK$48.9 million and HK$39.6 million for the two financial years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, respectively.

Our tenancy agreements typically have an initial term from one year to three years. We did not have significant difficulties in renewing our tenancy agreements in a timely manner during the Track Record Period.

As at the Latest Practicable Date, we rented a total of 180 properties in Hong Kong, comprising office premises, shops, cell sites and warehouses. As at the Latest Practicable Date, we have 51 shops in Hong Kong, the gross floor area of which ranges from approximately 50 sq.ft. to 1,100 sq.ft.. We also rent premises for our service centre and eight cell sites in Macau. As at the Latest Practicable Date, we rent 20 premises from our connected persons as our office premises, shops and cell sites. Please refer to the section headed "Continuing connected transactions" in this prospectus for details.

The following table sets forth the expiration of our tenancy agreements for our shops and cell sites in Hong Kong and Macau as at the Latest Practicable Date:

	Year in which the tenancy agreement expires	**Number of tenancy agreements for our shops**	**Number of tenancy agreements for our cell sites**
Hong Kong	2014	20	9
	2015	18	27
	2016	8	50
	2017	5	12
	Other type 1*(Note 1)*	—	7
	Other type 2*(Note 2)*	—	16
Macau	2017	1	—
	Other*(Note 1)*	—	8

Notes:

1. These tenancy agreements may be terminated with two months' notice or three months' notice or are without fixed expiry dates.

2. With regard to 18 of those leased/licensed properties for cell sites the tenancy/licence agreements for which have already expired, the subsidiaries of our Group continue to retain possession of those cell sites in respect of which our Group has continued to pay monthly rent/licence fees which were accepted by the relevant landlords/licensors.

In respect of the tenancy agreements which have expired in the calendar year 2014 and renewed, other than the increment in rentals, such tenancy agreement have been renewed at substantially the same terms. In respect of the tenancy agreements in Hong Kong which have expired and will expire in the calendar year 2014, having considered the original rental amount under these agreements and the actual and expected increase in rental rates upon their renewal, the actual and expected increase in rental rates for the agreements renewed and expected to be renewed in aggregate will amount to less than 1% of our Group's revenue for the financial year ended 31 March 2013. Therefore, our Directors believe that the potential impact of the actual and expected increase in rental rates for the renewals which has taken place and is expected to take place will be insignificant to our Group.

In respect of the tenancy agreements which will expire within one year, our Group currently intends to negotiate with the relevant landlords on renewal of the relevant tenancies three months before the expiry thereof. However, in some cases, the landlords have their own practice on renewal procedures whereby they only give us an offer to renew the agreements in the month before the expiry of the agreements and sign the new formal agreements with us within one or two months after the expiry of the agreements. Thus the tenancy agreements may not be renewed before or upon expiry but can only be renewed in months after the expiry. Moreover, if the tenancies cannot be renewed and are terminated, our Group will identify suitable locations near the original premises, enter into tenancy agreements on terms similar to the original agreements and at market rates, and relocate the relevant shops or cell sites to the alternative premises. Our Directors believe that we are generally able to relocate our shops or cell sites to other comparable properties without incurring substantial additional costs, and are therefore of the view that none of the properties occupied by our Group is material or crucial to our operations.

As at the Latest Practicable Date, we had tenancies/licences to possess and use 121 properties in Hong Kong for our cell sites. The tenancy agreements/licence agreements for 16 of those leased/licensed properties for cell sites have already expired. The subsidiaries of our Group continue to retain possession of those cell sites in respect of which our Group has continued to pay monthly rent/licence fees which are accepted by the respective relevant landlords/licensors (the "**Arrangements**"). Under Hong Kong law, the respective Arrangements are terminable at will by the respective relevant landlords/licensors of those cell sites, and the respective relevant landlords/licensors would be entitled to terminate the same at any time. We are in the process of negotiating the renewal of the tenancy/licence agreements for 15 out of those 16 leased/licensed properties with the landlords/licensors and expect to enter into new agreements to renew all of them by the end of June 2014.

In respect of the remaining expired agreement, the relevant landlord is not willing to commit to a fixed term tenancy agreement despite our effort to negotiate with him. Accordingly, in order to have more secured tenure on the leased properties, we intend to relocate the relevant cell site by the end of 2014. We consider that there will not be any material difficulties to identify suitable locations near the original premises, and we will enter into tenancy agreement on terms similar to the original agreement and at market rates, and then relocate the cell site to the alternative premises by establishing the new cell site before moving out of the original cell site. The relocation cost for the cell site is expected to be less than HK$20,000. Thus there will not be any material adverse effect on our operations and financial performance. However, our operation may be adversely affected if we cannot relocate to desirable locations in a timely manner when the landlord terminates the tenancy with a short notice. Our Controlling Shareholders have agreed to indemnify us against all claims, demands, cost, expenses, fines, actions and liabilities suffered or incurred by us due to the termination of the tenancies/licences of such cell sites the tenancy/licence agreement for which have already expired. Please refer to the section headed "E. Other information — 1. Estate duty, tax and other indemnities" in Appendix V to this prospectus for further information about the indemnity.

During the Track Record Period, we owned an investment property which is a residential unit in Macau. In March 2014, we disposed of such investment property to an Independent Third Party at a cash consideration of HK$6.0 million.

Pursuant to Rules 8.01A and 8.01B of the GEM Listing Rules, the Directors confirm that as of 31 December 2013, none of the properties owned or leased by us has a carrying amount of 15% or more of our consolidated total assets, we are not required by Chapter 8 of the GEM Listing Rules to value or include in this prospectus any valuation report of our property interests. Accordingly, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all our Group's interests in land or buildings.

LICENCES

The following table sets out the licences of the members of our Group which have material revenue contributions to our Group's overall revenue for the two years ended 31 March 2013 and the nine months ended 31 December 2013:

Type of licence	Licence number	Name of the licencee	Issuing authority	Validity
PRS Licence	081	TD2	OFCA	20 December 2011 – 19 December 2014$^{(Note\ 1)}$
PRS Licence	098	TDD	OFCA	1 July 2008 – 30 June 2018

Type of licence	Licence number	Name of the licensee	Issuing authority	Validity
SBO Licence (ETS Licence, IAS Licence and IVANS Licence)	226	TDD	OFCA	1 June 2013 – 31 May 2014(Note 2); 1 June 2014 – 31 May 2015
SBO Licence (MVNO Licence)	1097	TDM	OFCA	1 November 2013 – 31 October 2014(Note 2, 3)
Government authorisation	010/98	Telecom Macau	DSRT	Unlimited duration unless suspended or revoked
Holding licence	01/91	Telecom Macau	DSRT	Unlimited duration unless suspended or revoked
Type homologation licence	112/11	Telecom Macau	DSRT	22 August 2011 to 22 August 2021
Type homologation licence	015/10	Telecom Macau	DSRT	25 January 2010 to 25 January 2020
Type homologation licence	101/09	Telecom Macau	DSRT	4 May 2009 to 4 May 2019
Type homologation licence	228/07	Telecom Macau	DSRT	3 September 2007 to 3 September 2017
Type homologation licence	076/06	Telecom Macau	DSRT	23 May 2006 to 23 May 2016
Type homologation licence	133/05	Telecom Macau	DSRT	23 June 2005 until 23 June 2015
Station licence	010-98-3	Telecom Macau	DSRT	Valid until 9 April 2014(Note 4, 5)
Station licence	010-98-12	Telecom Macau	DSRT	Valid until 15 May 2018
Station licence	010-98-14	Telecom Macau	DSRT	Valid until 15 May 2018
Station licence	010-98-15	Telecom Macau	DSRT	Valid until 9 November 2018

Type of licence	Licence number	Name of the licencee	Issuing authority	Validity
Station licence	010-98-16	Telecom Macau	DSRT	Valid until 6 March 2018
Station licence	010-98-19	Telecom Macau	DSRT	Valid until 2 July 2014 *(Note 4, 6)*
Station licence	010-98-27	Telecom Macau	DSRT	Valid until 25 October 2015
Station licence	010-98-28	Telecom Macau	DSRT	Valid until 13 March 2017
Station licence	010-98-5	Telecom Macau	DSRT	Valid until 9 April 2014 *(Note 4, 5)*
Station licence	010-98-7	Telecom Macau	DSRT	Valid until 7 April 2015
Station licence	010-98-9	Telecom Macau	DSRT	Valid until 7 April 2015
Station licence	010-98-13	Telecom Macau	DSRT	Valid until 7 April 2015
Station licence	010-98-21	Telecom Macau	DSRT	Valid until 7 April 2015
Station licence	010-98-24	Telecom Macau	DSRT	Valid until 7 April 2015
Station licence	010-98-26	Telecom Macau	DSRT	Valid until 7 April 2015
Station licence	010-98-29	Telecom Macau	DSRT	Valid until 7 April 2015
Station licence	033-94-1	Telecom Macau	DSRT	Valid until 10 September 2014 *(Note 4, 7)*
Station licence	033-94-2	Telecom Macau	DSRT	Valid until 5 March 2015

Notes:

1. Under the OFCA public radio communications services licensing regime, a PRS Licence will be valid for ten years and, subject to the discretion of the OFCA, may be extended for a further period of up to three years. At the end of the extension, the PRS Licence must be re-applied if the licencee wishes to hold the licence. Provided that the grant of a PRS Licence is always subject to the discretion of the OFCA, according to the Company's Hong Kong legal advisers, as long as TD2 does not apply for additional bandwidth and complies with all the relevant requirements for both maintaining and re-applying for the PRS Licence under the applicable laws of Hong Kong, there are no foreseeable legal impediments for TD2 to re-apply its PRS Licence in 2014. The request for re-applying of this PRS Licence will be submitted to the OFCA in June 2014. Procedure for the re-applying is expected to be completed in September or October 2014.

2. Under the OFCA services based operator licensing regime, a SBO Licence will be valid for one year and may, at the discretion of the OFCA, be renewed on an annual basis. Provided that the grant of a SBO Licence is always subject to the discretion of the OFCA, according to the Company's Hong Kong legal advisers, as long as TDD and TDM comply with all the relevant requirements for both maintaining and renewing the SBO Licence under the applicable laws of Hong Kong, there are no foreseeable legal impediments for TDD and TDM to renew their SBO Licences in 2014.

3. The request for the renewal of this SBO Licence will be submitted to the OFCA in September 2014. Procedure for the renewal is expected to be completed in October 2014.

4. According to the laws of Macau, station licences are valid for five years and their renewal must be requested to the DSRT at least 30 days before expiry, through the submission of a standard application form, copies of the licences which are being renewed and proof of payment of the inspection fee. Renewal is preceded by an inspection of the equipments done by the DSRT of which a report is drafted concluding with the recommendation to approve or refuse renewal. According to the Company's Macau legal advisers, under the applicable laws of Macau, as long as the Macau government authorisation is valid, there are no legal impediments for Telecom Macau to renew any of its station licences which expire in 2014.

5. The request for the renewal of this station licence was submitted to the DSRT on 11 March 2014. Mandatory inspection was conducted on 21 May 2014. The renewal is expected to be completed within June 2014.

6. The request for the renewal of this station licence will be submitted to the DSRT by 2 June 2014. Procedure for the renewal should be completed in July 2014.

7. The request for the renewal of this station licence will be submitted to the DSRT by 10 August 2014. Procedure for the renewal should be completed in September 2014.

For laws and regulations governing the licences of the members of our Group, please refer to the section head "Laws and Regulations" in this prospectus.

INTELLECTUAL PROPERTY RIGHTS

Currently, we conduct our business primarily using trade marks of "Telecom Digital" and "Mango".

As at the Latest Practicable Date, our Group has registered seven trademarks in Hong Kong, two trademarks in the PRC and registered ten domain names in Hong Kong. Our Group had also submitted applications for registration of two trademarks in Hong Kong. The applications were still being processed as at the Latest Practicable Date. Information relating to the intellectual property rights of our Company is set out in the section headed "B. Further information about our business — 2. Intellectual property rights" in Appendix V to this prospectus.

During the Track Record Period, there had not been any pending or threatened claims against our Group, nor has any claim been made by our Group against third parties, with respect to the infringement of intellectual property rights owned by our Group or third parties. As at the Latest Practicable Date, our Group was not aware of any infringement (i) by it of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by our Group.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Our Group confirms that during the Track Record Period and as at the Latest Practicable Date, our Group was not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its operation results or financial condition. Further, save as disclosed in the paragraph headed "Non-compliance with the Predecessor Companies Ordinance" in this section, our Group has obtained all licences, permits, approvals and certificates necessary to conduct its business operations and has complied with all applicable laws, rules and regulations in all material respects.

NON-COMPLIANCE WITH THE PREDECESSOR COMPANIES ORDINANCE

During the due diligence process for the purpose of the Listing, it was discovered that we had not fully complied with the statutory requirements in sections (i) 111; and (ii) 122 of the Predecessor Companies Ordinance (corresponding to sections (i) 576, 610 and 612; and (ii) 429, 431 and 610 of the New Companies Ordinance) (the "Non-compliances"). The Non-compliances arose mainly due to the lack of a professional company secretary who gives advice to the Group in the past. Further, the directors of the relevant subsidiaries were not familiar with, and were not made aware of, the specific requirements of the Predecessor Companies Ordinance and New Companies Ordinance. To avoid further non-compliances, we have taken additional measures to improve our corporate governance and internal controls to ensure full compliance with applicable rules and regulations. Please refer to the paragraph headed "Internal control measures to prevent occurrence of non-compliance matters after the Listing" below in this section for further information.

Upon identification of the Non-compliances, our Group has taken certain steps to rectify the same where possible. The Companies Registry has not yet taken any action or levied any penalty against our Company up to the Latest Practicable Date. However, it is possible that the Companies Registry may prosecute our Group and the relevant Directors in the future. Regarding the Non-compliances under sections 111 and 122, we have been advised by Mr. Leung Wai Keung Richard (the "Counsel") that due to the recent legal development of applications to rectify the non-compliances of similar nature, which the Court would dismiss the application if it considered that the non-compliances were very trivial, rectification by court application might not be necessary.

Counsel was engaged to issue a legal opinion on the issue relating to the Non-compliances with the Predecessor Companies Ordinance. The Directors understand and the Counsel advised that if our Group and the Directors are prosecuted for possible offences arising from past section 111 defaults, the amount of fine is likely to be roughly HK$3,000 for each company and for each director in respect of each company; and the chance of imprisonment on the Directors is remote given, amongst other things, that (i) it was the first offence (not prosecuted before) of the relevant subsidiaries and the directors; and (ii) the breaches were not committed wilfully. Accordingly, no provision has been made in our Group's financial information.

According to the Counsel's advice, based on pure mathematical summation, if all of our 6 Hong Kong subsidiaries are prosecuted and convicted, the estimated probable penalty to be imposed on each of (i) the relevant officers of our Hong Kong subsidiaries; and (ii) our 6 Hong Kong subsidiaries, on company level under section 111 of the Predecessor Companies Ordinance, would be a total fine of HK$105,000.

Counsel has also advised that the breaches of sections 111 and 122 of the Predecessor Companies Ordinance are very minor in terms of gravity. In case of prosecution, there is a time bar defence under Section 351A of the Predecessor Companies Ordinance for some of the breaches if the offence in question is committed over three years and more than 12 months after the date on which evidence sufficient in the opinion of the Secretary of Justice to justify the proceedings come to his knowledge in question. Even if there were convictions from the magistrates, the likelihood of the imposition of a maximum sentence would be extremely remote. It would be extremely unlikely that custodial sentences would be imposed on any directors of our Hong Kong subsidiaries, and there are mitigating factors in favour of our Hong Kong subsidiaries and their respective directors which would reduce any fines that may be imposed by the sentencing magistrate.

In addition, the Controlling Shareholders have entered into a Deed of Indemnity with and in favour of our Group to provide indemnities in respect of monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by them in connection with, among others, the Non-compliances occurred on or before the Listing Date. As such, our Directors believe that the Non-compliances will not have a material impact on our Group's operation.

The details of the Non-compliances are set out below.

1. Section 111 of the Predecessor Companies Ordinance

Contrary to section 111 of the Predecessor Companies Ordinance (corresponding to sections 576, 610 and 612 of the New Companies Ordinance), each of TDD, TDC, Carries Technology, TSN, TD2 and Mango, respectively, failed to hold annual general meetings in certain years. Under section 111, the company and every officer who is in default shall be liable to a fine of HK$50,000.

Name of subsidiary	Year(s) of occurrence	Rectification action
TDD	1999–2001, 2003, 2006	We have been advised by the Counsel that based on recent legal development, the Court is likely to dismiss our Group's application to rectify. However, these non-compliances are very minor in terms of gravity; in the event of conviction, the likelihood of the imposition of a maximum sentence would be extremely remote; it would be extremely unlikely that custodial sentences would be imposed on any directors of our respective Hong Kong subsidiaries; and there are mitigating factors in favour of our Hong Kong subsidiaries and their respective directors which would reduce the amount of fines that may be imposed by the sentencing magistrate.
TDC	1990–2001	
Carries Technology	1987–1991, 1994–1996, 2001, 2004	
TSN	1999–2001, 2006	
TD2	2002, 2003	
Mango	2002, 2003	

2. Section 122 of the Predecessor Companies Ordinance

Contrary to section 122 of the Companies Ordinance (corresponding to sections 429, 431, 610 of the New Companies Ordinance), in certain years our Hong Kong subsidiaries failed to lay their audited accounts at their respective annual general meetings and/or failed to lay audited accounts made up to a date falling not more than nine months before the date of the relevant annual general meeting. The maximum penalty in respect of each offence against our respective Hong Kong subsidiaries' directors under section 122 is a fine of HK$300,000 and 12 months' imprisonment.

Name of subsidiary	Relevant financial year(s) ended in	Rectification action
TDD	2000, 2001, 2003, 2006	We have been advised by the Counsel that based on recent legal development, the Court is likely to dismiss our respective Hong Kong subsidiaries' directors' application to rectify. However, these non-compliances are very minor in terms of gravity; in the event of conviction, the likelihood of the imposition of a maximum sentence would be extremely remote; it would be extremely unlikely that custodial sentences would be imposed on any directors of our respective Hong Kong subsidiaries; and there are mitigating factors in favour of our Hong Kong subsidiaries and their respective directors which would reduce the amount of fines that may be imposed by the sentencing magistrate.
TDC	1991–2001	
Carries Technology	1988–1991, 1994–1999, 2001, 2004	
TSN	2000, 2001, 2006	
TD2	2003, 2004	
Mango	2003, 2004	

INTERNAL CONTROL MEASURES TO PREVENT OCCURRENCE OF NON-COMPLIANCE MATTERS AFTER THE LISTING

In order to improve our corporate governance and to prevent recurrence of any non-compliance in the future, our Group has adopted the following measures:

(1) we have appointed Guotai Junan Capital as our compliance advisor upon Listing to advise our Group on compliance matters in accordance with Rule 6A.19 of the GEM Listing Rules;

(2) our Directors and other members of the senior management of our Group attended trainings conducted by our Company's Hong Kong legal advisers on 5 March 2014 on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the New Companies Ordinance, the Securities and Futures Ordinance and the GEM Listing Rules;

(3) we have designated Mr. Cheung King Fung Sunny as our compliance officer to assist our Board to identify, assess and manage the risks associated with our operation from time to time to ensure due compliance of laws, rules and regulations applicable to our Group;

(4) an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules have been established since 20 May 2014 to review the internal control systems and procedures for compliance with the requirements of the GEM Listing Rules and the New Companies Ordinance;

(5) our company secretary and compliance officer will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinator to oversee the internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our company secretary and the compliance officer will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of our Group and/or our Board;

(6) we will provide our Directors, senior management and employees involved with training, development programmes and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time on a regular basis; and

(7) we will appoint Hong Kong legal advisers externally to advise us on compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

DIRECTORS' AND THE SOLE SPONSOR'S VIEWS ON INTERNAL CONTROL MEASURES

Having considered the enhanced internal control measures as set out above, our Directors are of the view, and the Sole Sponsor concurs that the various internal control measures adopted by our Group are adequate and effective. Taking into account (i) the aforesaid non-compliances mainly involved failing to convene annual general meetings and/or failing to lay audited accounts at annual general meetings due to the lack of a professional company secretary to give advice to the Group about the Predecessor Companies Ordinance in the past; (ii) the aforesaid non-compliances did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; and (iii) our Directors have taken appropriate steps and measures, including engaging external professionals and attending trainings, to ensure compliance with the requirements of the GEM Listing Rules and other applicable rules and regulations, our Directors are of the view, and the Sole Sponsor concurs, that these Non-compliances do not reflect a material defect in the integrity or experience of the Directors. Our Directors are therefore of the view, and the Sole Sponsor concurs, that our Directors are suitable to act as the Company's directors. Furthermore, given the Counsel's opinion disclosed in the paragraph headed "Non-compliance with the Predecessor Companies Ordinance " in this section and the Deed of Indemnity given in favour of us by the Controlling Shareholders, our Directors are of the view, and the Sole Sponsor concurs, that non-compliances identified do not affect our suitability for listing.

A. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following transactions, each of which will, upon Listing, constitute a non-exempt continuing connected transaction for our Company subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules (the "**Non-exempt Continuing Connected Transactions**"):

1. Purchase of goods by TDD from Radiotex

During the Track Record Period, TDD has been purchasing from Radiotex goods including pagers, Mango Devices and related parts. On 22 May 2014, Radiotex and TDD entered into a master agreement (the "**Master Agreement with Radiotex**") setting out the governing terms and conditions in relation to such purchase of goods from the Listing Date to 31 March 2017, pursuant to which separate agreements and/or purchase orders in terms not contrary to the Master Agreement with Radiotex would be entered into between Radiotex and TDD from time to time. The price of such goods would be determined at cost plus certain percentage of the value of the orders, with reference to the current market rate of similar goods. The terms offered by Radiotex to TDD under the Master Agreement with Radiotex are no less favourable than those offered to other Independent Third Parties for similar goods in the ordinary course of business.

Radiotex is a wholly-owned subsidiary of Sun Asia, which is ultimately owned by the Cheung Brothers (our Controlling Shareholders and our Directors). Therefore Radiotex is an associate of the Cheung Brothers and a connected person of our Company as defined under the GEM Listing Rules.

The aggregate amount of goods from Radiotex for each of the three years ended 31 March 2014 were approximately HK$37,979,000, HK$12,833,000 and HK$11,398,000 respectively. The significant decrease in such historical transaction amount was primarily due to the decreasing trend of paging and Mobitex based services, which resulted in less demand for pagers and Mango Devices respectively. Moreover, starting from mid-2013, we have rented, instead of selling, pagers and Mango Devices to our customers and such pagers and Mango Devices would be returned to us upon termination of the subscription. After the customers returned the devices to us, we would refurbish such devices and make them ready for use by other customers. Accordingly, we expect that our purchases of goods from Radiotex in the coming three years would ultimately reduce drastically, and comprise only parts of pagers and/or Mango Devices. Also, we have been informed by Radiotex that it is expected to close its manufacturing factory in the first quarter of 2015, following which we will no longer be able to purchase finished goods from Radiotex. However, following such closure, Radiotex is going to keep its remaining stocks of parts of pagers and Mango Devices for our future purchase. In the event that certain parts are no longer available from Radiotex after such stocks ran out, we intend to source these from other similar suppliers in the market, and we do not expect the terms of purchase will be significantly different from those with Radiotex.

With reference to:

(i) the historical purchase amount of parts of pagers and Mango Devices as mentioned above;

(ii) the expected significant drop in future demand for pagers, Mango Devices and related parts, taking into account the change in our operation model from selling to renting pagers and Mango Devices to our customers since mid-2013;

(iii) the estimated production and sale of the large final batch of pagers and Mango Devices by Radiotex to TDD for our business operation due to the expected closure of the manufacturing factory owned by Radiotex in the first quarter of 2015; and

(iv) the expected purchase by TDD comprising only parts of pagers or Mango Devices for the two years ending 31 March 2017 under the circumstances that we will no longer be able to purchase finished goods from Radiotex after the closure of its manufacturing factory,

it is expected that the aggregate amount of goods to be purchased by TDD will slightly rebound and not exceed HK$11,680,000 for the year ending 31 March 2015, and will subsequently decrease significantly to and not exceed HK$3,000,000 and HK$3,000,000 (comprising only parts without any finished goods) for the year ending 31 March 2016 and for the year ending 31 March 2017 respectively.

For the compliance with the GEM Listing Rules, the above estimated aggregate amounts of goods are treated as the annual caps of this transaction. Our Directors (including our independent non-executive Directors) are of the view that the entering into of the Master Agreement with Radiotex is in the ordinary and usual course of business of our Group, the Master Agreement with Radiotex including the annual cap is on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Given that each of the applicable percentage ratios (other than the profit ratio) for the transaction contemplated under the Master Agreement with Radiotex calculated by reference to Rule 19.07 of the GEM Listing Rules is on an annual basis less than 5% but the annual consideration is more than HK$1,000,000, this transaction is subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

2. Leasing of properties by certain subsidiaries of East Asia to our Group

Our Group has been leasing certain properties in Hong Kong and Macau from certain wholly-owned subsidiaries of East Asia for the use by our Group as shops, cell sites, office premises and warehouses during the Track Record Period. It is expected that our Group will continue to do so after the Listing.

East Asia is a direct wholly-owned subsidiary of Amazing Gain (our Controlling Shareholder). Each of the following wholly-owned subsidiaries of East Asia, namely, (a) Glossy Enterprises Limited, (b) Glossy Investment Limited, (c) Oceanic Rich Limited, (d) Silicon Creation Limited, (e) Telecom Digital Holdings Limited (incorporated in Hong Kong), (f) Telecom Service Limited and (g) H.K. Magnetronic Company Limited, being a party to the respective existing tenancy agreements, is an associate of Amazing Gain and a connected person of our Company as defined under the GEM Listing Rules. On 22 May 2014, East Asia and our Company entered into a master agreement (the "**Master Agreement with East Asia**") setting out the basic terms and conditions of leasing of properties in Hong Kong and Macau from the Listing Date to 31 March 2017, pursuant to which separate tenancy agreements in terms not contrary to the Master Agreement with East Asia would be entered into between subsidiaries of East Asia (the "**East Asia Group**") and our Group from time to time.

East Asia and the aforesaid subsidiaries of East Asia are principally engaged in property holding.

Set out below are the existing tenancy agreements between our Group and the East Asia Group that are expected to continue after the Listing.

	Address	**Usage**	**Term under existing tenancy agreement**	**Monthly rent**
				HK$
1	Roof of 17/F, Cheron Court, Hunghom, Kowloon	Cell site	1 April 2013– 31 March 2016*(Note)*	3,175
2	Shop G5, G/F., Commercial Podium Sincere House, 83 Argyle Street, Kowloon	Shop	1 April 2014– 31 March 2017	120,000
3	Room 1–2, 36/F, Tower 2, Metroplaza, Kwai Fong, New Territories	Office	1 April 2014– 31 March 2017	114,000
4	Unit C, 10/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 May 2014– 31 March 2016*(Note)*	38,725

	Address	Usage	Term under existing tenancy agreement	Monthly rent *HK$*
5	Unit 1808, 18/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories	Office	1 April 2013– 31 March 2016 *(Note)*	30,400
6	Unit D, 10/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 May 2014– 31 March 2016 *(Note)*	44,400
7	Unit B, 23/F, Kyoto Plaza, Nos. 491–499, Lockhart Road, Wanchai, Hong Kong	Shop	1 June 2014– 31 March 2016 *(Note)*	34,925
8	Shop A4, G/F, Kam Wah Mansion, No. 226–242 Cheung Sha Wan Road, Kowloon	Shop	1 April 2013– 31 March 2016 *(Note)*	60,000
9	Portion of Shop 4, G/F., 93 Lion Rock Road, Kowloon City, Kowloon	Shop	1 April 2014– 31 March 2017	40,000
10	19/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon	Office	1 May 2014– 31 March 2016 *(Note)*	313,200
11	Room & Portion of Roof top of Flat G, 5/F, Silver Centre Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories	Cell site	1 April 2013– 31 March 2016 *(Note)*	4,800

	Address	Usage	Term under existing tenancy agreement	Monthly rent
				HK$
12	Flat C and Roof, 23/F, Tung Po Building, 485 King's Road, North Point, Hong Kong	Cell site	1 April 2013– 31 March 2016*(Note)*	6,000
13	Office No. 1, 29/F, Portion of R/F, Ho King Commercial Centre, No. 2–16 Fa Yuen Street, Mongkok, Kowloon	Cell site	1 April 2013– 31 March 2016*(Note)*	3,500
14	Radio Station & Antenna on Portion of the Roof of 4 Wing Lee Street, Peng Chau, New Territories	Cell site	1 April 2013– 31 March 2016*(Note)*	6,000
15	Portion of R/T of Flat G, 5/F, Silver Center Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories	Cell site	1 April 2013– 31 March 2016*(Note)*	7,200
16	Unit A025, 1/F., Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, New Territories	Shop	1 April 2013– 31 March 2016*(Note)*	60,000
17	Shop C28 & C29, 1/F, Kingswood Richly Plaza, 1 Tin Wu Road, New Territories	Shop	1 April 2014– 31 March 2017	59,000

	Address	Usage	Term under existing tenancy agreement	Monthly rent
				HK$
18	Roof Level of Flat E on 22/F of Block 5, Hong Kong Garden (Phase 1), 101 Castle Peak Road, Tsing Lung Tau, New Territories	Cell site	1 April 2013– 31 March 2016*(Note)*	1,750
19	Roof Level of Unit 3407, New Trend Centre, 704 Prince Edward Road East, San Po Kong, Kowloon	Cell site	1 April 2013– 31 March 2016*(Note)*	7,584
20	Shop 6, Wing Light Building, 68–76 Castle Peak Road, Yuen Long, New Territories	Shop	1 April 2013– 31 March 2016*(Note)*	60,000
21	Rua de Pequim, n°s 170–174, Edifício Centro Comercial Kong Fat, 16° andar E, Macau	Office	1 April 2014– 31 March 2017	11,480

Note: Pursuant to the Master Agreement with East Asia, the parties under the existing tenancy agreement will enter into a new separate tenancy agreement for a term of one year from 1 April 2016 to 31 March 2017.

The aggregate rents paid by our Group to the East Asia Group for each of the three years ended 31 March 2014 were approximately HK$11,045,000, HK$10,591,000 and HK$9,865,000 respectively. The decrease in such aggregate amount was due to the termination of various leases. The Property Valuer confirmed that the rents paid by our Group to the East Asia Group reflected the then prevailing market rates, and the rents payable under the above existing tenancy agreements reflect the prevailing market rates. Our Directors hence considered and the Sole Sponsor concurred that the rents paid by our Group to the East Asia Group was determined after arm's length negotiation between our Group and the East Asia Group, and were at rate not less favourable than the then market rates.

It is expected that the aggregate rents to be paid by our Group to the East Asia Group for each of the three years ending 31 March 2017 will not exceed HK$11,878,000, HK$12,338,000 and HK$13,168,000 respectively. For the purpose of compliance with the GEM Listing Rules, the above aggregate annual rents are treated as the annual caps of this transaction. The increase in the annual caps is set on the basis of:

(i) the historical amount of rents paid by our Group as mentioned above;

(ii) the rents payable by our Group under the existing tenancy agreements (which reflect the prevailing market rates);

(iii) our Group's expectation that there will be approximately 10% growth rates in rents to be paid by us upon renewal of the existing individual tenancy agreements. Our estimated growth rates for the rents have taken into account the location of, and the potential market demand for, those properties leased/to be leased to our Group, which we believe are fair and reasonable in justifying such growth rates;

(iv) the new lease of the properties located at 1 Sheung Yuet Road as mentioned above to our Group commencing from 1 May 2014, which also contributes to the increase in the annual caps for this transaction; and

(v) our Directors' expectation that the above existing individual tenancy agreements which will expire prior to 31 March 2017 will be renewed for the purpose of setting the annual caps.

As each of the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under the Master Agreement with East Asia calculated by reference to Rule 19.07 of the GEM Listing Rules is on an annual basis less than 5% but the annual consideration is more than HK$1,000,000, this transaction is subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

3. Transactions with TD Securities

TD Securities is a wholly-owned subsidiary of Sun Asia, which is ultimately owned by the Cheung Brothers (our Controlling Shareholders and our Directors). Therefore, TD Securities is an associate of the Cheung Brothers and a connected person of our Company as defined under the GEM Listing Rules.

TD Securities is a brokerage firm licensed by the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO and admitted as participating member of The Hong Kong Stock Exchanges and Clearing Limited to provide financial information and stock trading service.

We expect that the following transactions conducted between our Group and TD Securities during the Track Record Period will continue after the Listing. On 22 May 2014, TD Securities and our Company entered into a master agreement (the "**Master Agreement with TD Securities**") setting out the basic terms and conditions in relation to the following transactions from the Listing Date to 31 March 2017.

a. ***Sub-leasing/sub-licensing of properties by our Group to TD Securities***

Our Group has been sub-leasing/sub-licensing certain properties in Hong Kong to TD Securities. It is expected that such transactions will continue after the Listing. Set out below are the existing sub-lease/sub-licence agreements that are expected to continue after the Listing:

	Address of the properties	Term under existing sub-lease/ sub-licence agreement
1	Portion of Shop No. 282, 2nd Floor, Shun Tak Centre,168–200 Connaught Road Central, Hong Kong	1 July 2012– 30 June 2014*(Note)*
2	Portion of Unit 903A, Level 9, Landmark North, 39 Lung Sum Avenue, Sheung Shui, New Territories	27 July 2012– 26 July 2015*(Note)*

Note: Pursuant to the Master Agreement with TD Securities, the parties under the existing sub-lease/sub-licence agreement will enter into a new separate sub-lease/sub-licence agreement for a term from the date of expiry to 31 March 2017.

The Property Valuer confirmed that the rents paid by our Group to TD Securities reflected the then prevailing market rates, and the rents payable under the above existing sub-lease/sub-licence agreements reflect the prevailing market rates. Our Directors hence considered and the Sole Sponsor concurred that the rents received by our Group from TD Securities was determined after arm's length negotiation between our Group and TD Securities, and were at a rate not less favourable than the then market rates.

b. ***Provision of various services by our Group to TD Securities***

We have been providing, and we expect to continue to provide, various services to TD Securities. The scope of services includes:

i. *Advertising services*

We arrange promotional services for TD Securities. In consideration for such services, we receive a fee from TD Securities on an actual reimbursement basis.

ii. *Promotional services*

We arrange promotional services for TD Securities. In consideration for such services, we receive a monthly service fee on an actual reimbursement basis.

iii. *Consultancy services (including management information system and information technology support)*

We provide management information system and information technology support to TD Securities. In consideration for such services, we receive a fixed monthly service fee determined with reference to the cost of the relevant personnel.

iv. *Paging services and Mobitex based services*

We provide paging services and Mobitex based services to TD Securities. In consideration for such services, we receive subscription fees charged on a per-user basis with reference to the current market rate of similar service.

v. *Software application development services*

We assist TD Securities to develop software application and provide related information technology support. In consideration for such services, we receive a fixed monthly service fee determined with reference to the cost of the relevant personnel.

Historical amount

Set out below are the historical amounts of rental income and service income received by our Group from TD Securities:

	Rental income *HK$*	**Service income** *HK$*	**Total income received from TD Securities** *HK$*
Year ended 31 March 2012	747,000	1,697,000	2,444,000
Year ended 31 March 2013	680,000	1,517,000	2,197,000
Year ended 31 March 2014	564,000	1,614,000	2,178,000

It is noted that the decrease in the aggregate rents was due to the termination of various sub-leases/sub-licences.

Annual cap

The annual caps for the aggregate income receivable by our Group from TD Securities are set out below:

	Rental income *HK$*	**Service income** *HK$*	**Annual cap of aggregate income receivable from TD Securities** *HK$*
Year ending 31 March 2015	230,000	2,000,000	2,230,000
Year ending 31 March 2016	220,000	2,170,000	2,390,000
Year ending 31 March 2017	220,000	2,340,000	2,560,000

The increase in the annual caps of aggregate income comprises of the respective increase in the annual caps for rental income and service income.

With regard to the annual caps for rents, we have taken into consideration that the number of properties sub-leased/sub-licensed by our Group to TD Securities decreases, resulting in a decrease in the annual caps for each of the three years ending 31 March

2017 when compared with the historical amounts as stated above. In determining the slight increase in the annual caps for rents for each of the three years ending 31 March 2017, we have considered:

(i) the historical amount of rents paid by TD Securities as mentioned above;

(ii) the rents payable by our Group under the existing sub-lease/sub-licence agreements (which reflect the prevailing market rates);

(iii) our Group's expectation that there will be approximately 10% growth rates in rents to be paid by TD Securities upon renewal of the existing individual sub-lease/sub-licence agreements. Our estimated growth rates for the rents have taken into account the location of, and the potential market demand for, those properties under the sub-leases/sub-licences, which we believe are fair and reasonable in justifying such growth rates; and

(iv) our Directors' expectation that the above existing individual sub-lease/sub-licence agreements which will expire prior to 31 March 2017 will be renewed for the purpose of setting the annual caps.

With regard to the annual caps for various services provided by our Group to TD Securities, whereas the service fees for consultancy and software application development remain constant for each of the three years ending 31 March 2017 when compared with their corresponding historical amounts, it is expected that there will be an increase in the following service fees, resulting in an increase in the annual caps for all the services provided by our Group to TD Securities and hence the overall service income of our Group:

(i) an increase in the advertising fees due to the additional advertising services required by TD Securities;

(ii) an increase in the promotion service fees due to inflation at a rate of 5% per annum, which we consider fair and reasonable; and

(iii) an increase in the subscription fees for our paging services and Mobitex based services, on the basis that there will be an estimated steady increase in the number of users (i.e. clients of TD Securities) subscribing for such services.

According to the Master Agreement with TD Securities, separate agreements in terms not contrary to it would be entered into between TD Securities and our Group from time to time.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Master Agreement with TD Securities is in the ordinary and usual course of business of our Group, the Master Agreement with TD Securities including the annual caps is on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

4. Transactions with TSO

TSO is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. We expect that certain transactions between our Group and TSO will continue after the Listing. In connection with the listing of the shares of TSO Holdings on GEM, on 13 May 2013, TSO entered into, among other things, (i) an agreement with TDD in relation to the provision of repair and refurbishment services by TSO; (ii) a consignment agreement in relation to the TSO Accessories (as defined below); and (iii) an agreement in relation to the provision of logistic services by TSN, for a term from 30 May 2013 to 31 March 2015.

In connection with the Listing of our Company, on 22 May 2014, we entered into a master agreement with TSO (the "**Master Agreement with TSO**") setting out the governing terms and conditions in relation to the following services provided by TSO and our Group to each other for an extended term up to 31 March 2017.

a. Provision of repair and refurbishment services by TSO to our Group

TSO has been providing repair and refurbishment services for pagers and Mango Devices to our Group.

The service fee charged by TSO is on a "per device" basis. The service fees are determined by TSO and TDD with reference to the current market rate (in terms of, among others, profit margin) of similar services. The terms offered to TSO under the existing agreement are no less favourable than those offered to other Independent Third Parties in the ordinary course of business. The service fees are subject to annual review and adjustment by TSO with reference to the then market rate. In the event that the service fees chargeable by TSO to TDD are less favourable than those chargeable by TSO to Independent Third Parties for similar services, TSO shall have the option to review and adjust the service fees under the existing agreement.

Historical amount

Set out below are the historical amount of repair and refurbishment service fees paid by our Group to TSO:

	HK$
Year ended 31 March 2012	9,639,000
Year ended 31 March 2013	10,040,000
Year ended 31 March 2014	9,980,000

It is noted that the service fees paid by our Group have remained substantially the same due to the steady number of approximately 73,000 units of pagers and Mango Devices supplied by our Group to TSO for repair and refurbishment and the unit fee charged by TSO at HK$125 per device plus the cost of parts of pagers and Mango Devices reimbursed by TSO.

Annual cap

The annual caps for the aggregate repair and refurbishment service fees payable by our Group to TSO are set out below:

	HK$
Year ending 31 March 2015	10,000,000
Year ending 31 March 2016	10,000,000
Year ending 31 March 2017	10,000,000

In determining the annual caps, we have considered:

(i) the historical amount of service fees paid by us to TSO, taking into account the unit fee per device to be charged by TSO for each of the three years ending 31 March 2017 plus the parts cost to be reimbursed by TSO are expected to be similar to the corresponding unit fee of HK$125 per device charged plus the corresponding parts cost reimbursed for each of the three years ended 31 March 2014 respectively;

(ii) the projected demand for the repair and refurbishment services, taking into account the estimated annual volume of 73,000 units of pagers and Mango Devices to be supplied by our Group to TSO for repair and refurbishment, which is projected based on the defective rate of the devices for each of the three years ended 31 March 2014 respectively; and

(iii) the market rate of similar services provided by Independent Third Parties, with reference to the service fees charged by TSO against other mobile phone manufacturers who have appointed TSO to provide repair and refurbishment services for mobile phones.

b. ***Provision of various services by our Group to TSO***

We have been providing and we expect to continue to provide various services to TSO. The scope of services includes:

(i) *Consignment of accessories for mobile phones and personal electronic products of TSO*

TSO has been selling accessories for mobile phones and personal electronic products of certain brands (the "**TSO Accessories**") at its service centres.

TDM, being a wholly-owned subsidiary of our Company, is principally engaged in the provision of operation services to NWM. Prior to May 2013, we also sold an immaterial amount of mobile phones accessories in our retail shops. In connection with the listing of TSO Holdings and in order to avoid potential competition between TSO and our Group, in May 2013, the Cheung Brothers entered into a deed of non-competition with TSO Holdings pursuant to which TDM has ceased to engage in the sale of TSO Accessories. Since December 2012, TDM has allowed TSO to sell the TSO Accessories at our retail shops on a consignment basis in consideration of a consignment fee. The consignment fee, which is based on a fixed percentage of the sales of consigned goods, shall be paid to TDM for the consignment arrangement. Such consignment fee has been determined by TSO and TDM with reference to the current market rate of similar consignment arrangements. The terms offered to TSO under the agreement are no less favourable than those offered to other Independent Third Parties in the ordinary course of business.

On 13 December 2013, TDM ceased to be involved in the consignment sales of TSO Accessories, and TDS (being also a subsidiary of our Group) has been responsible for such consignment arrangement and accordingly, TSO entered into a consignment agreement with TDS on terms materially the same as with TDM previously.

(ii) *Provision of logistic services to TSO*

TSN, being a wholly-owned subsidiary of our Company, has been providing logistic services for delivery of goods (for example, defective devices for repair and refurbishment) between the office, service centres and collection points of TSO. The fees charged by TSN are on a "per delivery" basis. The fees for the services are determined by TSO and TSN with reference to the current market rate of similar services. The terms offered to TSO under the agreement are no less favourable than those offered to other Independent Third Parties in the ordinary course of business.

Historical amount

Set out below are the historical amounts of logistic service fee and consignment fee received by our Group from TSO:

	Logistic service fee	Consignment fee	Total service fees received from TSO
	HK$	*HK$*	*HK$*
Year ended 31 March 2012	417,000	—	417,000
Year ended 31 March 2013	783,000	590,000	1,373,000
Year ended 31 March 2014	725,000	1,543,000	2,268,000

The significant increase in such historical transaction amounts was primarily due to the increasing sale of TSO Accessories at our retail shops and the increasing number of delivery orders requested by TSO, which resulted in more demand for consignment arrangements and logistic services for delivery of goods between various locations of TSO respectively.

Annual cap

The annual caps for the aggregate of logistic service fee and consignment fee receivable by our Group from TSO are set out below:

	Logistic service fee	Consignment fee	Total service fees receivable from TSO
	HK$	*HK$*	*HK$*
Year ending 31 March 2015	850,000	3,800,000	4,650,000
Year ending 31 March 2016	900,000	4,000,000	4,900,000
Year ending 31 March 2017	950,000	4,200,000	5,150,000

The increase in the annual caps for consignment fee is determined with reference to:

(i) the historical amount of consignment fee paid by TSO to us, taking into account the rate of 30% of the sale of the consigned TSO Accessories set by our Group as the consignment fee. It is expected that the consignment fee to be received by us shall be similar to the above corresponding rate;

(ii) the expected increase in demand for TSO Accessories. TSO installed a digital printing system for mobile phone cases in late 2013. Such digital printing system can print photos chosen by customers on telephone cases. The Directors expect that this new service would increase the consignment sale of mobile phone cases of TSO, and therefore expect an increase in consignment fee receivable by our Group in the coming years as compared to the historical figure in the year ended 31 March 2014. As compared to the historical consignment fee of HK$1,543,000 for the year ended 31 March 2014, the annual cap of consignment fee for the year ending 31 March 2015 of HK$3,800,000 increased by about HK$2.3 million. Since no such phone cases were sold in previous years, we expected that the phone cases would create an additional customer demand. For the purpose of estimating this annual cap, we assume that 60,000 phone cases may be sold in the year ending 31 March 2015 (representing about 100 phone cases would be sold each month in each of our 51 shops). The retail price of the phone case is about HK$148 each. As the consignment fee is calculated based on 30% of the sale of the consigned TSO Accessories, it is expected that the phone cases would result in an increase of consignment fee of over HK$2.0 million. As stated in the announcement of TSO (stock code: 8145) dated 13 December 2013, the board of TSO also expected that, among other things, the amount of consignment fee payable by TSO to our Group in the year ending 31 March 2015 would be HK$3,800,000; and

(iii) the projected demand for consignment arrangements at our retail shops in view of the expected business growth in the sale of the TSO Accessories. We expect that there will be an increase in the consignment fee by HK$200,000 per annum in each of the three years ending 31 March 2017.

In respect of logistic service fee, the increase in the annual caps is determined with reference to:

(i) the historical amount of logistic service fee paid by TSO to us, taking into account the rate of HK$21,600 per month for normal delivery of products of a mobile phone brand, HK$20 or HK$120 per normal delivery of goods, and HK$260 plus expenses of tunnel(s) and carpark(s) (where applicable) per special delivery of goods. It is expected that the logistic service fee to be received by us shall be similar to the above corresponding rate; and

(ii) the projected demand for logistic services for delivery of goods between various service centres and collection points of TSO in view of the expected overall business growth of TSO. We expect that there will be an increase in the logistic service fee by HK$50,000 per annum in each of the three years ending 31 March 2017.

According to the Master Agreement with TSO, separate service agreements in terms not contrary to the Master Agreement with TSO would be entered into between TSO and our Group from time to time. As at the Latest Practicable Date, in view that the terms of agreements entered during the listing of TSO Holdings have not yet expired, there was no new individual service agreement entered into between TSO and our Group.

TSO is controlled by East Asia, a direct wholly-owned subsidiary of Amazing Gain (our Controlling Shareholder). TSO is therefore an associate of Amazing Gain and a connected person of our Company as defined under the GEM Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Master Agreement with TSO is in the ordinary and usual course of business of our Group, the Master Agreement with TSO including the annual caps is on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

B. APPLICATION FOR WAIVER FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Having reviewed the relevant documentation, underlying agreements and historical figures, and having considered the pricing basis and annual caps, our Directors (including the independent non-executive Directors) are of the view that:

(a) the Non-exempt Continuing Connected Transactions have been/will be entered into on an arm's length basis and in the ordinary and usual course of business of our Group;

(b) the terms of the Non-exempt Continuing Connected Transactions for each of the three years ending 31 March 2017 are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders taken as a whole; and

(c) the annual caps of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Based on its review of the relevant documentation and historical figures provided by our Company, the Sole Sponsor is of the view that (i) the Non-exempt Continuing Connected Transactions have been/will be entered into on an arm's length basis and in the ordinary and usual course of business of our Group, and (ii) the terms of the Non-exempt Continuing Connected Transactions for each of the three years ending 31 March 2017 are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders taken as a whole; and (iii) the proposed annual caps of such continuing connected transactions mentioned above are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 20 of the GEM Listing Rules for the Non-exempt Continuing Connected Transactions. Our Company shall comply with the annual review and reporting requirements for the Non-exempt Continuing Connected Transactions under Chapter 20 of the GEM Listing Rules.

BOARD OF DIRECTORS

The Board consists of nine Directors, of whom four are executive Directors, two are non-executive Directors and the remaining three are independent non-executive Directors. The executive Directors are appointed for a term not exceeding three years, and the independent non-executive Directors are appointed for an initial period of three years. One-third of the Directors will be subject to re-election at each annual general meeting and every Director must be subject to re-election at an annual general meeting at least once every three years. Our executive Directors are responsible for the day-to-day management of our business.

Members of Our Board

Name	Age	Position	Date of appointment	Year of joining our Group	Roles and responsibilities	Relationship with other Director(s)
Directors						
Mr. Cheung King Shek	62	Chairman and executive Director	29 November 2002	1981	overall strategic planning and corporate policies as well as overseeing the operations of our Group	Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny are brothers
Mr. Cheung King Fung Sunny	46	Executive Director	29 November 2002	1990	overseeing financial management of our Group	Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny are brothers
Ms. Mok Ngan Chu	58	Executive Director	21 March 2014	1977	customer service and business operation	N/A
Mr. Wong Wai Man	48	Executive Director	21 March 2014	1991	overall control of the MIS department	N/A
Mr. Cheung King Shan	55	Non-executive Director	29 November 2002	1985	advising on sales and marketing and apps writing in relation to our information broadcasting services	Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny are brothers
Mr. Cheung King Chuen Bobby	55	Non-executive Director	29 November 2002	1985	advising on administration, human resources and special and ad hoc projects	Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny are brothers
Mr. Hui Ying Bun	67	Independent non-executive Director	20 May 2014	2014	providing independent advice to the Board	N/A
Mr. Ho Nai Man Paul	59	Independent non-executive Director	20 May 2014	2014	providing independent advice to the Board	N/A
Mr. Lam Yu Lung	49	Independent non-executive Director	20 May 2014	2014	providing independent advice to the Board	N/A

Executive Directors

Mr. Cheung King Shek (張敬石), aged 62, was appointed as a Director on 29 November 2002 and was appointed as the Chairman and redesignated as an executive Director in March 2014. He joined our Group in 1981. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group. Mr. Cheung brings to our Group more than 30 years of experience in the telecommunications industry and has achieved a solid track record of achievements. Under his leadership and stewardship, we have grown to be a versatile service provider in the telecommunications industry. Mr. Cheung graduated with a bachelor's degree in commerce from the University of New South Wales in April 1976 and a master degree in business administration from the University of Melbourne in Australia in August 1981. Mr. Cheung is the chairman of Hong Kong Radio Paging Association, and a honorary citizen of Swatow City. He is the elder brother of Mr. Cheung King Fung Sunny, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby. Mr. Cheung was a director of Telly Technology Limited and Megaview Limited when these two Hong Kong incorporated companies were considered as defunct companies and struck off the register of companies by the Companies Registry and dissolved in March and July 2002 respectively under section 291 of the Predecessor Companies Ordinance. Since August 2012, Mr. Cheung has been the chairman and a non-executive director of TSO Holdings (stock code: 8145), a company listed on GEM.

Mr. Cheung King Fung Sunny (張敬峯), aged 46, was appointed as a Director on 29 November 2002 and was redesignated as an executive Director in March 2014. Mr. Cheung is primarily responsible for overseeing the financial management of our Group. Mr. Cheung joined our Group in 1990. Mr. Cheung graduated from the University of Western Ontario in Canada with a bachelor's degree in administrative and commercial studies in October 1990. He is a committee member of the Chinese People Political Consultative Conference of Guangzhou City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby. Since August 2012, Mr. Cheung has been an executive director of TSO Holdings (stock code: 8145), a company listed on GEM.

Ms. Mok Ngan Chu (莫銀珠), aged 58, was appointed as an executive Director in March 2014 and is responsible for customer services and business operation. Ms. Mok joined our Group in July 1977. For the 36 years' service for our Group, Ms. Mok has rich experience in customer services and business operation, especially in handling the customers' enquiries and complaints, retaining the clients, setting up workflow for the staff and daily operational policies. Ms. Mok completed her secondary education in Hong Kong.

Mr. Wong Wai Man (黃偉民), aged 48, was appointed as an executive Director in March 2014 and is responsible for overall control of the management information system department. Mr. Wong joined our Group for 23 years since March 1991. He is currently holding the position of the senior MIS manager of our Group, before which he was a MIS manager from June 1998 to August 2001. Mr. Wong took the role as an assistant MIS manager from June 1995 to May 1998. Before being promoted to be the assistant MIS manager, Mr. Wong was a system administrator during July 1994 to May 1995. He worked for our Group as a project assistant for the period from March 1991 to

July 1994. Mr. Wong was appointed as a member of the Telecommunications Regulatory Affairs Advisory Committee to represent the Radio Paging Operators as a group for a two-year term starting from June 2012 to June 2014 and was a member of the Radio Spectrum Advisory Committee for the period from 2010 to 2012. Further, he was admitted as a full member of the Hong Kong Computer Society on May 2012. Mr. Wong received his bachelor's degree of social sciences from the University of Hong Kong in December 1990 and obtained a postgraduate diploma in strategic business information technology from the NCC Education in October 2008.

Non-executive Directors

Mr. Cheung King Shan (張敬山), aged 55, was appointed as a Director on 29 November 2002 and was redesignated as a non-executive Director in March 2014 in order to reflect his current role and duties in our Company. Mr. Cheung is responsible for advising on sales and marketing and apps writing in relation to our information broadcasting services. Mr. Cheung joined our Group in 1985 and was responsible for the overall planning and formulation of the marketing and sales strategies in line with our sales and corporate targets, and played a major role in the growth of the sales volume and customer base before being redesignated as a non-executive Director. Mr. Cheung graduated from the Carleton University in Ottawa, Canada with a bachelor's degree in art in November 1983. He is a committee member of the Chinese People Political Consultative Conference of Dongguan City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, and the elder brother of Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny. Since August 2012, Mr. Cheung has been a non-executive director of TSO Holdings (stock code: 8145), a company listed on GEM.

Mr. Cheung King Chuen Bobby (張敬川), aged 55, was appointed as a Director on 29 November 2002 and was redesignated as a non-executive Director in March 2014 in order to reflect his current role and duties in our Company. Mr. Cheung is responsible for advising on administration, human resources and special and ad hoc projects. Mr. Cheung joined our Group in 1985 and was responsible for the formulation and implementation of its administrative policies as well as overseeing its administrative operation in human resources, legal and administration, property management and PRC projects before being redesignated as a non-executive Director. Mr. Cheung obtained a bachelor degree in art in urban planning studies and a postgraduate diploma in urban planning implementation from the University of Westminster in London in 1983 and 1984 respectively. Mr. Cheung is a committee member of the Chinese People Political Consultative Conference of Swatow City, and a honorary citizen of Swatow City. Mr. Cheung is the younger brother of Mr. Cheung King Shek and Mr. Cheung King Shan, and the elder brother of Mr. Cheung King Fung Sunny. Since August 2012, Mr. Cheung has been a non-executive director of TSO Holdings (stock code: 8145), a company listed on GEM.

Independent non-executive Directors

Mr. Hui Ying Bun (許應斌), aged 67, was appointed as an independent non-executive Director in 20 May 2014. Mr. Hui is the chairman of our nomination committee, a member of our audit committee and a member of our remuneration committee. From January 2012 to December 2013 Mr. Hui was a non-executive director of Dah Chong Hong Holdings Limited ("DCH Holdings") (stock code: 1828), a company listed on the Main Board of the Stock Exchange. He was also the chairman of DCH Holdings from July 2007 to December 2013 and was an executive director of DCH Holdings from July 2007 to December 2011. Mr. Hui joined Dah Chong Hong, Limited in February 1966, and was the group chief executive from January 2003. Mr. Hui has more than 40 years' experience in motor vehicle businesses and corporate management. Mr. Hui was a director of Guangdong Dah Chong Food Co., Ltd. (廣東大昌食品有限公司) and Shanghai Dah Chong Catering Services Co., Ltd. (上海大昌餐飲服務有限公司) which were dissolved due to the failure to take the annual check as required. From April 2013 to March 2014, Mr. Hui was an independent non-executive director of TSO Holdings (stock code: 8145), a company listed on GEM.

Mr. Ho Nai Man Paul (何鼐文), aged 59, was appointed as an independent non-executive Director in 20 May 2014. Currently, he is a director of Wiyo Company Limited, a company providing Internet services for travellers while travelling overseas. Mr. Ho worked for TraxComm Limited, a subsidiary of MTR Corporation Limited, as its chief executive officer from August 2002 to January 2009. Mr. Ho also worked for New World Telephone Limited from October 2000 to July 2002. He entered New World Telephone Limited as a marketing director and left as a personal market director. Mr. Ho had about 20 years of IT experience spreading over several multinational IT companies including Wang Pacific Ltd., Tandem Computers (Hong Kong) Limited, Honeywell Limited and Stratus Computer (HK) Limited. Mr. Ho used to be a member of the Communication Association of Hong Kong participating as the president of the Fixed Network Group & Value Added Service Group and a member of Telecommunications Numbering Advisory Committee in OFCA. He has been an official mediator in the Customer Complaint Settlement Scheme since 7 March 2013. Mr. Ho received his bachelor's degree of science from the University of California, Berkeley in June 1976.

Mr. Lam Yu Lung (林羽龍), aged 49, was appointed as an independent non-executive Director in 20 May 2014. Mr. Lam is the chairman of our audit committee, a member of our remuneration committee and a member of our nomination committee. Mr. Lam is a Certified Public Accountant (Practising) in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. He has 25 years of experience in the accountancy profession and is the sole proprietor of a certified public accountant firm. Mr. Lam received his bachelor degree in social sciences from the University of Hong Kong in November 1988. Mr. Lam has been an independent non-executive director of Arts Optical International Holdings Limited (stock code: 1120) since 30 September 2011.

Save as disclosed above, there is no other matter that needs to be brought to the attention of the Board and Shareholders in connection with the above Directors and there is no information which is required to be disclosed pursuant to any of the requirements under Rule 17.50(2) of the GEM Listing Rules.

SENIOR MANAGEMENT

Ms. Lee Wing Tsz (李詠慈), aged 45, was appointed as the Chief Financial Officer of our Group in September 2013 and is primarily responsible for the financial management of our Group. Ms. Lee worked for TDS as group financial controller from September 2009 to August 2012. She was appointed as the chief financial officer of TSO Holdings from August 2012 to September 2013. Ms. Lee also worked for SHINEWING Tax and Business Advisory Limited as tax manager from May 2006 to August 2009. Ms. Lee had worked for The Law Debenture Corporation (H.K.) Limited as assistant trust manager from November 2002 to September 2005. She was a tax manager of Ernst & Young Tax Services Limited from February 1994 to November 2002. Ms. Lee received her bachelor's degree in art in accountancy from the Hong Kong Polytechnic University in November 2002.

COMPLIANCE OFFICER

Mr. Cheung King Fung Sunny (張敬峯), aged 46, is the compliance officer of our Company. For details of his qualifications and experience, please refer to the paragraph headed "Executive Directors" in this section.

COMPANY SECRETARY

Ms. Chan Yi Kan (陳懿勤), aged 29, is the company secretary of our Company. Ms. Chan worked for Ernst & Young as a senior accountant in assurance department from July 2011 to November 2012. She had also worked for SHINEWING (HK) CPA Limited from October 2008 to June 2011, and left as a semi-senior accountant. Ms. Chan became a certified public accountant of Hong Kong Institute of Certified Public Accountants on 1 January 2013 and had passed the examination of CPA Qualification Program June 2010 Session. She received her bachelor's degree in accounting from the Hong Kong Shue Yan University in July 2008.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the forms of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

STAFF OF OUR GROUP

As at the Latest Practicable Date, our Group had a total of approximately 443 employees. The following table shows a breakdown of the employees by functions as at the Latest Practicable Date:

Functions/Departments	**Number of employees**
Management	10
Finance and accounts	34
Customer services	22
Sales and marketing	240
Management information system	41
Logistics	22
Maintenance	5
Operation	45
Administration	24
Total	443

STAFF RELATIONS

Our Group recognises the importance of a good relationship with the employees. Our Group has not experienced any significant problems with its employees or disruption to the operations due to labour disputes, nor has our Group experienced any difficulties in the recruitment and retention of staff.

Our Group believes that the employee relations are satisfactory in general. Our Group believes that the management policies, working environment, career prospects and benefits extended to the employees have contributed to employee retention and the building of amicable employee relations.

EMPLOYEES' BENEFITS

We have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All requisite contributions had been paid by the Group in accordance with the aforesaid law as at the Latest Practicable Date.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 20 May 2014 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 and paragraph C3.7 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendations to the Board on the appointment, reappointment and removal of external auditor; to review the financial statements and material advice in respect of financial reporting; to oversee internal control procedures of our Company; and to review arrangements for employees to raise concerns about financial reporting improprieties. At present, the audit committee of our Company consists of three members, namely Mr. Lam Yu Lung, Mr. Hui Ying Bun and Mr. Ho Nai Man Paul. Mr. Lam Yu Lung is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 20 May 2014 with written terms of reference in compliance with paragraph B1.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee, among other things, are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group and to ensure that none of our Directors determines his/her own remuneration. The remuneration committee consists of three members, namely, Mr. Ho Nai Man Paul, Mr. Hui Ying Bun and Mr. Lam Yu Lung. Mr. Ho Nai Man Paul is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 20 May 2014 with written terms of reference in compliance with paragraph A5.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee, among other things, are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The nomination committee consists of three members, namely Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Ho Nai Man Paul. Mr. Hui Ying Bun is the chairman of the nomination committee.

COMPLIANCE ADVISOR

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Guotai Junan Capital as the compliance advisor (the "Compliance Advisor"). The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Advisor will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry to the Company in accordance with Rule 17.11 of the GEM Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 20 May 2014 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Placing and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), the following persons/entities (other than Directors) will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding after the Placing and the Capitalisation Issue
CKK Investment	Beneficial owner	220,000,000	55%
Amazing Gain[(1)]	Interest in a controlled corporation	220,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Ltd.[(1)]	Trustee (other than a bare trustee)	220,000,000	55%
Mr. Cheung King Shek	(a) Beneficial owner	20,000,000	(a) 5%
	(b) Beneficiary of a trust[(1)]	220,000,000	(b) 55%
Ms. Law Lai Ying Ida	Interest of Spouse [(2)]	240,000,000	60%
Mr. Cheung King Shan	(a) Beneficial owner	20,000,000	(a) 5%
	(b) Beneficiary of a trust[(1)]	220,000,000	(b) 55%
Ms. Tang Fung Yin Anita	Interest of Spouse [(3)]	240,000,000	60%
Mr. Cheung King Chuen Bobby	(a) Beneficial owner	20,000,000	(a) 5%
	(b) Beneficiary of a trust[(1)]	220,000,000	(b) 55%
Mr. Cheung King Fung Sunny	(a) Beneficial owner	20,000,000	(a) 5%
	(b) Beneficiary of a trust[(1)]	220,000,000	(b) 55%
Ms. Yeung Ho Ki	Interest of Spouse [(4)]	240,000,000	60%

Notes:

(1) Immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), CKK Investment will hold 220,000,000 Shares, representing 55% of the share capital of our Company. CKK Investment is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Ltd., which holds the shares in Amazing Gain as nominee for the Cheung Family Trust. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny. Each of the Cheung Brothers is deemed to be interested in the Shares held by the Cheung Family Trust under the SFO.

(2) Ms. Law Lai Ying Ida is the spouse of Mr. Cheung King Shek and is deemed under the SFO to be interested in 240,000,000 Shares held by the Cheung Family Trust.

(3) Ms. Tang Fung Yin Anita is the spouse of Mr. Cheung King Shan and is deemed under the SFO to be interested in 240,000,000 Shares held by the Cheung Family Trust.

(4) Ms. Yeung Ho Ki is the spouse of Mr. Cheung King Fung and is deemed under the SFO to be interested in 240,000,000 Shares held by the Cheung Family Trust.

For further information on our Directors' interests which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, please refer to the section headed "C. Further information about our directors and substantial shareholders — 1. Directors" in Appendix V to this prospectus.

CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the Placing and the Capitalisation Issue (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), our Company will be owned as to 55% by CKK Investment and as to 5% by each of the Cheung Brothers. CKK Investment is wholly-owned by Amazing Gain, which is in turn wholly-owned by the Cheung Family Trust. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. In view of the above, CKK Investment, Amazing Gain, the Trustee and the Cheung Brothers are the Controlling Shareholders of our Company.

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, save for those persons disclosed under the paragraphs headed "Substantial Shareholders" and "Controlling Shareholders" in this section and the paragraphs headed "C. Further information about directors, management, staff and experts — 1. Directors" in Appendix V to this prospectus, no persons individually and/or collectively will, immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), be directly or indirectly interested in 5% or more of the voting power at the general meeting of our Company and are therefore regarded as significant Shareholders under the GEM Listing Rules.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), our Company will be owned as to 55% by CKK Investment and as to 5% by each of the Cheung Brothers. CKK Investment is wholly-owned by Amazing Gain, which is in turn wholly-owned by the Cheung Family Trust. The settlor of the Cheung Family Trust was the late Mr. Cheung Kung Wing, the father of the Cheung Brothers. The discretionary objects of the Cheung Family Trust include the Cheung Brothers. CKK Investment, Amazing Gain, the Trustee and the Cheung Brothers are thus the Controlling Shareholders of our Company.

TSO Holdings

TSO, a wholly owned subsidiary of TSO Holdings, provides repair and refurbishment services for mobile phones, pagers and other personal electronic products. TSO Holdings, a company listed on the GEM of the Stock Exchange (Stock code: 8145) is owned by East Asia, a wholly owned subsidiary of Amazing Gain, as to 55% and the Cheung Brothers as to 20%.

The following table presents the details of the Directors and senior management of our Group who also involve in the management of TSO Holdings and its subsidiaries ("TSO Group"):

Name	**Roles and responsibilities in our Group**	**Role and responsibilities in TSO Group**
Mr. Cheung King Shek	Chairman and executive Director — advising on overall strategic planning and corporate policies as well as overseeing the operations of our Group	Chairman and non-executive director — advising on overall strategic planning and management
Mr. Cheung King Fung Sunny	Executive Director — overseeing financial management	Executive Director — managing customer relationship and explore new business opportunities
Mr. Cheung King Shan	Non-executive Director — advising on sales and marketing and apps writing in relation to our information broadcasting services	Non-executive Director — advising on marketing and sales strategies

Name	Roles and responsibilities in our Group	Role and responsibilities in TSO Group
Mr. Cheung King Chuen Bobby	Non-executive Director — advising on administration, human resources and special and ad hoc projects	Non-executive Director — advising on administrative operation

As shown in the table above, each of the Cheung Brothers holds directorship in both of our Company and TSO Holdings. In respect of TSO Holdings, only Mr. Cheung King Fung Sunny is an executive director while the rest of the Cheung Brothers are non-executive directors. In respect of our Company, Mr. Cheung King Shek and Mr. Cheung King Fung Sunny are executive Directors while the rest of the Cheung Brothers are non-executive Directors. Only Mr. Cheung King Fung Sunny acts as an executive director for both TSO Holdings and our Company. Having taken into account that (i) only Mr. Cheung King Fung Sunny is an executive director of both TSO Holdings and our Company and Mr. Cheung King Fung Sunny allocates his time between managing TSO Holdings and our Company based on the actual business requirement. In particular, while Mr. Cheung King Fung Sunny is mainly responsible for managing customer relationship and exploring new business opportunities in respect of TSO Group, he is mainly responsible for overseeing the financial management of our Group; and (ii) our Board comprises four executive Directors in total, including Ms. Mok Ngan Chu and Mr. Wong Wai Man who respectively has over 36 years and 23 years of experience with our Group, our Directors consider that our Board as a whole is able to devote sufficient time to manage the business of our Group. Moreover, in the event that there is a conflict of interests, the Cheung Brothers will abstain from voting in the relevant board meetings and shareholders' meetings as appropriate and as required by the GEM Listing Rules and that the relevant matters shall be subject to the approval of our independent non-executive Directors and or our independent Shareholders (if applicable).

TSO Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. TSO, the operating subsidiary of the TSO Group, is appointed by corporate customers comprising manufacturers of mobile phones and personal electronic products, telecommunication service providers, and global services companies as non-exclusive authorised service provider to provide repair and refurbishment services for such products. On the other hand, our Group is principally engaged in (i) retail sales of mobile phones and pre-paid SIM cards; (ii) distribution of mobile phones; (iii) provision of paging and other telecommunication services; and (iv) provision of operation services to NWM.

We have certain continuing connected transactions with TSO Group, which include, among others, (a) provision of repair and refurbishment services by TSO to us for the pagers and Mango Devices provided by us to the customers; (b) consignment sales of accessories for mobile phones and personal electronic products of TSO by us and we receive consignment fee from TSO; (c) licensing for use of certain premises to TSO; and (d) provision of logistics services by us to TSO for delivery of goods. Please refer to the section headed "Continuing connected transactions" in this prospectus for further details.

Notwithstanding the continuing connected transactions, the nature of the businesses of our Group and that of TSO Group are different. There is no major overlapping of the products and services of our Group and that of TSO Group. On this basis, our Directors are of the view that TSO Group does not directly or indirectly compete with the business of our Group.

Our Directors, to the best of their knowledge, information and belief, have confirmed that, none of the Controlling Shareholders, the substantial shareholders of our Company, our Directors and their respective associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Company.

DEED OF NON-COMPETITION

For the purpose of the Listing, our Controlling Shareholders have entered into the Deed of Non-Competition with and in favour of our Company (for itself and as trustee for its subsidiaries). Pursuant to the Deed of Non-Competition, each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with the business of our Group. To protect our Group from any potential competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken in favour of our Company (for itself and for the benefits of its subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group) shall:

(a) not, directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to (i) retail sales of mobile phones of various brands and pre-paid SIM cards; (ii) distribution of mobile phones; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to NWM) in Hong Kong, Macau and any other country or jurisdiction to which our Group provides such products and/or services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

(b) not solicit any existing employee or then existing employee of our Group for employment by it/him or its/his associates (excluding our Group);

(c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as a Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(d) if there is any project or new business opportunity that relates to the Restricted Activity, (i) promptly refer such project or new business opportunity to our Group for consideration and provide such information as is reasonably required in order to enable our Group to come to an informed assessment of such opportunity, and (ii) use its/his best endeavours to procure that such opportunity is offered to our Group on terms no less favourable than the terms on which such opportunity is offered to such Controlling Shareholder and/or its/his associates;

(e) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and

(f) procure its/his associates (excluding our Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-Competition do not apply to:

(a) the holding of, or interests in, the shares of any members of our Group; and

(b) the holding of, or interests in, the shares of a company other than a member of our Group whose shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Controlling Shareholder and/or its/his associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his respective associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of our Controlling Shareholders has further unconditionally and irrevocably undertaken to our Company (for itself and for the benefits of its subsidiaries):

(a) to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of our Controlling Shareholders and their respective associates to ensure compliance with the terms and conditions of the Deed of Non-Competition;

(b) to provide to our Group and our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-Competition by our Controlling Shareholders; and

(c) to make an annual declaration as to full compliance with the terms of the Deed of Non-Competition and a consent to disclose such declaration in the annual report of our Company.

The Deed of Non-Competition will become effective upon the Placing becoming unconditional. The obligations of our Controlling Shareholders under the Deed of Non-Competition will remain in effect during the period (the "**Relevant Period**") from the Listing Date until the earlier of the date on which:

(a) our Controlling Shareholders, together with their associates, whether individually or taken together, cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder) or more of the issued share capital of our Company; or

(b) the Shares cease to be listed and traded on GEM.

CORPORATE GOVERNANCE MEASURES

We have adopted the following measures to avoid potential conflict of interests and safeguard the interests of the Shareholders:

(i) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our Group's interest and in the event that the independent non-executive Directors decide that a Director should not be present at a meeting where matters and/or businesses of which such Director or his associates have a material interest are the subject of discussion, such Director would be requested to absent himself from such meeting;

(ii) the Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(iii) the independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-competition;

(iv) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(v) our Company will disclose decisions on matters reviewed by the independent non-Executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company; and

(vi) our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors believe that our Group can carry on its business independent of and without financial reliance on the Controlling Shareholders and their associates following the Listing.

Management independence

The Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Cheung King Shek is our Chairman and executive Director, Mr. Cheung King Fung Sunny is our executive Director and Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby are non-executive Directors.

The daily operational decisions of our Group are made by the executive Directors. After the completion of the Placing, our other executive Directors will continue to be involved in the overall corporate direction, strategic development, and major decisions in respect of our Group as well as the day-to-day operations of our Group. Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby, being our non-executive Directors, participate in advising on overall marketing and sales strategies, human resources and administrative operation. Other than the Cheung Brothers, we have two executive Directors (being Ms. Mok Ngan Chu and Mr. Wong Wai Man) and three independent non-executive Directors who are independent from the Controlling Shareholders to bring independent judgments to the Board. Each of Ms. Mok Ngan Chu and Mr. Wong Wai Man (both being our executive Directors) respectively has about 36 years and 23 years of experience with our Group. In addition, we have an independent team of management and staff to carry out the operation of our Group.

Each of the Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of the Company and does not allow any conflict between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum.

In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. In particular, to avoid any potential conflict of interests, if there are any matters considered by the Board which involve transactions between our Group and the Cheung Brothers, TSO Holdings, or other associates of the Cheung Brothers, the Cheung Brothers will not be counted in the quorum and will abstain from voting on such matters.

Operational independence

As set out in the section headed "Continuing connected transactions", we have certain continuing connected transactions with our connected persons. Our Directors consider that such continuing connected transactions are not relevant to our operational independence. Our Group holds all relevant licences necessary to carry on businesses and has sufficient capital, equipment and employees to operate its businesses independently.

In addition, on the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from the Controlling Shareholders after the Listing:

- our Company is not reliant on the expertise and technology provided only by the Controlling Shareholders and their respective associates;
- our Company has its own administrative and corporate governance infrastructure (including its own accounting, administration and human resources departments); and
- other than the Cheung Brothers, the management team is also independent from the Controlling Shareholders.

Financial independence

During the Track Record Period, certain of our banking facilities were secured by guarantee given by certain Directors and related parties of our Group, and charge over properties of certain related companies situated in Hong Kong. Our Directors confirmed that these guarantees and charge over properties will be released or replaced upon Listing. Besides, as at 31 December 2013, we had certain amounts due to and due from related companies. Such balances were fully settled as at the Latest Practicable Date.

We have independent financial and accounting systems, treasury function and independent access to third party financing. In view of our internal resources, the available banking facilities and the estimated net proceeds from the Placing, our Directors believe that our Group will have sufficient capital for our financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

UNDERTAKINGS

Each of the Controlling Shareholders (the "**Obligors**") has undertaken to the Stock Exchange and our Company that, unless with prior written consent of the Stock Exchange or in compliance with the GEM Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**first 6-month period**"), it/he shall not, and shall procure that the relevant registered holders shall not, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the "**Relevant Shares**");

(b) in the period of 6 months commencing on the date on which the first 6-month period expires, it/he shall not, and shall procure that the relevant registered holders shall not, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he together with other Obligors would be interested directly or indirectly in less than 30% of the issued ordinary share capital of our Company;

(c) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Relevant Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraphs (a) and (b) above, it/he must inform our Company and the Stock Exchange immediately thereafter, disclosing the details as specified in Rule 17.43 of the GEM Listing Rules; and

(d) having pledged or charged any of its/his interests in the Relevant Shares under paragraph (c) above, it/he must inform our Company and the Stock Exchange immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Shares so affected.

The Trustee has further confirmed to the Stock Exchange and our Company that it will not, in its capacity as the trustee of the Cheung Family Trust, distribute or procure the distribution of any of the Shares out of the trust assets during the first 6-month period and the period of 6 months immediately following the expiry of the first 6-month period.

The authorised and issued share capital of our Company are as follows:

Number of Shares comprised in the authorised share capital:

		HK$
10,000,000,000	Shares	100,000,000

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the completion of the Placing and the Capitalisation Issue will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid, upon completion of the Placing and the Capitalisation Issue

		HK$
60	Shares in issue as at the date of this prospectus	0.60
299,999,940	Shares to be issued pursuant to the Capitalisation Issue	2,999,999.40
100,000,000	Shares to be issued pursuant to the Placing *(Note)*	1,000,000.00
400,000,000	Shares in total	4,000,000.00

Note: The share capital of our Company will be enlarged by up to an additional 15,000,000 Shares in the event that the Over-allotment Option is exercised in full.

ASSUMPTIONS

The above tables assume that the Placing becomes unconditional and does not take into account any exercise of any options to be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and Repurchase Mandate as described below.

RANKING

The Placing Shares, including the Shares to be issued pursuant to the exercise of the Over-allotment Option, will rank *pari passu* in all respects with all other Shares in issue as at the date of this prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions stated in the paragraph headed "Conditions of the Placing" under the section headed "Structure and Conditions of the Placing" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under this mandate, allot, issue and deal with the Shares pursuant to (a) a rights issue; (b) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by our Company or any securities which are exchangeable into Shares; (c) the exercise of the subscription rights under options granted under the Share Option Scheme or any other similar arrangement of our Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisors of our Company and/or any of its subsidiaries and/or other persons of Shares or rights to acquire Shares; or (d) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of our Company.

The Issue Mandate will expire:

- at the conclusion of our Company's next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further details of the Issue Mandate, see the paragraph headed "A. Further Information about our Group — 3. Written resolutions of the Shareholders" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions stated in the paragraph headed "Structure and Conditions of the Placing — Conditions of the Placing" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the total nominal value of the share capital of our

Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The Repurchase Mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "A. Further Information about our Group — 7. Repurchase by our Company of our own securities" in Appendix V to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of our Company's next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further information about the Repurchase Mandate, refer to the paragraph headed "A. Further Information about our Group — 3. Written resolutions of the Shareholders" in Appendix V to this prospectus.

CIRCUMSTANCES WHERE MEETINGS OF THE COMPANY ARE REQUIRED

There are certain circumstances where annual general meetings or extraordinary general meetings of our Company are required under our Articles and the GEM Listing Rules. A general summary of such circumstances is set out below:

— an annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.

— the Board may, at its discretion, call extraordinary general meetings. However, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of our Company (the "requisitionist") shall have the right, by written requisition to the Board or the secretary of our Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of members, which would be obtained at a general meeting. For details, please refer to the paragraph headed "Articles of Association" in Appendix IV to this prospectus.

You should read this section in conjunction with our Group's audited combined financial statements, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the "Risk factors" section in this prospectus.

OVERVIEW

Our Group was founded in 1974 as one of the first paging operators in Hong Kong, In the past 40 years, our Group has been actively engaged in the telecommunications and related business in Hong Kong. Our principal business currently comprises (i) retail sale of mobile phones of various brands and pre-paid SIM cards, (ii) distribution of mobile phones, (iii) provision of paging and other telecommunications services, and (iv) provision of operation services to NWM. As at the Latest Practicable Date, we have 51 shops offering various telecommunication related products and services to customers.

For the two years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, our revenue was approximately HK$840.2 million, HK$1,091.1 million and HK$890.5 million, respectively; and for the same periods, our profit after tax was approximately HK$6.9 million, HK$50.4 million and HK$67.7 million, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The results of operations and financial condition of our Group have been and will continue to be affected by a number of factors, including those set forth in the "Risk Factors" section in this prospectus and the following factors, some of which may not be within the control of our Group.

The trend of our business

Paging and other telecommunications services was once the largest contributor to our segment results during 2012 and there was a decreasing trend over the Track Record Period which was in line with the decrease in number of subscribers or users of our relevant services due to the availability of various alternative means of mobile communication and sources of information. For the year ended 31 March 2013 and the nine months ended 31 December 2013, retail sales of mobile phones was the largest contributor to our segment results which was mainly attributable to an increase in sales of one of the brands of mobile phones for which we also act as the distributor. Benefiting from the synergy between retail business and distribution business, both of the segments recorded an increase in its segment result. Regarding the segment results of provision of operation services to NWM, we recorded negative segment results for the years ended 31 March 2012 and 2013 respectively which was mainly because the customer base of NWM in those periods was relatively small. Nevertheless, such negative segment results were reduced in the year ended 31 March 2013 and we started to record positive segment results for the nine months ended 31 December 2013 because of the increase in customer of NWM and thus our service fee. With an enlarged and stable customer base, our administrative and operational work became more cost efficient and therefore resulted in positive segment result in the nine months ended 31 December 2013. Furthermore, during the Track Record Period, our share of results of NWM had increased and represented approximately nil, 23.8% and 23.2% of our profit before tax in each of the years ended 31 March 2012, 2013 and the nine months ended 31 December 2013 respectively.

Going forward, it is expected that our financial performance would continue to fluctuate depending on the demand for mobile phones in our retail and distribution operation as well as the business performance of NWM. On the other hand, it is expected that our paging and other telecommunications services would continue to contribute a considerable amount of revenue and profit to our Group but with a decreasing trend in terms of amount and the relative importance to our business as a whole.

Decline in profit of our paging and other telecommunications services

Our paging and other telecommunications services include paging services, Mobitex based services, Smartphone apps, information broadcasting through Internet, "One card two numbers" services, IDD and international call forwarding services. During the Track Record Period, revenue and profit from this segment has been declining. Segment results from this segment decreased from HK$48.7 million for the year ended 31 March 2012 to HK$29.1 million for the year ended 31 March 2013; and decreased from HK$29.7 million for the nine months ended 31 December 2012 to HK$9.2 million for the nine months ended 31 December 2013. The decrease was mainly because there is a decline in number of users of our paging services and Mobitex based service. Due to the development of technology, nowadays there are lots of alternative communication services and the use of Internet and other wireless communication become affordable and popular. These alternative means of communication are substitutes of paging services, Mobitex based services and our other telecommunication services. These communication means may offer better features and user experience at affordable price. We face keen competition against these communication means. For further details about the relevant risk, please refer to the paragraph headed "Risk factors — Alternative services and technologies could render our Group's paging and other telecommunications services obsolete and unsustainable" in this Prospectus. For further details about the analysis of financial performance in this segment, please refer to the paragraph headed "Selected line items in the combined statements of profit or loss and other comprehensive income — Revenue — Paging and other telecommunications services" in this section.

Property rental

We set up our shops, cell sites, offices and warehouses on leased properties. During each of the year ended 31 March 2012, 2013 and the nine months ended 31 December 2013, our property expenses amounted to HK$39.6 million, HK$48.9 million and HK$39.6 million respectively, representing about 4.7%, 4.5% and 4.4% of our total revenue of the respective period. The rental charges of our shops per square feet per month were HK$385.3, HK$398.2 and HK$468.7 for each of the year ended 31 March 2012, 2013 and the nine months ended 31 December 2013, representing an increase of 3.3% for the year ended 31 March 2013 and 17.7% for the nine months ended 31 December 2013.

The following illustrates the sensitivity of our profit for the years ended 31 March 2012 and 2013, and for the nine months ended 31 December 2013 in relation to fluctuation in our property rental expenses of the respective periods:

	Year ended 31 March				Nine months ended 31 December	
	2012		2013		2013	
Changes in rental rate per square feet	**Net profit**	**Change in net profit**	**Net profit**	**Change in net profit**	**Net profit**	**Change in net profit**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
20%	(1,012)	–115%	40,609	–19%	59,755	–12%
10%	2,948	–57%	45,497	–10%	63,712	–6%
5%	4,927	–29%	47,940	–5%	65,691	–3%
0	6,907	0%	50,384	0%	67,669	0%
–5%	8,887	29%	52,828	5%	69,648	3%
–10%	10,866	57%	55,271	10%	71,626	6%
–20%	14,826	115%	60,159	19%	75,583	12%

Mobile phone sales in Hong Kong

The results of operation of our Group are significantly affected by the demand of mobile phone and the popularity of individual brands. While we expect that the proportion of our revenue from paging and other telecommunication services would reduce gradually, we expect our operation of retail sales and distribution of mobile phones would together contribute a bigger portion of our revenue in the future. Hence our Group's business is sensitive to the consumer demand on mobile phones and the development trend on mobile phone market.

For each of the two years ended 31 March 2013 and for the nine months ended 31 December 2013, the income contributed from retail sales of mobile phones and pre-paid SIM cards amounted to approximately HK$163.8 million, HK$479.8 million and HK$353.9 million respectively, which represents 19.5%, 44.0% and 39.8% of the revenue of the said period.

During 2013, there are certain new brand names of mobile phones entering into Hong Kong retail market. This may bring more competition to retail sales of mobile phones market in Hong Kong. If we cannot expand our product offering in our distribution business and retail business, our market competitiveness may be weakened. Furthermore, we also plan to expand our network of shops to strengthen our market position.

Staff costs

Staff costs represent a significant component of our Group's combined statements of profit and loss and other comprehensive income. As at the Latest Practicable Date, our Group has 443 full-time employees. For each of the two years ended 31 March 2013 and for the nine months ended 31 December 2013, staff costs of our Group amounted to approximately HK$99.5 million, HK$119.1 million and HK$79.6 million respectively.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liabilities under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office and the principal place of business of our Company are detailed in the section headed "Corporate Information" in this prospectus. Our Company is engaged in investment holding while the principal subsidiaries are principally engaged in the telecommunications and related business in Hong Kong.

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 20 May 2014. Our Group have been under the control and beneficially owned by the Cheung Family Trust, Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen, Bobby and Mr. Cheung King Fung, Sunny throughout the Track Record Period or since their respective dates of incorporation or establishment up to 31 December 2013.

Our Group is regarded as a continuing entity resulting from the Reorganisation since management and shareholders of the principal business of our Group and the companies which took part in the Reorganisation remained the same before and after the Reorganisation. Consequentially, immediately after the Reorganisation, there was a continuation of risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation.

Accordingly, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation or establishment up to 31 December 2013. The combined statements of financial position of the Group as at 31 March 2012 and 2013 and 31

December 2013 have been prepared to present the assets and liabilities of the entities now comprising our Group as if the current group structure had been in existence at those dates. The assets and liabilities of the combining entities or businesses are combined using their existing book values. All significant intragroup transactions and balances have been eliminated in full on combination.

SIGNIFICANT ACCOUNTING POLICIES

Our Group's combined statements of profit or loss and other comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows (the "Financial Information") have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules and by the Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Merger accounting for business combination involving entities under common control

The Financial Information includes the financial information items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial information are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

Investment property

Investment property is held to earn rentals and/or for capital appreciation.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Interest in an associate

An associate is an entity over which our Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Our Group's interest in an associate is accounted for in the combined financial information using the equity method. Under the equity method, interest in an associate is initially recognised at cost. Our Group's share of the profit or loss and changes in the other comprehensive income of the associate are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If our Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of our Group's net investment in the associate, our Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that our Group has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, including recognising the associate's losses (if any), our Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between our Group and our associate are recognised in combined financial information only to the extent of unrelated investors' interests in the associate. Our Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Plant and equipment

Plant and equipment including buildings held for administrative purposes are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income from provision of operation services, paging and other telecommunications services and logistics services are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to our Group and the amount of revenue can be measured reliably).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Our Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Our Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Employee benefits

Paid leave carried forward

Our Group provides paid annual leave to our employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorised as follows:

- service cost;
- net interest expense; and
- remeasurement.

Sick leave and maternity leave

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme (the "MPF Scheme") and other defined contribution retirement scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Impairment losses on tangible assets

At the end of each reporting period, our Group reviews the carrying amounts of its tangible assets with finite useful lives 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, our Group 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 immediately in profit or loss.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group's accounting policies, the directors of our Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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. No material deviation of our estimates as compared to actual result were noted in the past and no material changes were made to our estimates in the past. These key assumptions and estimates are set forth in Note 4 to the Accountants' Report as set out in Appendix I to this prospectus.

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.

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

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. Our Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment loss of plant and equipment

Our Group assesses annually whether the plant and equipment has any indication of impairment. The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with our Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgments and estimates such as future revenue and discount rates. As at 31 March 2012 and 2013 and 31 December 2013, the carrying values of plant and equipment were approximately HK$31,717,000, HK$37,622,000 and HK$50,521,000 respectively. There was no impairment loss recognised as at 31 March 2012 and 2013 and 31 December 2013.

Estimated allowance for inventories

Our Group makes the allowance for inventories based on assessments of the net realisable value and ageing analysis of inventory and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. Our Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2012 and 2013 and 31 December 2013, the carrying amounts of inventories were approximately HK$55,320,000, HK$66,097,000 and HK$106,712,000 respectively, net of accumulated allowance for inventories of approximately HK$3,703,000, HK$4,376,000 and nil respectively.

Estimated impairment loss of trade and other receivables

When there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2012 and 2013 and 31 December 2013, the carrying amounts of trade and other receivables were approximately HK$47,165,000, HK$236,792,000 and HK$34,431,000 respectively, net of accumulated impairment loss of HK$64,000 as at 31 March 2012, 2013 and 31 December 2013.

Estimated impairment loss of club debenture

The management of our Company reviews the impairment of club debenture at the end of each reporting period. Management estimates the fair value of the club debenture with reference to recent selling prices. In making the estimation, our Group considers comparable debentures recently sold in the market. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. There were no impairment losses recognised as at 31 March 2012 and 2013 and 31 December 2013.

Provision for long service payment

Our Group's provision for long service payment is determined with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions including: pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes to these assumptions will impact the carrying amount of provision for long service payments and the results and financial position of our Group.

COMBINED STATEMENT OF PROFIT OR LOSS

The table below set forth our Group's combined statements of profit or loss during the Track Record Period, which is extracted from the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 March		Nine months ended 31 December	
	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Revenue	840,181	1,091,089	815,840	890,475
Cost of inventories sold	(549,410)	(747,514)	(555,347)	(613,252)
Staff costs	(99,513)	(119,051)	(89,791)	(79,578)
Depreciation	(11,927)	(12,996)	(9,398)	(13,459)
Other income	12,734	6,825	5,308	5,223
Other operating expenses	(182,657)	(182,089)	(132,768)	(130,735)
Reversal of impairment loss recognised in respect of interest in an associate	—	9,646	9,646	—
Share of results of an associate	—	12,983	8,787	16,836
Finance costs	(3,021)	(4,352)	(3,205)	(2,914)
Profit before tax	6,387	54,541	49,072	72,596
Income tax credit (expense)	520	(4,157)	(4,020)	(4,927)
Profit for the year/period attributable to the owners of our Company	6,907	50,384	45,052	67,669

SELECTED LINE ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

The table below sets forth our revenue from different business segments during the Track Record Period:

	Year ended 31 March				Nine months ended 31 December			
	2012		2013		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Retail sales of mobile phones and pre-paid SIM cards	163,819	19.5	479,775	44.0	369,312	45.3	353,862	39.8
Distribution of mobile phones	383,863	45.7	318,971	29.2	229,553	28.1	316,355	35.5
Paging and other telecommunications services	237,462	28.2	179,147	16.4	139,058	17.0	102,414	11.5
Provision of operation services to NWM	55,037	6.6	113,196	10.4	77,917	9.6	117,844	13.2
Total	840,181	100.0	1,091,089	100.0	815,840	100.0	890,475	100.0

Our revenue was primarily derived from retail sales of mobile phones and pre-paid SIM cards, distribution of mobile phones, paging and other telecommunications services and provision of operation services to NWM. In relation to the segment of pagers and other telecommunication services, our revenue includes sales of pagers and Mango Devices and provision of related services including paging services, Mobitex based services, "One card two numbers" services, IDD and international call forwarding services.

The table below sets out the breakdown of our revenue by sales of goods and service income:

	Year ended 31 March				**Nine months ended 31 December**			
	2012		**2013**		**2012**		**2013**	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Sales of goods	545,750	65.0	796,873	73.0	598,383	73.3	662,562	74.4
Service income	294,431	35.0	294,216	27.0	217,457	26.7	227,913	25.6
Total	840,181	100.0	1,091,089	100.0	815,840	100.0	890,475	100.0

The table below sets out the reconciliation of revenue breakdown by business segments with revenue breakdown by sale of goods and service income:

For the year ended 31 March 2012

	Retail sales of mobile phones and pre-paid SIM cards	**Distribution of mobile phones**	**Paging and other telecommunications services**	**Provision of operation services to NWM**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	163,819	383,863	237,462	55,037	840,181
Represented by:					
Sale of goods *(note 1)*	163,365	374,799	3,297	4,289	545,750
Service income *(note 2)*	454	9,064	234,165	50,748	294,431

For the year ended 31 March 2013

	Retail sales of mobile phones and pre-paid SIM cards	**Distribution of mobile phones**	**Paging and other telecommunications services**	**Provision of operation services to NWM**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	479,775	318,971	179,147	113,196	1,091,089
Represented by:					
Sale of goods *(note 1)*	475,119	311,075	1,942	8,737	796,873
Service income *(note 2)*	4,656	7,896	177,205	104,459	294,216

For the nine months ended 31 December 2012

	Retail sales of mobile phones and pre-paid SIM cards	Distribution of mobile phones	Paging and other telecommunications services	Provision of operation services to NWM	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	369,312	229,553	139,058	77,917	815,840
Represented by:					
Sale of goods *(note 1)*	366,613	223,483	1,512	6,775	598,383
Service income *(note 2)*	2,699	6,070	137,546	71,142	217,457

For the nine months ended 31 December 2013

	Retail sales of mobile phones and pre-paid SIM cards	Distribution of mobile phones	Paging and other telecommunications services	Provision of operation services to NWM	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	353,862	316,355	102,414	117,844	890,475
Represented by:					
Sale of goods *(note 1)*	350,850	310,581	901	230	662,562
Service income *(note 2)*	3,012	5,774	101,513	117,614	227,913

Notes:

1. Sale of goods are generated from: (i) sale of merchandise to customers in retail business; (ii) sale of merchandise to customers in distribution business; (iii) sale of pagers and Mango Devices to subscribers in paging & other telecommunications services; and (iv) sale of mobile phone accessories to NWM which gives the same to its subscribers as premiums.

2. Service incomes are generated from: (i) provision of promotion services to brands of mobile phones, and consignment sale of accessories our shops, in retail business; (ii) logistics services provided to suppliers of the merchandise in the distribution business; (iii) provision of paging and other telecommunications services in such business segment; and (iv) provision of operation services to NWM in such business segment.

In relation to sales of goods, our revenue is mainly generated from retail sales of mobile phones and pre-paid SIM cards and distribution of mobile phones. In relation to our service income, our revenue is mainly generated from provision of paging and other telecommunications services and provision of operation services to NWM.

The table below sets out the breakdown of our revenue by geographical locations of our customers:

	Year ended 31 March				Nine months ended 31 December			
	2012		2013		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Hong Kong (country of domicile)	834,464	99.3	1,087,159	99.6	812,819	99.6	888,181	99.7
Macau	5,717	0.7	3,930	0.4	3,021	0.4	2,294	0.3
Total	840,181	100.0	1,091,089	100.0	815,840	100.0	890,475	100.0

Retail sales of mobile phones and pre-paid SIM cards

As shown in the table above, retail sales of mobile phones and pre-paid SIM cards was the largest component in the year ended 31 March 2013 and the nine months ended 31 December 2012 and 31 December 2013, contributing about 44.0%, 45.3% and 39.8% of our total revenue in the respective period.

Along with our growth in retail sales, the number of outlets in Hong Kong also increased as follows:

	As at 31 March		As at 31 December	As at Latest Practicable Date
	2012	2013	2013	
Number of shops	41	50	50	51

Set out below is the table showing the breakdown of revenue in our retail business and the average unit price of mobile phones sold in our retail business:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Sales of mobile phones	146,938	457,621	353,336	339,273
Consignment fee received from TSO	—	590	3	1,188
Sales of pre-paid SIM cards	16,881	21,564	15,973	13,401
Total revenue from our retail operation	163,819	479,775	369,312	353,862
Number of mobile phones sold (units)	58,000	132,300	100,800	98,700
Average price per unit (HK$)	2,533	3,459	3,505	3,437

Distribution of mobile phones

In respect of our distribution business, our revenue during the Track Record Period was mainly contributed by the distribution of mobile phones of international brand names for which we have the non-exclusive right of distribution. Due to the change in its business focus, one of such mobile phone manufacturers has scaled down its mobile phone business in Hong Kong and we ceased to distribute handsets of this mobile phone manufacturer in April 2012. Since then, our distribution business has been contributed by distribution of handsets of two mobile phone manufacturers.

Set out below is the number of mobile phones that we sold in our distribution business:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
			(unaudited)	
Revenue from our distribution operation (HK$'000)	383,863	318,971	229,553	316,355
Number of mobile phones sold (units)	189,500	140,200	107,500	115,500
Average price per unit (HK$)	2,026	2,275	2,135	2,739

Paging and other telecommunications services

The table below sets out the breakdown of revenue of our paging and other telecommunications services.

	Year ended 31 March				Nine months ended 31 December			
	2012		**2013**		**2012**		**2013**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Paging	173,106	72.9	125,149	69.9	97,739	70.3	69,263	67.6
Mobitex based services	47,121	19.8	36,630	20.4	28,708	20.6	19,486	19.0
Smartphone apps	3,895	1.7	4,344	2.4	3,011	2.2	3,464	3.4
Others *(Note)*	13,340	5.6	13,024	7.3	9,600	6.9	10,201	10.0
Total	237,462	100.0	179,147	100.0	139,058	100.0	102,414	100.0

Note: Others represent mainly services of IDD and international call forwarding services, "One card two numbers" services and information broadcasting via Internet services.

The table below sets out the number of users of our key services in our paging and other telecommunications services segment:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
Number of users of our paging services	74,300	58,900	50,800
Number of activated user accounts of our Mobitex based services	21,200	16,300	13,800
Number of subscribers for our smartphone apps	58,500	36,100	39,800
Number of subscribers for our IDD services and/or international call forwarding	85,100	99,000	101,600

Paging services had been the largest component of revenue in this segment. During the Track Record Period, revenue from paging services demonstrated a decreasing trend, mainly because of the rise of various means of mobile communications as substitute for pagers. Our existing customers of paging services are mainly corporate clients because paging provides a means of reliable communication channel at a low radiofrequency, and is particularly suitable for use in industries where messages needed to be sent to staff who are working at different locations, such as hospitals, logistics companies, construction companies, hotels and property management companies.

Our Mobitex based services also demonstrated a decreasing trend in its revenue, mainly due to the availability of various sources of information and means of communications.

Our revenue from smartphone apps mainly represent the subscription fee of the apps developed by us. During the Track Record Period, we had two smartphone apps available for downloading and subscription. The apps are free of charge for download and for trial use, and subscription fees for continuous use are charged at HK$38 to HK$298 per month. As at 31 March 2012, 31 March 2013 and 31 December 2013, we have approximately 1,600, 2,500, and 3,100 paid subscribers. During the Track Record Period, the increase in revenue from smartphone apps was mainly contributed by the increased market acceptance of our apps. Our smartphone apps mainly involve information of horse racing, football matches and stock market. While our smartphone apps gain reputation from the targeted users, more subscribers would be willing to pay subscription fees for using the apps.

Our revenue from other telecommunications services mainly represent service fees of IDD and international call forwarding services, "One card two numbers" services and information broadcasting via Internet services. In particular, IDD, international call forwarding and "One card two numbers" services are mainly charged with reference to usage by the customers. During the Track Record Period, there had been a mild increase in revenue mainly because of the increase in usage of IDD and international call forwarding services by our customers.

Provision of operation services to NWM

NWM is owned as to 40% by us and as to 60% by CSL.

NWM is mainly engaged in the provision of mobile services under the brand name of "New World Mobility" ("新世界傳動網").

Pursuant to the Shareholders Agreement, we are responsible for the operation of NWM while CSL is responsible for providing the network services. The operation services provided by us to NWM include sales management, marketing, customer services, billing, payment and debt collection services, and customer data compilation and analysis services. In consideration for our operation service, we receive a monthly service fees from NWM which comprise (i) an amount calculated based on the number of NWM's mobile service subscribers and the tariff plans being subscribed, multiplying the various prescribed rates for each type of tariff plans and the number of the subscribers under the respective tariff plans; and (ii) an amount for the advertising and promotional activities arranged by us for NWM.

According to the terms of the Shareholders Agreement, our service fee chargeable to NWM is determined with reference to the number of subscribers of NWM. During the Track Record Period, as the number of subscribers for the mobile services of NWM increased, our service fee revenue from the provision of operation services to NWM also increased.

Cost of inventories sold

Our cost of inventories sold comprised (i) our cost of mobile phones sold in our distribution business; (ii) our cost of mobile phones and pre-paid SIM cards sold in our retail business; and (iii) our cost of pagers and Mango Devices sold in our paging and other telecommunications services. The amount of our cost of inventories sold fluctuated in line with our sales revenue. Set out below is the breakdown of our cost of inventories sold by products during the Track Record Period:

	Year ended 31 March				Nine months ended 31 December			
	2012		2013		2012		2013	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Mobile phones (distribution business)	373,342	67.9	307,774	41.2	216,262	38.9	302,981	49.4
Mobile phones and pre-paid SIM cards (retail business)	148,802	27.1	430,195	57.5	331,915	59.8	309,515	50.5
Pagers and Mango Devices	27,266	5.0	9,545	1.3	7,170	1.3	756	0.1
Total	549,410	100.0	747,514	100.0	555,347	100.0	613,252	100.0

In respect of our distribution and retail business, we received stock protection compensation and purchase rebate from the mobile phone manufacturers (i.e. the brand owners). Set out below is the breakdown of our cost of inventories sold of distribution and retail business during the Track Record Period:

	Year ended 31 March		Nine months ended 31 December	
	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cost of inventories sold	562,602	817,099	613,647	681,587
Less:				
Purchase return	(603)	(959)	—	(644)
Stock protection compensation	(7,498)	(8,969)	(7,263)	(11,867)
Purchase rebate	(32,357)	(69,202)	(58,207)	(56,580)
Total	522,144	737,969	548,177	612,496

During each of the years ended 31 March 2012 and 2013, and the nine months ended 31 December 2012 and 2013, we received stock protection compensation in the amount of HK$7.5 million, HK$9.0 million, HK$7.3 million and HK$11.9 million respectively. According to the distributorship agreements between us and the mobile phone manufacturers, the price at which we resell to the retailers (i.e. the wholesale price) is primarily determined by the mobile phone manufacturers. The mobile phone manufacturers may vary the wholesale price in accordance with their sales strategy. In particular, the mobile phone manufacturers may reduce the wholesale price of older models when new models are being put to the market. In case of reduction in wholesale price affecting the mobile phones in our stock, the mobile phone manufacturers will provide us a retrospective reduction in price for the affected models of mobile phones still in our possession as inventory. Certain mobile phone manufacturers may also provide us with such a retrospective reduction in price for the affected mobile phones still in stock in our retail operation. Such stock protection compensation is accounted for as a reduction to our cost of inventory.

During each of the year ended 31 March 2012 and 2013, and the nine months ended 31 December 2012 and 2013, we received purchase rebate in the amount of HK$32.4 million, HK$69.2 million, HK$58.2 million and HK$56.6 million respectively. Such purchase rebate was provided by the mobile phone manufacturers in respect of sales of specified models of mobile phones.

During each of the year ended 31 March 2012 and 2013, and the nine months ended 31 December 2012 and 2013, we had purchase return in the amount of HK$0.6 million, HK$1.0 million, nil and HK$0.6 million respectively. Such purchase return was made in respect of defective products.

Gross profit and gross profit margin of our distribution business and our retail business

The following table sets out the gross profit and gross profit margin of our distribution business and our retail business during the Track Record Period:

	Year ended 31 March				**Nine months ended 31 December**			
	2012		**2013**		**2012**		**2013**	
	Distribution business	**Retail business**	**Distribution business**	**Retail business**	**Distribution business**	**Retail business**	**Distribution business**	**Retail business**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Revenue	383,863	163,819	318,971	479,775	229,553	369,312	316,355	353,862
Cost of inventories sold	(373,342)	(148,802)	(307,774)	(430,195)	(216,262)	(331,915)	(302,981)	(309,515)
Gross profit	10,521	15,017	11,197	49,580	13,291	37,397	13,374	44,347
Gross profit margin	2.7%	9.2%	3.5%	10.3%	5.8%	10.1%	4.2%	12.5%

As noted from the table above, the gross profit margins of our distribution business and our retail business had been relatively stable during the Track Record Period. In particular, we recorded increased gross profit margin of our retail business from 10.1% for the nine months ended 31 December 2012 to 12.5% for same period in 2013. The increase was mainly because there had been an increase in sales of one of the brand of mobile phones for which we also act as the distributor. Our distribution business and retail business together have synergy effect and we can bargain a lower price against the suppliers by purchase in bulk.

Segment results

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Provision of operation services to NWM	(44,395)	(26,475)	(24,801)	7,134
Retail sales of mobile phones to NWM Subscribers *(Note 1)*	5,933	28,327	23,736	27,483
Total segment results related to operation of NWM	(38,462)	1,852	(1,065)	34,617
Retail sales of mobile phones to other customers (non-NWM Subscribers) *(Note 1)*	1,007	1,198	1,064	1,389
Retail sales of pre-paid SIM cards	934	1,971	1,947	1,191
Other services income *(Note 2)*	245	3,336	2,083	3,145
Distribution of mobile phones	6,744	7,950	6,838	11,895
Paging and other telecommunications services	48,672	29,102	29,659	9,238
Segment results	19,140	45,409	40,526	61,475
Interest income	278	385	300	564
Finance costs	(3,021)	(4,352)	(3,205)	(2,914)
Reversal of impairment loss recognised in respect of interest in an associate	—	9,646	9,646	—
Share of results of an associate	—	12,983	8,787	16,836
Corporate expenses	(10,010)	(9,530)	(6,982)	(3,365)
Profit before tax	6,387	54,541	49,072	72,596

Notes:

1. Please note that these segment results figures set out above are for information only and have been arrived at based on proportion of certain operation expenses of the relevant operation.

2. Service incomes are generated from provision of promotion services to brands of mobile phones, and consignment sale of accessories in our shops, in retail business.

As illustrated from the table above, paging and other telecommunications services was the largest contributor to our segment results for the year ended 31 March 2012. For the year ended 31 March 2013 and the nine months ended 31 December 2013, retail sales of mobile phones and pre-paid SIM cards was the largest contributor to our segment results, while paging and other telecommunications services became less material to our segment results.

In respect of our distribution business and retail sales of mobile phones and pre-paid SIM cards, please refer to the paragraph headed "Gross profit and gross profit margin of our distribution business and our retail business" above in this section for further details.

Regarding the segment results of our paging and other telecommunications services, there was a decreasing trend during the Track Record Period and the decreasing trend was in line with the decrease in our revenue in this segment and the decrease in number of subscribers or users of our paging services and Mobitex based services due to the availability of various alternative means of mobile communication and sources of information. Our paging services and Mobitex based services, which had been launched to the market for about 40 years and 12 years respectively, could be rendered obsolete by the acceptance or development of substitute products or services. According to the Industry Report, the total number of paging receivers in Hong Kong has experienced a decrease during the last few years, making the paging market now a niche market with few subscribers and service providers.

Regarding the segment results of provision of operation services to NWM, we recorded negative segment results of HK$44.4 million and HK$26.5 million for the years ended 31 March 2012 and 2013 respectively. Such negative segment results were mainly because the customer base of NWM in the years ended 31 March 2012 and 2013 was relatively small while our service fee income from the provision of operation services to NWM is determined based on, among other things, the number of subscribers of NWM's mobile services and the relevant tariff plan. On the other hand, our cost of provision of the operation services mainly includes, among other things, manpower involved in administrative work, such as registering new customers for NWM, renewing tariff plans for customers of NWM, processing bills payment of customers of NWM and collecting mobile service fee from the customers of NWM in our shops. In 2012 and early 2013, as the number of customers of NWM and thus our service fee from NWM was not significant enough to cover our cost of services, we recorded negative segment results for this segment. Nevertheless, such negative segment results were reduced in the year ended 31 March 2013 and we started to record positive segment result of HK$7.1 million for the nine months ended 31 December 2013. This was mainly because of the increase in the number of customers of NWM and thus our service fee. With enlarged and stable customer base, our administrative and operational work became more cost-efficient and therefore resulted in positive segment result in the nine months ended 31 December 2013.

Staff cost

For each of the year ended 31 March 2012 and 2013, and the nine months ended 31 December 2012 and 2013, our staff costs amounted to HK$99.5 million, HK$119.1 million, HK$89.8 million and HK$79.6 million respectively, representing about 11.8%, 10.9%, 11.0% and 8.9% of our revenue respectively. As at 31 March 2012, 31 March 2013 and 31 December 2013, total number of staff of our Group were 405, 478 and 458 respectively. The increase in number of staff and thus our staff cost is in line with the growth in our business scale. In particular, about 52.4% of our staff as at 31 December 2013 were sales representatives at our shops and part of their salary is determined with reference to the sales revenue.

Other income

Our Group's other income mainly consists of management fee income, rental income and interest income during the Track Record Period. The following table sets out the breakdown of our other income during the Track Record Period:

	Year ended 31 March		**Nine months ended 31 December**	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income	278	385	300	564
Gain on disposal of plant and equipment	43	160	46	1,028
Management fee income	6,938	—	—	—
Rental income	3,164	3,559	2,707	2,646
Warehouse storage income	265	95	77	312
Others	2,046	2,626	2,178	673
	12,734	6,825	5,308	5,223

We received management fee from our related parties during the year ended 31 March 2012 which amounted to HK$6.9 million. Such management fee represented reimbursement to us for the cost of administrative work carried out by us for such related parties. Subsequent to 31 March 2012, we no longer had such management fee income because the related parties bear their own cost of administration.

We had received rental income from our investment property which was a residential unit in Macau. Subsequently in March 2014, we had disposed of such property and we no longer received rental income from such property. In addition, we also sublet part of our office premises, shops and cell sites to third parties for rental income.

We received gain on disposal of plant and equipment. There was an increase during the nine months ended 31 December 2013 as compared to the same period in 2012 which was mainly due to disposal of motor vehicles during the nine months ended 31 December 2013.

We also received warehouse storage income in respect of the stock of mobile phones that we arranged for warehousing for our suppliers. Such warehouse storage income is charged with reference to the quantity of stock that requires warehousing.

The rest of other income mainly consists of exchange difference and other miscellaneous income during the Track Record Period. There was a decrease in other income in the nine months ended 31 December 2013 as compared to the same period in 2012 because we received compensation upon demolition of one of our shops during the nine months ended 31 December 2012 whereas no such event occurred in the same period in 2013.

Other operating expenses

Our other operating expenses mainly consist of information costs, rental expenses, telecommunication operation fees, repair and maintenance and cost of replacement of pagers and Mango Devices during the Track Record Period. The following table sets out the breakdown of our other operating expenses during the Track Record Period.

	Year ended 31 March		**Nine months ended 31 December**	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Telecommunication operation fee	20,665	24,401	18,906	15,511
Information cost	52,252	35,960	27,704	22,693
Roaming charges	4,912	3,025	2,234	2,332
Repair and maintenance	11,019	11,448	7,428	9,201
Cost of replacement of pagers and Mango Devices	12,069	6,865	5,211	513
Advertising and promotional expenses	3,007	3,965	1,248	7,622
Rental expenses	39,593	48,874	37,771	39,570
Utilities	7,810	7,881	6,089	5,817
Bank charges	3,326	6,612	5,726	6,171
Others	28,004	33,058	20,451	21,305
	182,657	182,089	132,768	130,735

Telecommunication operation fee mainly comprised (i) the cost paid to the third party that operates call centre for our paging services; (ii) the cost paid to the third party that provides customer services support in addition to our own customer service team; and (iii) the cost paid to overseas carriers in connection with our IDD services. The telecommunication operation fee increased in the year ended 31 March 2013 and then decreased in the nine months ended 31 December 2013 as compared to the same period in 2012. This was mainly because we had carried out telemarketing activities through the call centre operator in early 2012 (under which the call centre operators called NWM Subscribers to promote different tariff plans and new models of mobile phones) which was then ended in March 2013 as the direct positive impact on our financial performance appeared not significant.

Information cost represented our cost paid to various information providers, including HKEx Information Services Limited in respect of information on the stock market, and the Hong Kong Jockey Club in respect of information on horse racing and football matches, in connection with our various telecommunications services. Such information cost decreased mainly because the number of subscribers for the information of the stock market decreased and therefore the usage of such information also decreased.

Repair and maintenance cost mainly represents the cost of repair and refurbishment of the pagers and Mango Devices. We engaged our related party, TSO, to repair and refurbish the pagers and Mango Devices. We leased refurbished devices to the subscribers for our paging and Mobitex based services.

Cost of replacement of pagers and Mango Devices represented the cost of the relevant refurbished devices that we provide to the users in exchange for their old and obsolete devices. As we provided newly refurbished devices to most of the users in exchange for their old devices in the year ended 31 March 2012, the cost of replacement of pagers and Mango Devices was relatively substantial in the year ended 31 March 2012 and was lower subsequently.

Rental expenses mainly represented the rentals for our shops. We had 41 shops, 50 shops and 50 shops as at 31 March 2012, 31 March 2013 and 31 December 2013 respectively. The increase in rental expenses was mainly because of the increase in number of our shops and the increase in rental rate.

Utilities charges mainly represented cost of electricity used in our operation.

Bank charges mainly represents the charges paid to various institutions in connection with the collection of billings from our customers as well as the customers of NWM (for which we act as operation service provider and we provide, among other things, billing, payment and debt collection services). In the course of our operation and the operation of NWM, there are various means of collecting customers' subscription fee including EPS, credit cards and Octopus. We pay to the relevant institutions an administrative fee which varies according to the amount of payment being processed through the relevant means.

Reversal of impairment loss recognised in respect of interest in an associate

We recorded reversal of impairment loss recognised in respect of interest in the associate of HK$9.6 million for the year ended 31 March 2013.

We own 40% interest in NWM and we account for NWM as an associate in our financial statements. NWM was established in 2008. The share capital of NWM amounted to HK$41.6 million, of which HK$25.0 million has been contributed by CSL and HK$16.6 million has been contributed by our Group. Since its establishment and prior to the year ended 31 March 2012, NWM had been making loss. In accordance with our accounting policy, our investment in NWM of HK$16.6 million had been deducted by our share of post-acquisition results, net of dividends received which amounted to approximately HK$7.0 million as at 31 March 2012, and the balance of our investment of HK$9.6 million had been fully written off prior to the Track Record Period. The financial year ended 31 March 2012 was the first year that NWM started to record net profit. For sake of prudence, we did not reverse the aforesaid impairment until the year ended 31 March 2013 when it was the second consecutive year that NWM recorded net profit. As a result, during the year ended 31 March 2013, we recorded reversal of impairment loss recognised in respect of interest in an associate of HK$9.6 million.

Share of results of an associate

We recorded share of results of NWM of nil, HK$13.0 million, HK$8.8 million and HK$16.8 million for each of the years ended 31 March 2012, 2013 and the nine months ended 31 December 2012 and 2013, representing approximately nil, 23.8%, 17.9% and 23.2% of our profit before tax of the respective years/period. The amount represents our share of results of NWM. Set out below is the revenue and net profit of NWM, our share of results of NWM and the dividends that we received in the respective year/period.

	Year ended 31 March		**Nine months ended 31 December**
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Revenue of NWM	182,130	373,723	389,988
Profit and total comprehensive income of NWM	2,184	32,458	42,090
Our share of results of NWM	—	12,983	16,836
Dividends we received from NWM	—	—	11,880

It is noted that the revenue and profit of NWM has been increasing since 2012. It was mainly because the number of subscribers to the mobile service of NWM increased significantly during the year ended 31 March 2013 and the nine months ended 31 December 2013. According to the Industry Report, it is estimated that the number of subscribers for the mobile service of NWM was about 487,000 as at 31 December 2011, about 597,000 as at 31 December 2012, and about 682,000 as at 31 December 2013. The increase of NWM's revenue in the year ended 31 March 2013 was mainly because in the first quarter of 2012, NWM put forward the tariff plan of HK$72 per month for 3G services. Such tariff plan became popular as it offers user accessibility to the Internet with their mobile phone at a relatively affordable price. The increase of NWM's revenue in the nine months ended 31 December 2013 was mainly because, during the fourth quarter of 2013, NWM put forward new tariff plans of "4G Lite" services at various downloading speed (ranging from 1 Mbps to 3 Mbps) at various rate (ranging from HK$100 to HK$200 per month). These plans attract customers who demand for higher speed.

NWM's operating costs mainly comprised service fee payable to our Group for the provision of operation services and network charges payable to CSL for the supply of network services, which were calculated with reference to the number of NWM's mobile service subscribers and the tariff plans. After deducting the operating costs, the profit and total comprehensive income of NWM also increased accordingly along with the increase in revenue of NWM.

Financial costs

Financial costs of our Group mainly consist of interest expenses on bank borrowings and bank overdrafts. The following table sets out our Group's financial costs during the Track Record Period:

	Year ended 31 March		**Nine months ended 31 December**	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Loan interest	2,867	4,230	3,103	2,914
Others	154	122	102	—
	3,021	4,352	3,205	2,914

Income tax expense

Pursuant to the rules and regulations of the Cayman Islands, our Group is not subject to any income tax in the Cayman Islands.

For the Track Record Period, Macau Complementary Income Tax was charged at the progressive rate on the estimated assessable profit.

For the Track Record Period, Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits.

As at the Latest Practicable Date, our Group has paid all relevant taxes that were due and was not aware of any tax dispute or unresolved tax issue.

REVIEW OF HISTORICAL OPERATING RESULTS

Nine months ended 31 December 2013 compared with the nine months ended 31 December 2012

Revenue

Our revenue increased from HK$815.8 million for the nine months ended 31 December 2012 to HK$890.5 million for the nine months ended 31 December 2013, representing an increase of approximately 9.2%. The increase was mainly brought by the increase in revenue from our distribution business and the increase in income from provision of operation services to NWM.

For the nine months ended 31 December 2013, our revenue from retail business decreased by 4.2% as compared to the same period in 2012, from HK$369.3 million to HK$353.9 million. The decrease was mainly because one of the brands of handsets in our product mix has slowed down their pace of updating new models of handsets.

Our revenue from the distribution business increased from HK$229.6 million for the nine months ended 31 December 2012 to HK$316.4 million for the nine months ended 31 December 2013, representing an increase of approximately 37.8%. Number of mobile phones sold in our distribution business increased from about 107,500 units to about 115,500 units. Such increase was mainly driven by the strong market demand for handsets of such mobile phone manufacturers, and that new models of mobile phones were being put to the market by such mobile phone manufacturers to stimulate market demand.

Our revenue from the provision of operation services to NWM increased from HK$77.9 million for the nine months ended 31 December 2012 to HK$117.8 million for the nine months ended 31 December 2013, representing an increase of approximately 51.2%. The increase was mainly because, during the fourth quarter of 2013, NWM put forward new tariff plans of “4G Lite” services at various downloading speed (ranging from 1 Mbps to 3 Mbps) at various rate (ranging from HK$100 to HK$200 per month). These plans attract customers who demand for higher speed. According to the Industry Report, it is estimated that the number of subscribers increased from about 597,000 as at 31 December 2012 to about 682,000 as at 31 December 2013.

Our revenue from the paging and other telecommunications services decreased from HK$139.1 million for the nine months ended 31 December 2012 to HK$102.4 million for the nine months ended 31 December 2013, representing a decrease of approximately 26.4%. Such decrease was mainly brought by the decrease in users of our paging and Mobitex based services as there are more and more substitute sources of information and means of mobile communications.

Cost of inventories sold

Our cost of inventories increased from HK$555.3 million for the nine months ended 31 December 2012 to HK$613.3 million for the nine months ended 31 December 2013, representing an increase of approximately 10.4%. The increase was mainly because there had been an increase in revenue from our distribution business, units of mobile phones sold and average wholesale price of mobile phones sold in our distribution business.

Staff costs

Our staff cost decreased from HK$89.8 million for the nine months ended 31 December 2012 to HK$79.6 million for the nine months ended 31 December 2013, representing a decrease of approximately 11.4%. Our staff cost for the nine months ended 31 December 2012 and 2013 represented about 11.0% and 8.9% of our revenue of the corresponding period. Such decrease in staff cost was because there had been a decrease in directors' remuneration and decrease in sales representatives commission in respect of decrease in retail sales revenue during the nine months ended 31 December 2013.

Depreciation

Our depreciation cost increased from HK$9.4 million for the nine months ended 31 December 2012 to HK$13.5 million for the nine months ended 31 December 2013, representing an increase of approximately 43.6%. The increase in depreciation was mainly due to the addition of our plant and equipment during the nine months ended 31 December 2013 as brought by the refurbishment of our shops. During the nine months ended 31 December 2013, we had 4 existing shops and 1 new shop refurbished. This resulted in increase of the cost of leasehold improvement and furniture and fixtures and thus the depreciation charges.

Other income

Other income decreased from HK$5.3 million for the nine months ended 31 December 2012 to HK$5.2 million for the nine months ended 31 December 2013, representing a decrease of approximately 1.9%. Such decrease was mainly because we received compensation upon demolition of one of our shops during the nine months ended 31 December 2012 whereas no such event occurred in the same period in 2013; and partly netted off by increase in gain on disposal of motor vehicles during the nine months ended 31 December 2013.

Other operating expenses

Other operating expenses decreased from HK$132.8 million for the nine months ended 31 December 2012 to HK$130.7 million for the nine months ended 31 December 2013, representing a decrease of approximately 1.6%. Such decrease was mainly brought by the decrease in telecommunication operation fee, decrease in information cost, and was partly off-set by the increase in advertising and promotional expenses. The decrease in telecommunication operation fee was mainly because we ended our telemarketing activities (under which the call centre operators called NWM Subscribers to promote different tariff plans and new models of mobile phones) in March 2013 as the direct positive impact on our financial performance appeared not significant. The decrease in information cost was mainly because of the decrease in subscribers for our Mobitex based services for the stock market information. As such information was obtained from the HKEx Information Services Limited and the related information cost is charged by reference to usage of the information, the decrease in number of subscribers for the relevant services and thus the decrease in usage of information led to the decrease in information cost. The decrease in telecommunication operation fee and the decrease in information cost was partly off-set by the increase in promotional and marketing expenses by HK$6.4 million. During the nine months ended 31 December 2013, we carried out promotional and marketing activities including distribution of gifts and promotional products.

Finance costs

Finance cost decreased from HK$3.2 million for the nine months ended 31 December 2012 to HK$2.9 million for the nine months ended 31 December 2013, representing a decrease of approximately 9.4%. Such decrease was mainly because part of our bank loans amounting to approximately HK$59.0 million was only drawn in the fourth quarter of 2013.

Income tax expenses

Our income tax expenses increased from HK$4.0 million for the nine months ended 31 December 2012 to HK$4.9 million for the nine months ended 31 December 2013, representing an increase of approximately 22.5%. The increase was mainly because of the increase in profit before tax. Our effective tax rate was about 8.2% for the nine months ended 31 December 2012 and 6.8% for the nine months ended 31 December 2013. Although majority of our profit has been derived in Hong Kong and was subject to income tax of 16.5%, our effective tax rate was lower than 16.5% mainly because we had tax loss to set off our chargeable tax. It is estimated that our tax losses was about HK$49.4 million and HK$24.4 million as at 31 March 2013 and 31 December 2013 respectively. In addition, during the nine months ended 31 December 2012, we had an income from reversal of impairment loss recognised in respect of interest in an associate of approximately HK$9.6 million and such income was not taxable.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the nine-month period increased by approximately HK$22.6 million, or 50.1%, from approximately HK$45.1 million for the nine months ended 31 December 2012 to approximately HK$67.7 million for the nine months ended 31 December 2013.

Our net profit margin also increased from 5.5% for the nine months ended 31 December 2012 to 7.6% for the nine months ended 31 December 2013 due to the aggregated effects of all of the foregoing.

Year ended 31 March 2013 compared to year ended 31 March 2012

Revenue

Our revenue increased from HK$840.2 million for the year ended 31 March 2012 to HK$1,091.1 million for the year ended 31 March 2013, representing an increase of approximately 29.9%. Such increase was mainly brought by the increase in revenue from retail sales of mobile phones and pre-paid SIM cards, and increase in revenue from provision of operation services to NWM.

Our revenue from the retail business increased from HK$163.8 million for the year ended 31 March 2012 to HK$479.8 million for the year ended 31 March 2013, representing an increase of approximately 192.9%. During the year ended 31 March 2012, we offered handsets of a few brand names and the product mix offered in our shops focused at low-end products, being the relatively economical models with less-advanced features. During the year ended 31 March 2013, we offered handsets of more brand names in our shops, including Sony, LG, Samsung and HTC. As boosted by the strong market demand for smartphones and the keen competition amongst mobile phone manufacturers, updated and new models of smartphones have been put to the market by the manufacturers at a fast pace. For certain particular brands, new models are being put to the market every 3 to 6 months. With new models put to the market, consumers are stimulated to purchase the latest models of smartphones, leading to the increase in market demand and our revenue.

Revenue from our distribution business decreased from HK$383.9 million for the year ended 31 March 2012 to HK$319.0 million for the year ended 31 March 2013, representing a decrease of approximately 16.9%. Such decrease was mainly due to the decrease in revenue from distribution of Motorola handsets.

Revenue from the provision of operation services to NWM increased from HK$55.0 million for the year ended 31 March 2012 to HK$113.2 million for the year ended 31 March 2013, representing an increase of approximately 105.8%. The increase was mainly due to the increase of subscribers of NWM mobile services. In the first quarter of 2012, NWM put forward the tariff plan of HK$72 per month for 3G services. Such tariff plan became popular as it offers user accessibility to the Internet with their mobile phone at a relatively affordable price. According to the Industry Report, it is estimated that the number of subscribers of NWM's mobile service increased from about 487,000 as at 31 December 2011 to about 597,000 as at 31 December 2012.

Our revenue from the paging and other telecommunications services decreased from HK$237.5 million for the year ended 31 March 2012 to HK$179.1 million for the year ended 31 March 2013, representing a decrease of approximately 24.6%. Such decrease was mainly brought by the decrease in users of our paging and Mobitex based services.

Cost of inventories sold

Our cost of inventories increased from HK$549.4 million for the year ended 31 March 2012 to HK$747.5 million for the year ended 31 March 2013, representing an increase of approximately 36.1%. The increase was mainly because of the increase in cost of mobile phones sold in our retail business, the increase in number of mobile phones sold in our retail business from about 58,000 units to about 132,300 units and the increase in average price per unit. Moreover, the number of our shop outlets also increased from 41 shops as at 31 March 2012 to 50 shops as at 31 March 2013.

Staff costs

Our staff costs increased from HK$99.5 million for the year ended 31 March 2012 to HK$119.1 million for the year ended 31 March 2013, representing an increase of approximately 19.7%. The number of headcount increased from 401 to 474 (being our permanent staff excluding Directors). It was because as the number of our shops increased, we hired more sales representatives for operation at our shops. In addition, as the revenue from retail operation increased, the sales commission that we paid to our sales persons also increased.

Depreciation

Our depreciation charges increased from HK$11.9 million for the year ended 31 March 2012 to HK$13.0 million for the year ended 31 March 2013, representing an increase of approximately 9.2%. The increase in depreciation was mainly due to the addition of our plant and equipment during the year ended 31 March 2013 which was mainly brought by the refurbishment of our existing shops and establishment of new shops. During the year ended 31 March 2013, we had 17 shops refurbished and 15 shops opened. This resulted in increase in the cost of leasehold improvement and furniture and fixtures and thus the depreciation charges.

Other income

Other income decreased from HK$12.7 million for the year ended 31 March 2012 to HK$6.8 million for the year ended 31 March 2013, representing a decrease of approximately 46.5%. Such decrease was mainly because we received management fee from our related parties during the year ended 31 March 2012 which amounted to HK$6.9 million but we did not receive such fee in the year ended 31 March 2013. Such management fee represented reimbursement to us for the cost of administrative work carried out by us for such related parties. Subsequent to 31 March 2012, we no longer had such management fee income because the related parties bear their own cost of administration.

Other operating expenses

Other operating expenses slightly decreased from HK$182.7 million for the year ended 31 March 2012 to HK$182.1 million for the year ended 31 March 2013, representing a decrease of approximately 0.3%. The slight decrease was mainly brought by the decrease in information cost and decrease in cost of replacement of pagers and Mango Devices, and partly off-set by the increase in rental expenses and the increase in telecommunication operation fee. The decrease in information cost was mainly due to the decrease in financial data charges by the HKEx Information Services Limited by reference to the usage of information. Because of the declining number of subscribers for the relevant services and thus the decrease in usage of information the information cost decreased. The decrease in the cost of replacement of pagers and Mango Devices was mainly because we had provided refurbished devices to most of the subscribers of our relevant services in exchange for their old devices during the year ended 31 March 2012 and therefore such expenses in 2013 were lower than that in 2012. The increase in telecommunication operation fee was mainly due to the increase in cost paid to the party which operated our call centre as we carried out telemarketing activities (under which the call centre operators called NWM Subscribers to promote different tariff plans and new models of mobile phones) during the year ended 31 March 2013. The increase in rental expenses was mainly due to the increase in number of our shops from 41 shops as at 31 March 2012 to 50 shops as at 31 March 2013.

Finance costs

Finance costs increased from HK$3.0 million for the year ended 31 March 2012 to HK$4.4 million for the year ended 31 March 2013, representing an increase of approximately 46.7%. It was mainly because, along with the growth in our business scale, our total borrowings and overdrafts increased from HK$173.2 million as at 31 March 2012 to HK$190.2 million as at 31 March 2013.

Income tax credit (expense)

We had income tax credit of HK$520,000 for the year ended 31 March 2012. It was mainly because we deferred tax credit of approximately HK$1.6 million arising from the accelerated tax depreciation.

We had income tax expenses of HK$4.2 million for the year ended 31 March 2013, representing an effective tax rate of 7.7%. Although the majority of our income was derived in Hong Kong, our effective tax rate during the year ended 31 March 2013 was lower than the income tax rate in Hong Kong of 16.5%. It was mainly because of the tax effect of share of results of an associate of HK$13.0 million and the utilisation of tax losses previously not recognised as deferred tax assets.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by approximately HK$43.5 million, or 630.4%, from approximately HK$6.9 million for the year ended 31 March 2012 to approximately HK$50.4 million for the year ended 31 March 2013.

Our net profit margin also increased from 0.8% for the year ended 31 March 2012 to 4.6% for the year ended 31 March 2013 due to the aggregated effects of all the foregoing. This was mainly because (i) our distribution business was the largest contributor to our revenue in 2012 and that the gross profit margin for distribution business was relatively thin which our Directors consider is an industry norm. For the year ended 31 March 2013, our retail business replaced our distribution business as our largest revenue contributor. As the gross profit margin of retail business was higher than that of distribution business, our overall net profit margin improved in 2013; (ii) our business segment of provision of operation services to NWM recorded negative segment results of HK$44.4 million for the year ended 31 March 2012, which was reduced to HK$26.5 million for the year ended 31 March 2013. Such negative segment results had led to our thin net profit margin in 2012. The negative segment results was mainly because the customer base of NWM in 2012 was relatively small and therefore our revenue from provision of operation services to NWM (which is determined based on the number of subscribers of NWM's mobile service and the relevant tariff plan) could not cover our cost; and (iii) we recorded reversal of impairment loss recognised in respect of our interest in an associate of HK$9.6 million in 2013 and we started to record share of results of associate of HK$13.0 million, which also led to the improvement of net profit margin in 2013.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

During the Track Record Period, the principal sources of liquidity and capital resources of our Group were bank borrowings. After Listing, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt and equity financings and the net proceeds of the Placing.

Cash flow of our Group

The following table sets out a summary of our Group's combined statements of cash flows for the periods indicated:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Net cash (used in) generated from operating activities	(65,543)	16,687	9,876	14,900
Net cash used in investing activities	(32,122)	(79,523)	(61,391)	(35,500)
Net cash generated from financing activities	82,256	72,233	72,184	24,506
Net (decrease) increase in cash and cash equivalents	(15,409)	9,397	20,669	3,906
Cash and cash equivalents at the beginning of the year/period	15,205	(280)	(280)	9,070
Effect of foreign exchange rate changes	(76)	(47)	31	64
Cash and cash equivalents at the end of the year/period	(280)	9,070	20,420	13,040

Net cash (used in) generated from operating activities

Our Group derives its cash from operating activities from receipt of payments for provision of its services and retail and distribution businesses. Our Group's cash used in operating activities is principally for purchase of mobile phones, payment of staff cost and other operating expenses.

During the Track Record Period, our net cash flow used in operating activities reflected profit before tax adjusted for income tax paid or refund, finance costs, non-cash items such as depreciation, gain on disposal of property, plant and equipment, loss on written off of plant and equipment, and reversal of impairment loss recognised in respect of interest in an associate and changes in working capital.

Nine months ended 31 December 2013

In the nine months ended 31 December 2013, our Group had net cash generated from operating activities of approximately HK$14.9 million.

Profit before tax for the period was approximately HK$72.6 million. Adjustments were primarily attributable to a combined result of (i) depreciation expenses in the amount of approximately HK$13.5 million; (ii) finance costs of approximately HK$2.9 million; and netted off by (iii) non-cash items of gain on disposal of plant and equipment in the amount of approximately HK$1.0 million; and (iv) share of results of an associate of approximately HK$16.8 million resulting in operating cash flow before changes in working capital of approximately HK$71.8 million. Changes in working capital represented a net decrease of approximately HK$56.9 million in cash, mainly as a result of (i) the decrease in trade and other payables of approximately HK$204.5 million primarily due to the refund of a receipt in advance to an Independent Third Party due to the termination of a proposed acquisition of telecommunication equipments by us on behalf of such Independent Third Party; (ii) the increase in inventories of HK$46.6 million as we stocked up more inventories of mobile phones to meet the expected increase in demand during the Chinese New Year holidays; netted off with (iii) the decrease in trade and other receivables of approximately HK$202.4 million primarily due to the refund of a deposit by the equipment supplier due to the termination of the proposed acquisition of telecommunication equipments by us on behalf of the Independent Third Party.

Year ended 31 March 2013

For the year ended 31 March 2013, we had net cash generated from operating activities of approximately HK$16.7 million. Profit before tax for the year was approximately HK$54.5 million. Adjustments were primarily attributable to a combined result of (i) depreciation and impairment expenses in the amount of approximately HK$13.0 million; (ii) finance costs of approximately HK$4.4 million; (iii) non-cash items of loss on written off of plant and equipment in the amount of approximately HK$1.9 million; (iv) allowance for inventories of approximately HK$2.2 million; netted off by (v) effect of reversal of allowances for inventories of HK$1.5 million; (vi) reversal of impairment loss recognised in respect of interest in an associate of HK$9.6 million; and (vii) share of results of an associate of HK$13.0 million, resulting in operating cash flow before changes in working capital of approximately HK$51.7 million. Changes in working capital represented a net decrease of approximately HK$35.0 million in cash, mainly as a result of (i) the increase in trade and other receivables of approximately HK$189.6 million primarily due to a deposit to the Equipment Supplier for an acquisition of telecommunication equipments on behalf of an Independent Third Party; (ii) the increase in inventories of HK$11.5 million as we need to maintain more stock of mobile phones, pre-paid SIM cards for our retail operations upon the business expansion; netted off with (iii) the increase in trade and other payables of approximately HK$168.8 million due to a receipt in advance from an Independent Third Party for the proposed acquisition of telecommunication equipments on behalf by us.

Year ended 31 March 2012

For the year ended 31 March 2012, we had net cash used in operating activities of approximately HK$65.5 million. Profit before tax for the year was approximately HK$6.4 million. Adjustments were primarily attributable to a combined result of (i) depreciation and impairment expenses in the amount of approximately HK$11.9 million; (ii) finance costs of approximately HK$3.0 million; (iii) noncash items of loss on written off of plant and equipment in the amount of approximately HK$5.1 million; (iv) allowance for inventories of approximately HK$3.5 million; netted off with (v) effect of reversal of allowances for inventories of HK$1.7 million resulting in operating cash flow before changes in working capital of approximately HK$28.2 million. Changes in working capital represented a net decrease of approximately HK$93.7 million in cash, mainly as a result of (i) the increase in trade and other receivables of approximately HK$7.6 million primarily due to the expansion of our scale of business and the increase in our revenue; (ii) the increase in inventories of HK$22.3 million due to the business expansion; and (iii) the decrease in trade and other payables of approximately HK$64.0 million primarily because we fasten our settlement of trade payables with suppliers in order to secure our purchases.

Net cash used in investing activities

Our Group's investing activities primarily consist of purchase of plant and equipment, repayment from or advance to directors, repayment from or advance to related companies, placement of deposit paid for acquisition of plant and equipment, placement of pledged bank deposits and dividend received from an associate.

Nine months ended 31 December 2013

Net cash used in investing activities for the nine months ended 31 December 2013 was approximately HK$35.5 million. It was primarily a result of (i) addition of plant and equipment, mainly comprised installment of billing systems, renovation work in leasehold improvement of shops and addition of motor vehicles, of approximately HK$17.7 million, in respect of our expansion of business scale; (ii) advance to directors of approximately HK$32.8 million; and partly netted off by (iii) dividend received from an associate of approximately HK$11.9 million.

Year ended 31 March 2013

Net cash used in investing activities for the year ended 31 March 2013 was approximately HK$79.5 million. It was primarily a result of (i) acquisition of leasehold improvement and furniture and fixtures in relation to refurnishing of our retail shops and addition of motor vehicles during the year of approximately HK$20.8 million,which was in line with our expansion of business scale; (ii) advance to directors of approximately HK$29.1 million, (iii) placement of deposit paid for acquisition of billing systems, of approximately HK$4.3 million, (iv) placement of pledge bank deposit as security of bank borrowing for working capital use, of approximately HK$5.4 million; and (v) advance to related companies of approximately HK$22.9 million.

Year ended 31 March 2012

Net cash used in investing activities for the year ended 31 March 2012 was approximately HK$32.1 million. It was primarily a result of (i) advanced to a related company of approximately HK$23.1 million; (ii) acquisition of leasehold improvement and furniture and fixtures in relation to refurnishing of our retail shops and addition of motor vehicles during the year, of approximately HK$4.7 million; and (iii) placement of pledged bank deposit as securities for bank borrowings of approximately HK$4.6 million.

Net cash generated from financing activities

Our Group mainly derived our cash inflow generated from financing activities such as advances from related companies and bank borrowings and incurred cash outflows in financing activities in relation to repayment of finance lease and outstanding balances with related companies.

Nine months ended 31 December 2013

Net cash generated from financing activities for the nine months ended 31 December 2013 was approximately HK$24.5 million. This was mainly because (i) our Group raised bank borrowings of approximately HK$434.4 million for working capital purpose, in respect of our Group business development; partly netted off by (ii) repayment of bank borrowings of approximately HK$338.1 million; and (iii) repayment to related companies of approximately HK$68.8 million.

Year ended 31 March 2013

Net cash generated from financing activities for the year ended 31 March 2013 was approximately HK$72.2 million and was primarily a result of (i) the bank borrowings raised of approximately HK$67.7 million, for working capital purpose, in respect of our Group business development; (ii) advance from related companies of approximately HK$63.7 million; and partly netted off by (iii) repayment of bank borrowings of approximately HK$53.5 million; and (iv) interests paid of approximately HK$4.4 million.

Year ended 31 March 2012

Net cash generated from financing activities for the year ended 31 March 2012 was approximately HK$82.3 million and was primarily a result of (i) the bank borrowings raised of approximately HK$70.3 million, for working capital purpose, in respect of our Group business development; (ii) advance from related companies of approximately HK$71.1 million; and partly netted off by (iii) repayment of bank borrowing of approximately HK$33.9 million; and (iv) dividend paid of approximately HK$23.2 million.

Net current (liabilities) assets

The following table sets out the breakdown of our current assets, current liabilities and net current (liabilities) assets as at the dates indicated:

	As at 31 March		As at 31 December	As at 31 March
	2012	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Current assets				
Inventories	55,320	66,097	106,712	82,396
Trade and other receivables	47,165	236,792	34,431	45,146
Amounts due from related companies	251,986	268,595	206,247	55,931
Amount due from an associate	5,254	7,612	14,897	5,539
Amounts due from directors	—	29,100	61,872	116,366
Tax recoverable	1,501	267	267	—
Pledged bank deposits	4,649	7,657	8,037	9,761
Bank balances and cash	3,202	15,374	16,841	12,236
	369,077	631,494	449,304	327,375
Current liabilities				
Trade and other payables	139,707	310,632	106,162	112,300
Amounts due to directors	1,300	—	—	—
Amounts due to related companies	75,532	130,825	739	862
Bank overdrafts	3,482	6,304	3,801	7,447
Bank borrowings	169,725	183,942	280,180	143,268
Tax payables	626	3,065	6,718	2,072
	390,372	634,768	397,600	265,949
Net current (liabilities) assets	(21,295)	(3,274)	51,704	61,426

We recorded net current liabilities of HK$21.3 million and HK$3.3 million as at 31 March 2012 and 31 March 2013, and net current assets of HK$51.7 million and HK$61.4 million as at 31 December 2013 and 31 March 2014.

Our net current liabilities decreased from approximately HK$21.3 million as at 31 March 2012 to approximately HK$3.3 million as at 31 March 2013, and we recorded net current assets of approximately HK$51.7 million as at 31 December 2013. The improvement in our financial position is mainly attributable to (i) increase in trade receivables with the expansion of our scale of business and the increase in our revenue; (ii) decrease in trade payable with faster settlement by us in order to secure our purchases; and (iii) increase in cash and inventories as a result of continued growth of our business.

Our Directors confirmed that we had no defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of finance covenants during the Track Record Period.

WORKING CAPITAL SUFFICIENCY

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank loans and other facilities and the estimated net proceeds from the Placing, our Directors are of the opinion that, and the Sole Sponsor concurs that, we have sufficient working capital for our working capital requirement for at least the next 12 months from the date of this prospectus.

DESCRIPTION ON MAJOR COMPONENTS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventory

The inventories of our Group mainly consist of mobile phones, pre-paid SIM cards, pagers and Mango Devices. The following table sets out the breakdown of our inventory by nature:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Mobile phones	44,705	58,249	100,567
Pre-paid SIM cards	4,291	4,451	6,119
Pagers	3,544	1,170	26
Mango Devices	2,780	2,227	—
Total	55,320	66,097	106,712

Inventories are initially recognised at cost and net realisable value. Costs of inventories are calculated using the first-in first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Mobile phones are the major items in our inventories. Our inventories increased from HK$55.3 million as at 31 March 2012 to HK$66.1 million as at 31 March 2013. Such increase was mainly brought by the increase in mobile phones. As the number of our shops also increased from 41 shops as at 31 March 2012 to 50 shops as at 31 March 2013, we need to maintain more stock of mobile phones and pre-paid SIM cards for our retail operations. Our inventories further increased to HK$106.7 million as at 31 December 2013. It was mainly because we stocked up more inventories of mobile phones to meet the expected increase in demand during the Chinese New Year holidays.

Our inventory of pagers decreased from HK$3.5 million as at 31 March 2012, to HK$1.2 million as at 31 March 2013, and further to HK$26,000 as at 31 December 2013. Such decrease was mainly because, since late 2013, we have provided leased pagers to most of our customers who newly join our paging services or renew their contracts rather than selling them the pagers. Accordingly, we only need to maintain a relatively low level of inventory of pagers.

Our inventory of Mango Devices decreased from HK$2.8 million as at 31 March 2012, to HK$2.2 million as at 31 March 2013, and further to nil as at 31 December 2013. It was because, since late 2013, we no longer sell Mango Devices to customers, rather, we rent the Mango Devices to the relevant subscribers. Accordingly, we reclassified our inventory of Mango Devices to our plant and equipment in our financial statements.

The following table sets out the inventory turnover days during the Track Record Period:

	Year ended 31 March		**Nine months ended 31 December**
	2012	**2013**	**2013**
Inventory turnover days *(Note)*	25	25	33

Note: Inventory turnover days is calculated based on average balance of inventory divided by purchase of the year/period for the relevant year/period, multiplied by 366 days for the year ended 31 March 2012, 365 days for the year ended 31 March 2013, and 275 days for the nine months ended 31 December 2013. The average balance of inventory is the inventory at the beginning of the period plus the inventory at the end of the period with the sum divided by two.

Our number of inventory turnover days had been stable for the years ended 31 March 2012 and 2013, being 25 days for both years. The number of average turnover days in the nine months ended 31 December 2013 was relatively higher than that in 2012 and 2013. It was mainly because we stocked up more inventory of mobile phones in December 2013 to meet the expected increase in market demand during the coming Chinese New Year holiday.

The ageing analysis of inventory as at 31 December 2013 is shown in the following table:

	Mobile phones	Pre-paid SIM cards	Pagers	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	82,524	6,119	26	88,669
Over 3 months but within 6 months	17,931	—	—	17,931
Over 6 months but within 1 year	—	—	—	—
Over 1 year	112	—	—	112
Total	100,567	6,119	26	106,712

The management of our Group assesses the net realisable value and reviews an ageing analysis at the end of the reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. Our Group's quantitative basis to determine allowance for inventories is based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2012, and 2013 and 31 December 2013, there were provision for obsolete inventory of approximately HK$3.7 million, HK$4.4 million and nil.

We do not have goods return policy for unsold obsolete goods because (i) any such goods return policy cannot be unilaterally formulated by us without the consent of the various suppliers; and (ii) the mobile phones we sell under our distribution and retail operations, which generally comprise 80% to 90% of our inventory, are not slow-moving goods and are not likely to become obsolete nor not suitable for use or sale.

As at the Latest Practicable Date, approximately 90.3% of our inventory as at 31 December 2013 have been sold.

Trade and other receivables

The following table sets out our trade and other receivables as at the respective dates:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	16,130	19,115	9,260
Other receivables	10,494	8,686	8,512
Deposits	11,889	205,323	14,938
Prepayment	8,716	3,732	1,785
	47,229	236,856	34,495
Less: impairment loss recognised in respect of trade receivables	(64)	(64)	(64)
	47,165	236,792	34,431

We do not hold any collateral over these balances.

Trade receivables

Our trade receivables increased from HK$16.1 million as at 31 March 2012 to HK$19.1 million as at 31 March 2013. Such increase was in line with the expansion of our scale of business and the increase in our revenue. Our trade receivables then decreased from HK$19.1 million as at 31 March 2013 to HK$9.3 million as at 31 December 2013 because our customers settled their outstanding balances within a shorter period of time.

An ageing analysis of our trade receivables, based on invoice date, is set out below:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	15,666	18,703	8,679
91–180 days	292	289	472
181–365 days	93	44	31
Over 365 days	15	15	14
	16,066	19,051	9,196

An ageing analysis of our trade receivables that were past due but not impaired is as follows:

	Within 30 days	**31–90 days**	**91–180 days**	**181–365 days**	**Over 365 days**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2012	1,045	744	193	93	15	2,090
As at 31 March 2013	975	575	289	44	15	1,898
As at 31 December 2013	1,071	446	472	31	14	2,034

We generally allow an average credit period ranging from 7 to 30 days to our trade customers, who are mainly retailers of mobile phones. As shown in the table above, amongst our trade receivables within 90 days, about HK$1.8 million, HK$1.6 million and HK$1.5 million as at each of 31 March 2012, 31 March 2013 and 31 December 2013 were past due but not impaired. Although a small portion of our trade receivables were past due as of the reporting date, we did not recognise any impairment loss because there has not been a significant change in the credit quality of the customers and we still consider such amounts are recoverable.

The following table sets out our trade receivables turnover days during the Track Record Period:

	Year ended 31 March 2012	**2013**	**Nine months ended 31 December 2013**
Trade receivables turnover days *(Note)*	19	20	16

Note: Trade receivables turnover days is calculated based on the average balance of trade receivables, net of provision on impairment, divided by revenue for the year/period, multiplied by 366 days for the year ended 31 March 2012, 365 days for the year ended 31 March 2013, and 275 days for the nine months ended 31 December 2013. The average balance of trade receivables is the balance at the beginning of the period plus the balance at the end of the period with the sum divided by two.

Our number of trade receivables turnover days were stable during the Track Record Period and were 19 days, 20 days and 16 days for the years ended 31 March 2012 and 2013 and for the nine months ended 31 December 2013, respectively.

As at the Latest Practicable Date, approximately 99.5% of our Group's trades receivable as at 31 December 2013 had been settled.

Other receivables, deposits and prepayment

Our other receivables mainly represented receivables from various institutes involved in collection of billings from customers, including credit card companies and Octopus. Such institutes transfer to us the amount of billings collected on our behalf regularly after cross-checking the amount of billings with us.

Our deposits represented rental deposits and utility deposits. Besides, as at 31 March 2013, there was a sum of approximately HK$190.1 million included in the balance of deposits, which was a deposit for the acquisition of equipment on behalf of an Independent Third Party. During the year ended 31 March 2013, an Independent Third Party (the "Equipment Buyer") which is also engaged in telecommunication business tried to procure certain telecommunication equipments comprising wireless communication terminals and modems through us as we have the knowledge and contacts of the supplier (the "Equipment Supplier") of such specialised telecommunication equipments and thus we can assist and introduce the Equipment Buyer to purchase such equipments from the Equipment Supplier. The Equipment Buyer did not purchase directly from the Equipment Supplier because it did not have the knowledge about the Equipment Supplier. Under the two purchase agreements entered into between TDD as purchaser and the Equipment Supplier as vendor on 6 March 2013, TDD agreed to purchase from the Equipment Supplier 130,000 units of wireless communication terminals and 24,000 units of wireless communication modems for a total consideration of HK$316.8 million and pay 60% of the total purchase amount within five days of the purchase agreements. On the same day, TDD as vendor and the Equipment Buyer as purchaser entered into two purchase agreements in respect of the sale of the above telecommunications equipment for a total consideration of HK$320 million pursuant to which the Equipment Buyer agreed to pay 60% of the total purchase amount within five days of the purchase agreements. Since the Equipment Supplier required deposit for procurement of the equipments, we also requested the Equipment Buyer to place deposit to us. As a result, as at 31 March 2013, we recorded deposit for acquisition of equipment of HK$190.1 million and receipt in advance of HK$192.0 million on our combined statements of financial position. Subsequent to 31 March 2013, the purchase agreements between TDD and the Equipment Suppliers and between TDD and the Equipment Buyers were terminated because it was noted that the specification of the equipments cannot meet the requirement of the Equipment Buyers and accordingly, the relevant deposit was fully refunded to us by the Equipment Supplier, and the receipt in advance was fully refunded by us to the Equipment Buyer. TDD was not required to pay any compensation for the termination of the above purchase agreements. Such kind of transaction is non-recurrent in nature. Subsequent to 31 December 2013, we have not carried out similar kind of transaction and we will not carry out similar kind of transaction after Listing.

Our prepayment mainly represented prepayment for annual licence fee to OFCA, information cost to Independent Third Parties and other miscellaneous prepaid expenses. Besides, as at 31 March 2012, the balance included a prepayment of approximately HK$5.2 million to a supplier for securing continuous supplies to us. Subsequent to 31 March 2012, no such prepayment was required to be made by us and led to the decrease in the balance as at 31 March 2013. Our balance of prepayment further decreased from HK$3.7 million as at 31 March 2013 to HK$1.8 million as at 31 December 2013. Such decrease was mainly because of the decrease in prepaid rental expenses.

Trade and other payables

The following table sets out our trade and other payables as at the respective dates:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	81,174	70,843	68,145
Receipt in advance	39,314	221,238	26,741
Accrued expenses and other payables	19,219	18,551	11,276
	139,707	310,632	106,162

Trade payables

Our balance of trade payables decreased from HK$81.2 million as at 31 March 2012 to HK$70.8 million as at 31 March 2013. Such decrease was mainly because we fastened our settlement of trade payables. As our retail business expanded in scale during the Track Record Period, we purchased merchandise in a larger quantity. In order to secure our purchases, we fastened our settlement of trade payables with suppliers. Our balance of trade payables further decreased to HK$68.1 million as at 31 December 2013. Such decrease was mainly because we fastened our settlement of trade payables. Moreover, we had an additional supplier of mobile phones during the nine months ended 31 December 2013 which required us to settle billings within seven days.

We were offered average credit period of 30 days on purchases of goods. An ageing analysis of our trade payables, based on invoice date, is set out below:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 60 days	80,310	69,921	63,842
61–90 days	36	65	1,092
Over 90 days	828	857	3,211
	81,174	70,843	68,145

The following table sets out our trade payables turnover days during the Track Record Period:

	Year ended 31 March		Nine months ended 31 December
	2012	2013	2013
Trade payables turnover days *(Note)*	33	31	25

Note: Trade payables turnover days is calculated based on the average balance of trade payables divided by purchases during the year/period, multiplied by 366 days for the year ended 31 March 2012, 365 days for the year ended 31 March 2013, and 275 days for the nine months ended 31 December 2013. The average balance of trade payables is the balance at the beginning of the period plus the balance at the end of the period with the sum divided by two.

At the Latest Practicable Date, approximately 97.8% of our trade payables as at 31 December 2013 has been settled.

Receipt in advance, accrued expenses and other payables

Our receipt in advance represented our services fee of telecommunications services in advance from customers. In particular, some of our telecommunications services (such as Mobitex based services and IDD services) collect an annual fee or a lumpsum fee for a fixed period from customers and such fees received are recorded as receipt in advance and are recognised as revenue according to the service period. Included in the balance of receipt in advance as at 31 March 2013 was an amount of HK$192.0 million received from the Equipment Buyer for the acquisition of equipments on its behalf. Such transaction was subsequently terminated. Please refer to the paragraph headed "Trade and other receivables" above in this section for details.

Plant and equipment

Our plant and equipment comprised radio and transmitting equipment, telecommunication devices, motor vehicles, leasehold improvement and furniture and fixtures.

Our plant and equipment (other than leasehold improvement) are depreciated on a straight-line basis for five years, while our leasehold improvement is depreciated on a straight-line basis for over the shorter of lease term or five years.

During the year ended 31 March 2013, our plant and equipment increased from HK$31.7 million to HK$37.6 million. Such increase was mainly brought by the increase in leasehold improvement, furniture and fixtures of HK$9.9 million, mainly representing our cost of furnishing our 15 new shops opened during the year and redecorating 17 of our existing shops. In addition, we also acquired certain business cars and vans for our operation use in the amount of HK$6.4 million during the year. The increase in plant and equipment was partly off-set by the amount of telecommunication devices (being outdated pagers and Mango Devices) written off of HK$6.1 million and depreciation charges for the year.

During the nine months ended 31 December 2013, our plant and equipment increased from HK$37.6 million to HK$50.5 million. The increase was mainly brought by the increase in leasehold improvement, furniture and fixtures of HK$5.9 million, mainly representing the cost of redecorating 4 of our existing shops and refurnishing a new shop opened during the year. Besides, since late 2013, we no longer sell pagers or Mango Devices to customers but we rent the devices to the users. Accordingly, our stock of pagers and Mango Devices amounted to HK$6.0 million were reclassified from inventory to plant and equipment during the nine months ended 31 December 2013. The increase in plant and equipment was partly off-set by the amount of telecommunication devices (being outdated pagers and Mango Devices) written off of HK$1.7 million and depreciation charges for the period.

Investment property

We had an investment property which is a residential property located in Macau. The carrying value (being cost less accumulated depreciation) of our investment property as at 31 March 2012, 31 March 2013 and 31 December 2013 was HK$601,000, HK$586,000 and HK$569,000 respectively.

Subsequently in March 2014, we disposed of such property to an Independent Third Party at a cash consideration of HK$6.0 million. It is estimated that we could record a gain on disposal of approximately HK$5.4 million.

Club debenture

The club debenture represents club membership in a golf club in Shenzhen, the PRC. The club debenture is accounted for at cost less impairment (if any). Our Directors considered that there was no impairment identified with reference to the second hand market price of the club debenture as at the end of each of the reporting period.

Interest in an associate

Our interest in an associate represented our investment cost and share of post-acquisition results (net of dividends received) of the associate. Set out below is the breakdown of our interest in the associate:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cost of interest in an associate — unlisted	16,640	16,640	16,640
Impairment loss recognised	(9,646)	—	—
Share of post-acquisition results, net of dividends received	(6,994)	5,989	10,945
	—	22,629	27,585

We own 40% interest in the associate and we account for the associate using equity method in our combined financial statements. Set out below are the net assets of the associate and the carrying amount of our interest in the associate:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	10	178	634
Current assets	76,553	160,786	198,395
Current liabilities	(52,448)	(104,392)	(130,067)
Net assets of the associate	24,115	56,572	68,962
Proportion of our ownership interest in the associate (40%)	9,646	22,629	27,585
Less: Impairment loss recognised	(9,646)	—	—
Carrying amount of our interest in the associate	—	22,629	27,585

As at 31 March 2012, the carrying account of our interest in the associate was nil. It was because we made full impairment for our investment in the associate prior to the Track Record Period as the associate had been loss making prior to the Track Record Period. Starting from the year ended 31 March 2012, the associate started to record net profit. The previous impairment loss recognised for our interest in the associate was reversed in the year ended 31 March 2013, being the second consecutive year that the associate recorded net profit. The improvement in profitability of the associate was mainly because of the increase in number of subscribers of the associate's mobile service. As set out in note 20 to the Accountants' Report in Appendix I to this prospectus, the revenue of the associate increased significantly from HK$182.1 million for the year ended 31 March 2012 to HK$373.7 million for the year ended 31 March 2013. The revenue of the associate reached HK$390.0 million for the nine months ended 31 December 2013. According to the Industry Report and as disclosed in the section headed "Industry overview" of this prospectus, it is estimated that the number of subscribers to the associate's mobile service increased from 487,000 as at 31 December 2011 to 597,000 as at 31 December 2012, and further to 682,000 as at 31 December 2013. During 2012 and 2013, the associate provided various data and voice plans at various pricing and has successfully captured new customers for their services. Please refer to the section headed "Industry Overview" of this prospectus for further details. As a result of the improved profitability of the associate, its net asset value and thus our share of interest in it also increased.

ANALYSIS OF KEY FINANCIAL RATIOS

	Year ended 31 March		Nine months ended 31 December
	2012	2013	2013
Net profit margin[Note a]	0.8%	4.6%	7.6%
Return on assets[Note b]	1.7%	7.2%	12.8%
Return on equity[Note c]	84.0%	86.4%	53.8%
Current ratio[Note d]	0.9	1.0	1.1
Quick ratio[Note e]	0.8	0.9	0.9
Gearing ratio[Note f]	30.4	5.5	2.3
Debt to equity ratio[Note g]	30.0	5.3	2.1
Interest coverage[Note h]	3.1	13.5	25.9

Notes:

a. Net profit margin is calculated based on the net profit for the year/period divided by total revenue for the year/period and multiplied by 100%.

b. Return on assets is calculated based on the net profit for the year/period divided by the total assets at the end of the year/period and multiplied by 100%.

c. Return on equity is calculated based on the net profit for the year/period divided by issued share capital and reserves at the end of the year/period and multiplied by 100%.

d. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the year/period.

e. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities.

f. Gearing ratio is calculated based on total debt at the end of the year/period divided by total equity at the end of the year/period. Debts are defined to include all liabilities incurred not in the ordinary course of business excluding trade related payables, accrued expenses and other payables.

g. Net debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined to include total debts net of cash and cash equivalents.

h. Interest coverage is calculated by dividing profit before tax and finance costs by finance costs.

Net profit margin

Net profit margin increased from approximately 0.8% for the year ended 31 March 2012 to 4.6% for the year ended 31 March 2013. The increase was primarily attributable to (i) the shift of our contributor to our revenue from distribution business to retail business with higher gross profit margin; (ii) reduction in negative result from provision of operation services to NWM; (iii) an reversal of impairment loss for NWM during the year ended 31 March 2013; and (iv) share of positive results of associate during the year ended 31 March 2013.

Net profit margin increased from approximately 4.6% for the year ended 31 March 2013 to 7.6% for the nine months ended 31 December 2013. The increase was primarily attributable to (i) an increase in retail sales of mobile phones of an international brand, which became popular among consumers; (ii) positive result from provision of operation services to NWM; and (iii) increase in share of profit of associate.

Return on assets

Return on assets increased from approximately 1.7% for the year ended 31 March 2012 to approximately 7.2% for the year ended 31 March 2013. The increase was primarily attributable to the significant increase in our profit upon the expansion in business, mainly the retailing of mobile phones in respect to the strong market demand for smartphones in Hong Kong during the year ended 31 March 2013.

Return on assets for the nine months ended 31 December 2013 was 12.8%, which translated to an annualised return on assets of approximately 17.0% (calculated by 12.8% × 365/275), representing an increase as compared to the return on assets for the year ended 31 March 2013 of approximately 7.2%. The increase was primarily attributable to the growth of profitability during nine month ended 31 December 2013.

Return on equity

Return on equity increased from approximately 84.0% for the year ended 31 March 2012 to approximately 86.4% for the year ended 31 March 2013. The slight increase was primarily attributable to the significant increase in our profit upon the expansion in business, mainly the retailing of mobile phones and pre-paid SIM cards in respect to the strong market demand for smartphones in Hong Kong, by our Group during the year ended 31 March 2013.

Return on equity for the nine months ended 31 December 2013 was 53.8%, which translated to an annualised return on equity of approximately 71.4% (calculated by 53.8% × 365/275), representing a decrease as compared to the return on equity for the year ended 31 March 2013 of approximately 86.4%. The decrease was primarily attributable to the increase in total equity resulting from the accumulation of profit for the period.

Current ratio and quick ratio

Our current ratio was 0.9, 1.0 and 1.1 as of 31 March 2012, 2013 and 31 December 2013, respectively. Our quick ratio was 0.8, 0.9 and 0.9 as of 31 March 2012, 2013 and 31 December 2013, respectively. The increase in both the current ratio and the quick ratio reflected the improvement in our financial position during the Track Record Period.

Gearing ratio and debt to equity ratio

Our gearing ratio was 30.4, 5.5 and 2.3 as of 31 March 2012, 2013 and 31 December 2013, respectively. Our debt to equity ratio was 30.0, 5.3 and 2.1 as of 31 March 2012, 2013 and 31 December 2013, respectively. The decrease in both the gearing ratio and the net debt to equity ratio during the Track Record Period was mainly because, while we had increase in our total debts, we also recorded significant increase in our equity by approximately 609.2% in the year ended 31 March 2013 and by approximately 115.6% in the nine months ended 31 December 2013 as a result of the profits generated in our operation.

Interest coverage

Interest coverage was 3.1, 13.5 and 25.9 for each of the years ended 31 March 2012, 2013 and the nine months ended 31 December 2013. The increase was mainly because, while our profit before tax increased significantly by 753.9% in the year ended 31 March 2013 and 47.9% in the nine months ended 31 December 2013, our finance cost only increased by 44.1% and decreased by 9.1% during the corresponding periods.

INDEBTEDNESS

The following table sets out our indebtedness as at 31 March 2012, 31 March 2013, 31 December 2013 and 31 March 2014, being the latest practicable date for the purpose of this indebtedness statement in this prospectus:

	As at 31 March		As at 31 December	As at 31 March
	2012	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Amounts due to directors	1,300	—	—	—
Amounts due to related companies	75,532	130,825	739	862
Bank overdrafts	3,482	6,304	3,801	7,447
Bank borrowings	169,725	183,942	280,180	143,268
	250,039	321,071	284,720	151,577
Variable rate bank borrowings	82,678	118,332	89,550	61,342
Variable rate trust receipt borrowings	87,047	65,610	190,630	81,926
	169,725	183,942	280,180	143,268
Secured	—	26,252	10,000	10,000
Unsecured	169,725	157,690	270,180	133,268
	169,725	183,942	280,180	143,268

The amounts due are based on scheduled repayment dates set out in the loan agreement:

	As at 31 March		As at 31 December	As at 31 March
	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Within one year	140,369	164,998	268,813	136,279
After one year but within two years	10,412	9,931	6,609	2,979
After two years but within five years	18,944	9,013	4,758	4,010
	169,725	183,942	280,180	143,268
Carrying amount of bank borrowings that are repayable on demand or within one year	140,369	164,998	268,813	136,279
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	29,356	18,944	11,367	6,989
	169,725	183,942	280,180	143,268

All of the bank borrowings carried interest at floating rates. The ranges of effective interest rates per annum on our bank borrowings are as follows:

	As at 31 March		As at 31 December	As at 31 March
	2012	2013	2013	2014
				(unaudited)
Variable rate bank borrowing	0.74%–3.41%	0.77%–3.08%	0.81%–2.46%	0.81%–1.96%

As at 31 March 2014, we had unutilised banking facilities of about HK$281.7 million available for drawdown.

During the Track Record Period, our bank borrowings increased in line with our growth in business scale and provided working capital for our operation.

All of our bank borrowings were denominated in Hong Kong dollar.

As at 31 March 2012, 31 March 2013, 31 December 2013, and 31 March 2014, the bank borrowings of approximately HK$23,950,000, HK$16,484,000, HK$10,872,000 and HK$9,942,000 were guaranteed by the Government of the Hong Kong Special Administrative Region for an amount equivalent to 50% to 80% of the respective bank borrowing amount granted by the banks to us.

As at 31 March 2012, 31 March 2013, 31 December 2013 and 31 March 2014, all bank borrowings were guaranteed by certain Directors and unlimited corporate guarantees by certain related companies. All of such personal guarantee and corporate guarantees would be released upon Listing.

As at 31 March 2012, 31 March 2013, 31 December 2013 and 31 March 2014, bank borrowings of approximately HK$77,386,000, HK$118,669,000, HK$263,807,000 and HK$143,268,000 were secured by certain investment properties of our related companies.

As at 31 March 2012, 31 March 2013, 31 December 2013 and 31 March 2014, secured bank borrowings of approximately nil, HK$26,252,000, HK$10,000,000 and HK$10,000,000 were secured by pledged bank deposits with carrying amounts of HK$4,649,000, HK$7,657,000, HK$8,037,000 and HK$2,427,000 respectively.

Our bank borrowings contain certain standard covenants that are commonly found in lending arrangements with commercial banks. Our Directors confirmed that we had not defaulted or delayed in any payment or breached any of the material covenants pertaining to our banking borrowings during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, we currently do not have an external financing plan.

Contingent liabilities

As at 31 March 2012, 31 March 2013, 31 December 2013 and 31 March 2014, we had financial guarantees given to banks in respect of mortgage loans granted to certain of our related companies for acquisition of properties of approximately HK$62,210,000, HK$87,460,000, HK$87,460,000 and HK$87,460,000 respectively. Our Directors consider that the fair value of the financial guarantee is insignificant. All of such financial guarantee is released prior to the Listing.

Capital commitment

As at 31 March 2014, we do not have material capital commitment.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, as at 30 April 2014, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities, debenture, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirmed that there has been no material change in indebtedness and contingent liabilities since 30 April 2014 up to the date of this prospectus.

CAPITAL EXPENDITURE

The table below sets out our capital expenditure during the period indicates:

	Year ended 31 March		Nine months ended 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Radio and transmitting equipment	953	2,928	6,166
Telecommunication devices	1,738	1,514	7,948
Motor vehicles	41	6,410	1,976
Leasehold improvement	844	5,361	1,390
Furniture and fixtures	1,140	4,563	4,522
Total	4,716	20,776	22,002

During the Track Record Period, our capital expenditure mainly represented (i) addition of leasehold improvement, furniture and fixtures in relation to refurnishing our new shops and redecorating our existing shops; (ii) addition of radio and transmitting equipment in relation to transmitters and computer systems; and (iii) addition of telecommunication devices in relation to pagers and Mango Devices. In the nine months ended 31 December 2013, we had relatively more addition of telecommunication devices as we acquired pagers and Mango Devices in preparation for exchanging refurbished devices for our customers for their obsolete devices as well as leasing such devices to new customers in the future.

We currently estimate that our capital expenditure for the years ending 31 March 2015, 2016 and 2017 would be approximately HK$99.5 million, HK$8.9 million and HK$5.0 million respectively. Such capital expenditure mainly represents expenditure for expansion of retail sales network, enhancement of logistic ability and head office, implementation of ERP system and purchase of telecommunication devices in relation to pagers and Mango devices. We expect to finance 62.6% of our capital expenditure from the net proceeds of the Placing and the remaining 37.4% of our capital expenditure will be financed by internal resources.

CAPITAL COMMITMENTS

As at 31 December 2013 and as at the Latest Practicable Date, we did not have material capital commitments.

LEASE COMMITMENTS

Our Group as lessee

At the end of each reporting period, we had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	13,500	29,929	27,575
In the second to fifth year, inclusive	4,855	13,569	8,207
	18,355	43,498	35,782

We lease certain of our office premises, cell sites and shops under operating lease arrangements. Leases are negotiated for a term ranging from one to three years with fixed rentals as at 31 March 2012 and 2013 and 31 December 2013.

Our Group as lessor

We had leased out our investment property, which was a residential unit in Macau and disposed of by us in March 2014, to independent third party for rental income during the Track Record Period. Besides, we also sub-let part of our office premises, shops and cell sites to third parties for rental income. Sub-letting income earned during the Track Record Period and nine months period ended 31 December 2012 was approximately HK$3.2 million, HK$3.6 million, HK$2.7 million and HK$2.6 million. The office premises were sub-let to third parties under operating lease with leases negotiated for a term of one to two years as at 31 March 2012 and 2013 and 31 December 2013.

At the end of each reporting period, we had contracted with tenants for the following future minimum lease payments:

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Within one year	1,357	2,088	956
In the second to fifth year, inclusive	673	868	308
	2,030	2,956	1,264

RELATED PARTY TRANSACTIONS AND BALANCES

Our related party transactions and balances are set out in note 37 of the Accountants' Report contained in Appendix I to this prospectus.

Our related party transactions mainly include:

A. Purchase of pagers, Mango Devices and parts from Radiotex. Radiotex is beneficially and wholly owned by Cheung Brothers and is engaged in the manufacturing of telecommunication devices.

B. Leasing and/or licensing of properties in Hong Kong from the East Asia or its subsidiaries, for our use as office, shops and cell sites. East Asia is wholly-owned by Amazing Gain (our Controlling Shareholder).

C. Transactions with TD Securities, which include:

   (i) sub-leasing/sub-licensing certain office premises, warehouse and shops to TD Securities by us; and

   (ii) provision of various services to TD Securities by us, including advertising and promotional services, consultancy services (including management information system and information technology support), paging services and Mobitex based services and software application development services.

   TD Securities is beneficially and wholly owned by Cheung Brothers and is engaged in the business of brokerage services for securities.

D. Transactions with TSO, which include:

   (i) Provision of repair and maintenance services by TSO to us for the pagers and Mango Devices provided by us to the customers;

(ii) Consignment sales of accessories for mobile phones and personal electronic products of TSO by us and we receive consignment fee from TSO; and

(iii) Provision of logistics services to TSO for delivery of goods.

TSO is a company listed on the Stock Exchange (stock code: 8145) and is controlled by Cheung Brothers.

E. Provision of operation services to NWM.

Items A to D above also constitute continuing connected transactions pursuant to the GEM Listing Rules. Our Directors confirm that these transactions were conducted on arm's length basis and normal commercial terms and/or such terms were no less favorable to us than the terms available to Independent Third Parties, and were fair and reasonable and in the interest of the Shareholders as a whole. Please refer to the section headed "Continuing Connected Transactions" of this prospectus for details. We expect that the aforesaid transactions will continue after Listing.

On the other hand, during the Track Record Period, we also received interest income from related parties which amounted to HK$273,000, HK$359,000 and HK$532,000 for each of the years ended 31 March 2012, 31 March 2013 and the nine months ended 31 December 2013. Such interest income is charged on the balances of current account with the respective related companies at each month-end, on an interest rate determined with reference to Hong Kong Interbank Offered Rate ("HIBOR"). The relevant current accounts will be fully settled before Listing and we will not receive any interest income from related parties after Listing.

As set out in note 37 to the Accountants' Report contained in Appendix I to this prospectus, we had amounts due to and due from related parties. Save for the balances which would be arisen from transactions as mentioned in items A to E above, all the balances with related parties have been fully settled before Listing. In particular, as at 31 December 2013, we had amount due from directors of about HK$61.9 million and amounts due from related companies (being Sun Asia Pacific Limited and East Asia Pacific Limited, both being companies wholly and beneficially owned by our Controlling Shareholders) of HK$206.2 million. Such amounts were fully settled before Listing as to HK$138.0 million by netting off with the interim dividend declared by our Company in May 2014, and as to the remaining balance by cash. The cash received by us is applied to the repayment of our certain revolving banking facilities and to our general working capital.

LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees in relation to the Listing. Based on the Placing Price of HK$1.00 per Share, the listing expenses to be borne by us are estimated to be approximately HK$22.3 million, of which approximately HK$8.5 million is directly attributable to the issue of New Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK$13.8 million, of which approximately HK$10.5 million was incurred during the three months ended 31 March 2014 and approximately HK$3.3 million is expected to be incurred before or upon completion of the Placing in the financial year ending 31 March 2015. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we had not owned any properties. For details related to the leased properties of our Group, please refer to the paragraph headed "Business — Property" in this prospectus.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our major financial instruments include trade and other receivables, amounts due from related companies, an associate and directors, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related companies, amount due to director(s), bank borrowings and bank overdrafts. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Our Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to variable rate bank balances, variable rate bank borrowings and bank overdrafts carried at prevailing market rates. However, the exposure in pledged bank deposits and bank balances is minimal to our Group for the Track Record Period as the pledged bank deposits and bank balances are all short-term in nature. It is our Group's policy to keep our borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from our Group's Hong Kong dollar denominated pledged bank deposits, bank borrowings and bank overdrafts.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the Track Record Period and all other variables were held constant, our Group's post-tax profit for each of the two years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013 would decrease/increase by approximately HK$696,000, HK$718,000 and HK$1,091,000 respectively. This is mainly attributable to our exposure to cash flow interest rate risk on its variable-rate bank borrowings.

In the opinion of our Directors, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the Track Record Period.

Credit risk

At the end of each reporting period, our maximum exposure to credit risk which will cause a financial loss to us 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 combined statements of financial position and the amount of contingent liabilities in relation to financial guarantee issued by us as disclosed in note 32 of the Accountants' Report contained in Appendix I to this prospectus.

In order to minimise the credit risk, our Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

The credit quality of the counterparties in respect of amounts due from related companies and an associate is assessed by taking into account their financial position, credit history and other factors. Our Directors are of the opinion that the risk of default by these counterparties is low.

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 liquid funds which are deposited with several banks with high credit ratings, we do not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries.

Our concentration of credit risk by geographical locations is mainly in Hong Kong, as all trade receivables as at 31 March 2012, 2013 and 31 December 2013 are due from customers located in Hong Kong.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

DIVIDEND POLICY

We declared dividends of approximately HK$23.2 million to our then Shareholders during the year ended 31 March 2012. We did not declare dividend during the year ended 31 March 2013 and the nine months ended 31 December 2013. Subsequent to the Track Record Period, in May 2014, we had declared dividends of HK$138 million to the then shareholders of our Company (namely CKK Investment and the Cheung Brothers), which were fully net off against the same amount of receivables due to us from our related companies and Directors prior to the Listing. The investors of the Placing Shares will not be entitled to the aforementioned dividends.

Our historical declarations of dividends may not reflect our future dividend payout ratio.

After completion of the Placing, the Shareholders will be entitled to receive dividends when declared by the Board. Subject to, among others, the factors described below, our Directors currently intend to recommend dividends of not less than 40% of the distributable net profit attributable to the owners of our Company in each of the financial years following the Listing. The payment and the amount of any future dividends will be at the discretion of the Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which the Directors deem relevant. Such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividend in such manner or pay any dividend at all.

Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to the Shareholders by any legal means which the Directors deem fair and practicable.

DISTRIBUTABLE RESERVE

As at 31 December 2013, our Company had accumulated losses of approximately HK$257,000 and did not have any reserve available for distribution to the Shareholders.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2014

On the bases stipulated in the profit estimate set out in Appendix III to this prospectus and, in the absence of unforeseen circumstances, certain of our profit estimate data for the year ended 31 March 2014 are set out below:

Estimated combined profit attributable to the owners of our Company for the year ended 31 March 2014 . . . . not less than HK$75.0 million

Unaudited estimated earnings per Share on a pro forma basis for the year ended 31 March 2014[1]. . . . . .not less than HK$0.18

Note:

(1) The unaudited estimated earnings per Share on a pro forma basis is calculated by dividing the estimated consolidated profit attributable to owners of our Company for the year ended 31 March 2014 by 400,000,000 Shares as if such Shares had been issued throughout the Track Record Period. The number of Shares used in this calculation includes the Shares in issue as at the date of this prospectus and the Shares to be issued pursuant to the Placing and the Capitalisation Issue, but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the combined net tangible assets of our Group as if the Placing had taken place on 31 December 2013. The statement of unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group as at 31 December 2013 or at any future date following the Placing.

The following statement of unaudited pro forma adjusted combined net tangible assets of our Group is based on the combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2013 as shown in the Accountants' Report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	Audited combined net tangible assets attributable to owners of our Company as at 31 December 2013[(1)]	**Estimated net proceeds from the Placing**[(2)]	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company immediately after the completion of the Placing**	**Unaudited pro forma adjusted combined net tangible assets per Share as at 31 December 2013**[(3)(4)]
	HK$	*HK$*	*HK$*	*HK$*
Based on the Placing Price of HK$1 per Share	125,672	77,709	203,381	0.51

Notes:

(1) The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2013 has been derived from the audited combined net assets of our Group attributable to the owners of our Company of approximately HK$125,672,000 as at 31 December 2013 extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Placing are based on 100,000,000 new Shares at the Placing Price of HK$1.00 per Placing Share, after deducting the underwriting fees and commissions and estimated expenses payable by our Company in relation to the Placing. The estimated net proceeds do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Placing payable to the Company as described in note 2 and on the basis that a total of 400,000,000 Shares were in issue as at 31 December 2013 (including Shares in issue as at the date of this prospectus and those Shares are expected to be issued pursuant to the Placing and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Scheme).

(4) The investment property of our Group is valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. According to the valuation report, the investment property of the Group as of 31 December 2013 amounted to approximately HK$7,000,000. Comparing this amount with the carrying value of the investment property of the Group as of 31 December 2013 of approximately HK$569,000, there is a surplus of approximately HK$6,431,000. Had the investment property been stated at the revaluation amount, additional annual depreciation of approximately HK$184,000 would be incurred. The surplus on revaluation will not be incorporated in our Group's combined financial information in subsequent years as our Group has elected to state the investment property at cost basis.

(5) The unaudited pro forma adjusted combined net tangible assets and the unaudited pro forma adjusted combined net tangible assets per Share have not taken into account the dividend declared on 20 May 2014 for payment to the then shareholders of the Company (namely CKK Investment and the Cheung Brothers) amounting to HK$138,000,000. The unaudited pro forma adjusted combined net tangible assets as at 31 December 2013 would have been reduced to HK$65,381,000 and the unaudited pro forma adjusted combined net tangible assets per Share would have been reduced to HK$0.16 per Share, based on the Placing Price of HK$1 per Placing Share, after taking into account the payment of the dividend in the sum of HK$138,000,000.

(6) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of our Group to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2013.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading positions or prospects since 31 December 2013 (being the end of period reported in the Accountants' Report set out in Appendix I to this prospectus), and there has been no event since 31 December 2013 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

BUSINESS OBJECTIVES AND STRATEGIES

Our objective is to focus on the telecommunications market in Hong Kong in which we have extensive experience and expertise. We aim to continue to enhance our service quality, strengthen our market position, increase our market share and strengthen the brand recognition of our Group. To achieve such objectives, we intend to implement our business strategies. Please refer to the paragraph headed "Business — Our business strategies" for details of our business strategies.

IMPLEMENTATION PLANS

Our Group will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 March 2017, and their respective scheduled completion time are based on certain bases and assumptions as set out in paragraph headed "Bases and assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed "Risk Factors" in this prospectus. Therefore, there is no assurance that our Group's business plans will materialise in accordance with the estimated time frame and that our Group's future plans will be accomplished at all.

From the Latest Practicable Date to 30 September 2014

Expansion of our shop network and opening of flagship stores to strengthen our business of retail sales of mobile phones	• Identify suitable locations for new shops • Employ 5 new customer service staff • Establish one new shop
Expansion of our head office and logistics vehicle fleet to cope with our growth of business	• Identify appropriate properties as our potential new office • Purchase 2 new trucks
Implementation of ERP system to enhance management capability and efficiency	• Obtain quotation from service providers and discuss the scope of the service with the service providers

From 1 October 2014 to 31 March 2015

Expansion of our shop network and opening of flagship stores to strengthen our business of retail sales of mobile phones	• Identify suitable locations for new shops
Expansion of our head office and logistics vehicle fleet to cope with our growth of business	• Enter into sale and purchase agreement with potential vendor • Start to renovate the new office • Start to use the new premises as office • Purchase one new truck

From 1 April 2015 to 30 September 2015

Expansion of our shop network and opening of flagship stores to strengthen our business of retail sales of mobile phones	• Identify suitable locations for new shops • Employ 10 new customer service staff • Establish 2 new shops

From 1 October 2015 to 31 March 2016

Expansion of our shop network and opening of flagship stores to strengthen our business of retail sales of mobile phones	• Identify suitable locations for new shops • Employ 10 new customer service staff • Establish one new shop and one flagship store
Expansion of our head office and logistics vehicle fleet to cope with our growth of business	• Purchase 2 new trucks
Implementation of ERP system to enhance management capability and efficiency	• Start the ERP system construction • Review the performance of the ERP system with the service provider and if necessary, implement any modification

From 1 April 2016 to 30 September 2016

Expansion of our shop network and opening of flagship stores to strengthen our business of retail sales of mobile phones	• Identify suitable locations for new shops • Employ 15 new customer service staff • Establish 3 new shops
Expansion of our head office and logistics vehicle fleet to cope with our growth of business	• Purchase 2 new trucks

From 1 October 2016 to 31 March 2017

Expansion of our shop network and opening of flagship stores to strengthen our business of retail sales of mobile phones	• Identify suitable locations for new shops • Employ 10 new customer service staff • Establish one new shop and one flagship store
Expansion of our head office and logistics vehicle fleet to cope with our growth of business	• Purchase 3 new trucks

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our Group's business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or in any other places in which any member of our Group carries on its business or will carry on its business;
- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislations or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our Group's business relationship with its existing strategic and business partners;
- there will be no significant changes in our Group's business relationship with its major customers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed "Implementation plans" above in this section; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Company intends to raise funds by placing of the Placing Shares in order to pursue its business objectives as set out in the paragraph headed "Implementation plans" under this section.

Our Directors believe that the Listing will enhance our Group's profile and recognition and the net proceeds from the placing of the Placing Shares will strengthen our Group's financial position such that our Group is fully equipped to pursue the business plans set out in this section.

Assuming the Over-allotment Option is not exercised and based on the Placing Price of HK$1.00 per Placing Share, the net proceeds from the Placing, after deducting related expenses, are estimated to amount to approximately HK$77.7 million. Our Group intends to apply such net proceeds from the Placing as follows:

- approximately 12.9% of the net proceeds, or approximately HK$10.0 million, for expansion of our shop network and opening of flagship stores;

- approximately 72.1% of the net proceeds, or approximately HK$56.0 million, for expansion of our head office and logistics vehicle fleet. Total capital expenditure for the purchase of premises and the expansion of our office is estimated at about HK$86.8 million which we intend to finance by the net proceeds of HK$54.0 million from the Placing in about 12 months after Listing and the remaining by bank mortgage loan, whereas total capital expenditure for addition of trucks is estimated at about HK$2.0 million, which we intend to fully finance by the net proceeds from the Placing within 24 months after Listing;

- approximately 6.4% of the net proceeds, or approximately HK$5.0 million, for implementation of an ERP system;

- approximately 8.6% of the net proceeds, or approximately HK$6.7 million, for general working capital purposes.

According to current estimates, our Group expects that the net proceeds from the Placing of approximately HK$77.7 million, the cash in bank and on hand as at the Latest Practicable Date together with the projected cash flow from operations and bank mortgage loan will be sufficient to finance the implementation of our Company's future plans up to 31 March 2017.

If the Over-allotment Option is exercised in full or in part, we intend to apply the additional net proceeds of up to about HK$14.4 million from the exercise of the Over-allotment Option to the above purposes in the same proportions as set out above.

In summary, the implementation of business strategies to achieve our business objectives from the Latest Practicable Date up to the year ending 31 March 2017 will be funded by the net proceeds from the Placing. The net proceeds from the Placing is intended to be used as to about HK$6.7 million as our general working capital, and as to the following usage:

	From the Latest Practicable date to	**For the six months ending**					
	30 September 2014	**31 March 2015**	**30 September 2015**	**31 March 2016**	**30 September 2016**	**31 March 2017**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expansion of retail sales network	850	473	2,536	3,362	1,779	1,000	10,000
Expansion of our head office and logistics vehicle fleet	400	54,200	—	400	400	600	56,000
Implementation of ERP system	—	—	—	5,000	—	—	5,000
Total	1,250	54,673	2,536	8,762	2,179	1,600	71,000

UNDERWRITERS

Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-Managers

Ever-Long Securities Company Limited
Luk Fook Securities (HK) Limited

UNDERWRITING ARRANGEMENT, COMMISSIONS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with professional, institutional and other investors in Hong Kong at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Placing and the Capitalisation Issue or any Shares upon exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have severally agreed to subscribe for or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Co-Lead Manager and the Underwriters) shall have the absolute right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to our Company by the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Co-Lead Manager and the Underwriters) if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be 30 May 2014):

(a) there has come to the notice of the Sole Sponsor and/or the Sole Lead Manager:

(i) any statement contained in this prospectus, the placing letter, the formal notice, any submissions, documents or information in relation to the Placing provided to the Sole Sponsor and/or the Sole Lead Manager, any announcements or documents issued by our Company in connection with the Placing (including any supplement or amendment thereto) (the "**Relevant Documents**"), considered by the Sole Sponsor and/or the Sole Lead Manager in its/their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expressions of opinion, intention or expectation contained in any of such documents are not, in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor and/or the Sole Lead Manager in their/its absolute opinion to be material in the context of the Placing;

(iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Sponsor and/or the Sole Lead Manager in their/its absolute opinion to be material in the context of the Placing (other than upon any of the Sole Sponsor, the Sole Lead Manager, the Co-lead Manager and the Underwriters) (as the case may be);

(iv) either (A) there has been a breach of any of the representations, warranties, undertakings or provisions set out in the Underwriting Agreement by any of our Company, the executive Directors and the Controlling Shareholders or (B) any matter or event showing or rendering any of the representations, warranties and undertakings set out in the Underwriting Agreement, as applicable, in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated;

(v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of our Company, the Controlling Shareholders and the executive Directors pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;

(vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any of the representations, warranties or undertakings set out in the Underwriting Agreement, in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager, untrue, incorrect, inaccurate or misleading in any material respect;

(vii) approval by the Stock Exchange for the listing of, and permission to deal in, the Shares is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(viii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated issue and sale of the Placing Shares) without the prior consent of the Sole Sponsor and/or the Sole Lead Manager; or

(ix) any person (other than the Sole Sponsor or the Sole Lead Manager and any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(b) there shall develop, occur, happen, exist or come into effect:

(i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated form), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong or the BVI or the Cayman Islands or any other jurisdictions relevant to any member of our Group (the "Relevant Jurisdictions");

(ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or anywhere in the world;

(iii) any change in the general fund raising environment in Hong Kong or elsewhere;

(iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Relevant Jurisdictions;

(v) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;

(vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

(vii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director;

(viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;

(ix) the chairman of our Company vacating his office;

(x) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;

(xi) any contravention by any member of our Group or any Director of the Companies Ordinance, the New Companies Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable laws and regulations;

(xii) a prohibition on our Company for whatever reason from allotting or issuing the Placing Shares pursuant to the terms of the Placing;

(xiii) non-compliance of this prospectus (and/or any other documents used in connection with the issue and sale of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws and regulations;

(xiv) other than with the written approval of the Sole Sponsor and/or the Sole Lead Manager, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue and sale of the Placing Shares) pursuant to the Companies Ordinance or the GEM Listing Rules;

(xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;

(xvi) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group;

(xvii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;

(xviii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which in each case or in aggregate in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Co-Lead Manager and the Underwriters):

(A) is or will be or maybe or likely to be adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such;

(B) has or will have or might have or is likely to have an adverse effect on the success, marketability of the Placing or the level of applications in the Placing or the level of interest under the Placing;

(C) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or

(D) has or would have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

Commission and expenses

The Underwriters will receive an underwriting commission of 4% of the aggregate Placing Price of all Placing Shares, which are to be borne by our Company, out of which the Underwriters will pay any sub-underwriting and/or selling commission and will be reimbursed for their reasonable expenses. The total commission and expenses relating to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing), are estimated to approximately HK$22.3 million, assuming the Over-allotment Option is not exercised and based on the Placing Price of HK$1.00, which will be payable by our Company.

The commission and expenses were determined after arm's length negotiation between our Company and the Underwriters or other parties by reference to the then prevailing market condition.

SOLE SPONSOR'S, SOLE LEAD MANAGER'S, CO-LEAD MANAGER'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a sponsor fee. The Sole Lead Manager (for itself and on behalf of the Underwriters) will receive an underwriting commission. The Co-Lead Manager will receive a selling commission. Particulars of these commission, fee and expenses are set forth under the sub-section headed "Commission and expenses" in this section of the prospectus.

Our Company will appoint the Sole Sponsor as its compliance advisor pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the compliance advisor agreement is otherwise terminated in accordance with its terms and conditions.

TD Securities, being the co-lead manager of the Placing, is wholly owned by Sun Asia Pacific Limited, which is in turn owned by the Cheung Brother, who are Controlling Shareholders.

Save as disclosed above, none of the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager nor the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of our Group nor any interest in the Placing.

UNDERTAKINGS

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters that our Company will not, and each of the Controlling Shareholders and executive Directors has undertaken to the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters that it/he will procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Co-Lead Manager and the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Placing, the Capitalisation Issue, the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of the Over-allotment Option or any option granted under the Share Option Scheme:

(i) at any time within the period of six months from the Listing Date (the "**First Six-month Period**") offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and

(ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company or of any of its subsidiaries so as to result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders has undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters that, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Co-Lead Manager and the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and will procure that none of its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him shall:

(i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and

(ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event that it/he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders has undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters and the Stock Exchange that:

(i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Sole Sponsor and the Sole Lead Manager immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(ii) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sole Sponsor and the Sole Lead Manager immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Our Company, the Controlling Shareholders and the executive Directors have agreed to indemnify the Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or the Controlling Shareholders or the executive Directors of the Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that the Co-Lead Manager and the Underwriters, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(i) under the agreement among the Syndicate Members, all of them (except for the Sole Lead Manager, its affiliates or any person acting for it as the stabilising manager) must not, in connection with the distribution of the Placing Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Placing Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Placing Shares at levels other than those which might otherwise prevail in the open market; and

(ii) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, which include the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities on their own account and on the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described under the paragraph headed "Stabilisation" of the section headed "Structure and Conditions of the Placing". This activity may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the share price, and the extent to which this occurs from day to day cannot be estimated.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

(i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM; and

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Co-Lead Manager and the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 25 June 2014, being the date which is the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the GEM Website and our Company's website (www.telecomdigital.cc) on the next business day following such lapse.

THE PLACING

100,000,000 Placing Shares are being offered pursuant to the Placing, representing in aggregate 25% of the enlarged issued share capital of our Company. In addition, our Company has granted the Sole Lead Manager the Over-allotment Option, exercisable by the Sole Lead Manager on or before 29 June 2014, being the 30th day after the Listing Date, to require our Company to allot and issue up to 15,000,000 additional new Shares, representing 15% of the Shares initially available for subscription under the Placing, on the same terms as those applicable to the Placing.

The Placing is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Pursuant to the Placing, it is expected that the Underwriters, on behalf of our Company, will conditionally place 100,000,000 Placing Shares at the Placing Price to selected professional, institutional and other investors.

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected professional, institutional and other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.

Save with the prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

PLACING PRICE

Subscribers, when subscribing for the Placing Shares, shall pay the Placing Price plus 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. Investors shall pay HK$4,040.32 for every board lot of 4,000 Shares.

The level of indication of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the GEM Website and our Company's website (www.telecomdigital.cc) on or before Thursday, 29 May 2014.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

OVER-ALLOTMENT OPTION

Pursuant to the Underwriting Agreement, we have granted the Sole Lead Manager a right (but not an obligation) to exercise the Over-allotment Option up to the 30th day after the Listing Date, to require our Company to issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the number of the Placing Shares initially available under the Placing. These Shares will be issued at the Placing Price for the purpose of covering over-allocations in the Placing, if any. Any election in respect of the Over-allotment Option may be exercised in whole or in part and from time to time.

The Over-allotment Shares will constitute about 3.8% of our issued share capital before exercise of the Over-allotment Option and about 3.6% of the enlarged issued share capital of our Company immediately following the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made on our Company's website at www.telecomdigital.cc and the GEM website at www.hkgem.com as soon as practicable in accordance with the requirements of the GEM Listing Rules.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Placing, the Sole Lead Manager, as stabilising manager, or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the stabilising manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the stabilising manager or its authorised agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 15,000,000 Shares, which is 15% of the number of Shares initially available under the Placing.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the stabilising manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the stabilising manager or its authorised agents will maintain the long position is at the discretion of the stabilising manager or its authorised agents and is uncertain. In the event that the stabilising manager or its authorised agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the stabilising manager or its authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day after the Listing Date. The stabilising period is expected to end on 29 June 2014.

Any stabilising activity taken by the stabilising manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Placing Price either during or after the stabilising period. Bids for or market purchases of our Shares by the stabilising manager or its authorised agents may be made at a price at or below the Placing Price and therefore at or below the price paid for our Shares by investors.

In order to facilitate the settlement of over-allocations, the stabilising manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

The stabilising manager or its authorised agents may borrow up to 15,000,000 Shares from CKK Investment, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of rule 13.16A of the GEM Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements in accordance with the provisions of rule 13.16A of the GEM Listing Rules are complied with:

(a) the Stock Borrowing Agreement will only be effected by the stabilising manager or its authorised agents for covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from CKK Investment will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;

(c) the same number of Shares so borrowed must be returned to CKK Investment on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;

(d) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable GEM Listing Rules, laws and other regulatory requirements; and

(e) no payments will be made to CKK Investment in relation to the Stock Borrowing Agreement.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 30 May 2014. Shares will be traded in board lots of 4,000 Shares and are fully transferable.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited.

信永中和 ShineWing
SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

26 May 2014

The Directors
Telecom Digital Holdings Limited
Guotai Junan Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding Telecom Digital Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013 (the "Track Record Period") for inclusion in the prospectus of the Company dated 26 May 2014 (the "Document") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is principally engaged in investment holding. Pursuant to a group reorganisation as detailed in the section headed "History and Development — Reorganisation" to the Document (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 20 May 2014. The Company has not carried out any business since the date of its incorporation saves for the aforementioned Reorganisation.

At the end of each reporting period and the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation or establishment/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Telecom Digital Investment Limited ("TDI")	BVI 12 March 2014	US$1	100%	—	Investment holding
Carries Technology Limited	Hong Kong 30 June 1987	HK$300,000	—	100%	Installation, provision of maintenance and management services for paging transmission stations
Mango Limited	Hong Kong 5 August 2002	HK$1,000	—	100%	Provision of technical support activities
Telecom Digital 2 Limited	Hong Kong 7 August 2002	HK$1,000	—	100%	Provision of telecommunications services
Telecom Digital Services Limited	Hong Kong 17 September 2001	HK$1,000	—	100%	Provision of management consultancy and professional services, sales of telecommunications products and provision of telecommunications services
Telecom Digital Mobile Limited	Hong Kong 27 August 2001	HK$1,000	—	100%	Trading of telecommunications products and provision of operation services
Telecom Digital Data Limited	Hong Kong 3 September 1999	HK$5,000,000	—	100%	Trading of telecommunications products and provision of paging services, maintenance services and two-way wireless data services
Telecom (Macau) Limited ("Telecom Macau")	Macau 15 June 1977	MOP100,000	—	100%	Trading of telecommunications products and provision of paging services
Telecom Service Network Limited	Hong Kong 3 September 1999	HK$1,000	—	100%	Provision of distribution services
Telecom Digital Corporate Limited	Hong Kong 19 January 1990	HK$1,000	—	100%	Trading of telecommunications products and provision of paging services, maintenance services and two-way wireless data services

Except for Telecom Macau, which adopted 31 December as the financial year end date, all other companies now comprising the Group have adopted 31 March as the financial year end date.

No audited statutory financial statements have been prepared for the Company, TDI and Telecom Macau since their respective date of incorporation as there are no statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

Except these three companies, the statutory financial statements of the remaining above-mentioned companies were prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and we have acted as the statutory auditor of these companies for the two years ended 31 March 2013.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the financial statements of the Company and the combined financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information for the Track Record Period has been prepared by the directors of the Company based on the Underlying Financial Statements on the basis set out in note 1 of Section A below, with no adjustment thereto.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in this report, the Financial Information gives a true and fair view of the Group's combined results and combined cash flows for the Track Record Period, and of the state of affairs of the Company and the Group as at 31 March 2012 and 2013 and 31 December 2013.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the nine months ended 31 December 2012 together with notes thereto (the "December 2012 Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the December 2012 Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the December 2012 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the December 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		Nine months ended 31 December	
		2012	2013	2012	2013
	Notes	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
				(unaudited)	
Revenue	*7*	840,181	1,091,089	815,840	890,475
Cost of inventories sold		(549,410)	(747,514)	(555,347)	(613,252)
Staff costs	*12*	(99,513)	(119,051)	(89,791)	(79,578)
Depreciation		(11,927)	(12,996)	(9,398)	(13,459)
Other income	*9*	12,734	6,825	5,308	5,223
Other operating expenses		(182,657)	(182,089)	(132,768)	(130,735)
Reversal of impairment loss recognised in respect of interest in an associate		—	9,646	9,646	—
Share of results of an associate		—	12,983	8,787	16,836
Finance costs	*10*	(3,021)	(4,352)	(3,205)	(2,914)
Profit before tax		6,387	54,541	49,072	72,596
Income tax credit (expense)	*11*	520	(4,157)	(4,020)	(4,927)
Profit for the year/period attributable to the owners of the Company	*12*	6,907	50,384	45,052	67,669
Other comprehensive income (expense)					
Item that will not be reclassified subsequently to profit or loss:					
Actuarial gains (loss) on long service payments	*27*	98	(268)	104	(347)
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating a foreign operation		(74)	(45)	21	60
Other comprehensive income (expense) for the year/period		24	(313)	125	(287)
Total comprehensive income for the year/period attributable to the owners of the Company		6,931	50,071	45,177	67,382
Earnings per share (HK\$)					
Basic and diluted	*15*	0.02	0.17	0.15	0.23

COMBINED STATEMENTS OF FINANCIAL POSITION

		The Group			The Company		
		As at 31 March		As at 31 December	As at 31 March		As at 31 December
		2012	2013	2013	2012	2013	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets							
Plant and equipment	*16*	31,717	37,622	50,521	—	—	—
Investment property	*17*	601	586	569	—	—	—
Deferred tax assets	*18*	120	1	1	—	—	—
Deposit paid for acquisition of plant and equipment		—	4,320	—	—	—	—
Club debenture	*19*	1,560	1,560	1,560	—	—	—
Interest in an associate	*20*	—	22,629	27,585	—	—	—
		33,998	66,718	80,236	—	—	—
Current assets							
Inventories	*21*	55,320	66,097	106,712	—	—	—
Trade and other receivables	*22*	47,165	236,792	34,431	—	—	550
Amounts due from related companies	*37(a)*	251,986	268,595	206,247	—	—	—
Amount due from an associate	*37(c)*	5,254	7,612	14,897	—	—	—
Amounts due from directors	*23*	—	29,100	61,872	—	—	—
Tax recoverable		1,501	267	267	—	—	—
Pledged bank deposits	*24*	4,649	7,657	8,037	—	—	—
Bank balances and cash	*24*	3,202	15,374	16,841	—	—	—
		369,077	631,494	449,304	—	—	550
Current liabilities							
Trade and other payables	*25*	139,707	310,632	106,162	—	—	—
Amounts due to directors	*23*	1,300	—	—	—	—	—
Amounts due to related companies	*37(a)*	75,532	130,825	739	219	238	807
Bank overdrafts	*24*	3,482	6,304	3,801	—	—	—
Bank borrowings	*26*	169,725	183,942	280,180	—	—	—
Tax payables		626	3,065	6,718	—	—	—
		390,372	634,768	397,600	219	238	807
Net current (liabilities) assets		(21,295)	(3,274)	51,704	(219)	(238)	(257)
Total assets less current liabilities		12,703	63,444	131,940	(219)	(238)	(257)

		The Group			The Company		
		As at 31 March		As at 31 December	As at 31 March		As at 31 December
		2012	2013	2013	2012	2013	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities							
Long service payment obligations	*27*	556	1,232	1,395	—	—	—
Deferred tax liabilities	*18*	3,928	3,922	4,873	—	—	—
		4,484	5,154	6,268	—	—	—
Net assets (liabilities)		8,219	58,290	125,672	(219)	(238)	(257)
Capital and reserves							
Share capital	*28*	5,404	5,404	5,404	—	—	—
Reserves (accumulated loss)		2,815	52,886	120,268	(219)	(238)	(257)
		8,219	58,290	125,672	(219)	(238)	(257)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Exchange reserve *HK$'000*	Legal reserve *HK$'000* *(Note)*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2011	5,404	(67)	91	19,100	24,528
Profit for the year	—	—	—	6,907	6,907
Other comprehensive (expense) income for the year:					
Actuarial gains on long service payments	—	—	—	98	98
Exchange differences arising on translating a foreign operation	—	(74)	—	—	(74)
Total comprehensive (expense) income for the year	—	(74)	—	7,005	6,931
Dividend for the year	—	—	—	(23,240)	(23,240)
At 31 March 2012 and 1 April 2012	5,404	(141)	91	2,865	8,219
Profit for the year	—	—	—	50,384	50,384
Other comprehensive expense:					
Actuarial loss on long service payments	—	—	—	(268)	(268)
Exchange differences arising on translating a foreign operation	—	(45)	—	—	(45)
Total comprehensive (expense) income for the year	—	(45)	—	50,116	50,071
At 31 March 2013 and 1 April 2013	5,404	(186)	91	52,981	58,290
Profit for the period	—	—	—	67,669	67,669
Other comprehensive income (expense):					
Actuarial loss on long service payments	—	—	—	(347)	(347)
Exchange differences arising on translating a foreign operation	—	60	—	—	60
Total profit and total comprehensive income for the period	—	60	—	67,322	67,382
At 31 December 2013	5,404	(126)	91	120,303	125,672

	Share capital *HK$'000*	Exchange reserve *HK$'000*	Legal reserve *HK$'000* *(Note)*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2012 (audited)	5,404	(141)	91	2,865	8,219
Profit for the period	—	—	—	45,052	45,052
Other comprehensive income:					
Actuarial gains on long service payments	—	—	—	104	104
Exchange differences arising on translating a foreign operation	—	21	—	—	21
Total profit and total comprehensive income for the period	—	21	—	45,156	45,177
At 31 December 2012 (unaudited)	5,404	(120)	91	48,021	53,396

Note: In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Nine months ended 31 December	
	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
OPERATING ACTIVITIES				
Profit before tax	6,387	54,541	49,072	72,596
Adjustments for:				
Allowance for inventories	3,479	2,163	—	—
Interest income	(278)	(385)	(300)	(564)
Depreciation of plant and equipment	11,910	12,979	9,385	13,446
Depreciation of investment property	17	17	13	13
Finance costs	3,021	4,352	3,205	2,914
Loss on written off of plant and equipment	5,061	1,892	—	830
Gain on disposal of plant and equipment	(43)	(160)	(46)	(1,028)
Provision for long service payment	425	436	371	475
Reversal of impairment loss recognised in respect of interest in an associate	—	(9,646)	(9,646)	—
Reversal of allowances for inventories	(1,748)	(1,490)	—	—
Share of results of an associate	—	(12,983)	(8,787)	(16,836)
Written off of inventories	3	—	—	—
Operating cash inflows before movements in working capital	28,234	51,716	43,267	71,846
Increase in inventories	(22,346)	(11,450)	(17,312)	(46,570)
(Increase) decrease in trade and other receivables	(7,566)	(189,627)	13,589	202,361
(Decrease) increase in trade and other payables	(63,953)	168,805	(28,585)	(204,470)
Decrease in long service payment obligations	(3)	(28)	(9)	(659)
(Increase) decrease in amount due from an associate	(1,203)	(2,358)	909	(7,285)
Cash (used in) generated from operations	(66,837)	17,058	11,859	15,223
Hong Kong Profit Tax refunded (paid)	1,294	104	(1,508)	(36)
Macau Complementary Income Tax paid	—	(475)	(475)	(287)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(65,543)	16,687	9,876	14,900
INVESTING ACTIVITIES				
Purchase of plant and equipment	(4,716)	(20,776)	(18,873)	(17,682)
Advance to directors	—	(29,100)	(39,898)	(32,772)
(Advance to) repayment from related companies	(23,078)	(22,864)	(292)	1,080
Placement of deposit paid for acquisition of plant and equipment	—	(4,320)	(2,160)	—
Placement of pledged bank deposits	(4,649)	(5,427)	(3,004)	(380)
Withdrawal of pledged bank deposits	—	2,419	2,419	—
Dividend received from an associate	—	—	—	11,880
Proceed from disposal of plant and equipment	43	160	117	1,810
Interest received	278	385	300	564
NET CASH USED IN INVESTING ACTIVITIES	(32,122)	(79,523)	(61,391)	(35,500)

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
FINANCING ACTIVITIES				
Bank borrowings raised	70,311	67,677	372,622	434,368
Advance from (repayment to) directors	1,015	(1,300)	—	—
Advance from (repayment to) related companies	71,133	63,668	20,946	(68,818)
Repayment of bank borrowings	(33,942)	(53,460)	(318,179)	(338,130)
Interest paid	(3,021)	(4,352)	(3,205)	(2,914)
Dividend paid	(23,240)	—	—	—
NET CASH FROM FINANCING ACTIVITIES	82,256	72,233	72,184	24,506
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,409)	9,397	20,669	3,906
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	15,205	(280)	(280)	9,070
Effect of foreign exchange rate changes	(76)	(47)	31	64
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by	(280)	9,070	20,420	13,040
Bank balances and cash	3,202	15,374	20,420	16,841
Bank overdrafts	(3,482)	(6,304)	—	(3,801)
	(280)	9,070	20,420	13,040

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate Information" to the Document. The directors of the Company consider the immediate holding company is CKK Investment Limited, a company incorporated in BVI and the ultimate parent is Cheung Family Trust. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in retail business, distribution business, provision of paging and other telecommunications services and provision of operation services.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency. Other than the subsidiary established in Macau whose functional currency is Macau Pataca ("MOP"), the functional currency of the Company and other subsidiaries is HK$.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 20 May 2014. The Group have been under the control and beneficially owned by Cheung Family Trust, Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen, Bobby and Mr. Cheung King Fung, Sunny (the "Controlling Shareholders") throughout the Track Record Period or since their respective dates of incorporation or establishment up to 31 December 2013. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group throughout the Track Record Period, using the principles of merger accounting as set out in note 3 below.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation or establishment up to 31 December 2013. The combined statements of financial position of the Group as at 31 March 2012 and 2013 and 31 December 2013 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted all the relevant HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Group's financial year beginning on 1 April 2013 and throughout the Track Record Period.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application is permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the combined financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Amendments to HKAS 19 Defined Benefit Plans — Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 19 will have no material impact to the Group.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash generating unit was determined based on its fair value less costs of disposal.

If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal;

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application. The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

HK(IFRIC)-Int 21 Levies

HK(IFRIC)-Int 21 provides guidance on when to recognise a liability for a levy imposed by a government for levies that are accounted for in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and levies where the timing and amount is certain. Under HK(IFRIC)-Int 21, a liability is recognised for a levy when the activity that triggers payment as identified by the relevant legislation occurs. HK(IFRIC)-Int 21 excludes income tax within the scope of HKAS 12 Income Taxes, fines and other penalties.

HK(IFRIC)-Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted and require retrospective application. In the opinion of the directors of the Company, the application of HK(IFRIC)-Int 21 will not have material impact on the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) 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 Group 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 combined financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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.

Basis of combination

The Financial Information incorporates the financial information of the Company and its subsidiaries controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Financial Information includes the financial information items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial information are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

Investment property

Investment property is held to earn rentals and/or for capital appreciation.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's interest in an associate is accounted for in the combined financial information using the equity method. Under the equity method, interest in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in combined financial information only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Plant and equipment

Plant and equipment including buildings held for administrative purposes are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Club debenture

Club debenture is carried at cost less accumulated impairment losses, if any.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

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

For the purpose of the combined statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above and bank overdraft. Bank overdrafts are shown in current liabilities on the combined statements of financial position.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity 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

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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 period. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, an associate and directors, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of ranged from 7 to 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amounts are reduced through the use of allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the respective allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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.

The Group's financial liabilities are classified into other financial liabilities.

Equity instruments

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

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 period. 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 premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to directors and related companies, bank borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

A financial asset is derecognised 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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount reported in the Financial Information when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income from provision of operation services, paging and other telecommunications services and logistic services are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorised as follows:

- service cost;
- net interest expense; and
- remeasurement.

Sick leave and maternity leave

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme (the "MPF Scheme") and other defined contribution retirement scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Foreign currencies

In preparing the financial information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the combined financial information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs 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 "profit before tax" as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group'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 Financial Information and the corresponding tax base 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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 Group 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 immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

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 each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment loss of plant and equipment

The Group assesses annually whether plant and equipment has any indication of impairment. The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates such as future revenue and discount rates. As at 31 March 2012 and 2013 and 31 December 2013, the carrying values of plant and equipment were approximately HK$31,717,000, HK$37,622,000 and HK$50,521,000 respectively. There were no impairment losses recognised as at 31 March 2012 and 2013 and 31 December 2013.

Income taxes

At 31 March 2012 and 2013 and 31 December 2013, the Group had unused tax losses of approximately HK$55,765,000, HK$49,371,000 and HK$24,371,000 respectively available for offset against future profits. No deferred tax assets has been recognised in respect of the tax losses of approximately HK$55,038,000, HK$49,371,000 and HK$24,371,000 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 less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Estimated allowance for inventories

The Group makes the allowance for inventories based on assessments of the net realisable value and ageing analysis of inventories and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2012 and 2013 and 31 December 2013, the carrying amounts of inventories were approximately HK$55,320,000, HK$66,097,000 and HK$106,712,000 respectively, net of accumulated allowance for inventories of approximately HK$3,703,000, HK$4,376,000 and nil respectively.

Estimated impairment loss of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2012 and 2013 and 31 December 2013, the carrying amounts of trade and other receivables were approximately HK$47,165,000, HK$236,792,000 and HK$34,431,000 respectively, net of accumulated impairment loss of HK$64,000 as at 31 March 2012, 2013 and 31 December 2013.

Estimated impairment loss of club debenture

The management of the Company reviews the impairment of club debenture at the end of each reporting period. Management estimates the fair value of the club debenture with reference to recent selling prices. In making the estimation, the Group considers comparable debentures recently sold in the market. As at 31 March 2012 and 2013 and 31 December 2013, the carrying amount of the club debenture was approximately HK$1,560,000. There were no impairment losses recognised as at 31 March 2012 and 2013 and 31 December 2013.

Provision for long service payment

The Group's provision for long service payments is determined with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions including: pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability rate. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes to these assumptions will impact the carrying amount of provision for long service payments and the results and financial position of the Group. As at 31 March 2012 and 2013 and 31 December 2013, the carrying amounts of long service payment obligations were approximately HK$556,000, HK$1,232,000 and HK$1,395,000 respectively.

Estimated impairment loss of interest in an associate

Determining whether the interest in an associate is impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2012 and 2013 and 31 December 2013, the carrying amount of Group's interest in an associate are approximately nil, HK$22,629,000 and HK$27,585,000 respectively, net of accumulated impairment losses of approximately HK$9,646,000, nil and nil respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of bank borrowings, bank overdraft, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group			The Company		
	As at 31 March		As at 31 December	As at 31 March		As at 31 December
	2012	2013	2013	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Loans and receivables (including bank balances and cash)	303,540	561,398	340,540	—	—	550
Financial liabilities						
Amortised cost	350,432	602,465	364,141	219	238	807

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, amounts due from (to) related companies, an associate and directors, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit 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.

Market risk

Currency risk

Certain bank balances and cash are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		
	31 March		31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
RMB	—	4,985	5,015

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against the RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit where HK$ strengthens 5% against the RMB. For a 5% weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

Impact of RMB	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Profit after tax	—	(208)	(209)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable rate bank borrowings and bank overdrafts carried at prevailing market rates. However, the exposure in pledged bank deposits and bank balances is minimal to the Group for the Track Record Period as the pledged bank deposits and bank balances are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated pledged bank deposits, bank borrowings and bank overdrafts.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the Track Record Period and all other variables were held constant, the Group's post-tax profit for each of the two years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013 would decrease/increase by approximately HK$696,000, HK$718,000 and HK$1,091,000 respectively. This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the Track Record Period.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group 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 combined statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 32.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit quality of the counterparties in respect of amounts due from related companies, directors and an associate is assessed by taking into account their financial position, credit history and other factors. The directors of the Company are of the opinion that the risk of default by these counterparties is low.

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 liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers and spread across diverse industries.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, as all trade receivables as at 31 March 2012 and 2013 and 31 December 2013 are due from customers located in Hong Kong.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

The Group

	On demand or within 1 year	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2012			
Trade and other payables	100,393	100,393	100,393
Amounts due to related companies	75,532	75,532	75,532
Amounts due to directors	1,300	1,300	1,300
Bank borrowings	170,126	170,126	169,725
Bank overdrafts	3,482	3,482	3,482
Financial guarantee contracts	62,210	62,210	—
	413,043	413,043	350,432

	On demand or within 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2013			
Trade and other payables	281,394	281,394	281,394
Amounts due to related companies	130,825	130,825	130,825
Bank borrowings	184,211	184,211	183,942
Bank overdrafts	6,304	6,304	6,304
Financial guarantee contracts	87,460	87,460	—
	690,194	690,194	602,465

	On demand or within 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2013			
Trade and other payables	79,421	79,421	79,421
Amounts due to related companies	739	739	739
Bank borrowings	280,356	280,356	280,180
Bank overdrafts	3,801	3,801	3,801
Financial guarantee contracts	87,460	87,460	—
	451,777	451,777	364,141

Bank loans with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 March 2012 and 2013 and 31 December 2013, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$169,725,000, HK$183,942,000 and HK$280,180,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$172,479,000, HK$186,671,000 and HK$281,375,000 respectively.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The Company

As at 31 March 2012, 2013 and 31 December 2013, all financial liabilities of the Company are non-interest bearing and repayable on demand.

(c) Fair value

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the Financial Information approximate their fair values due to their immediate or short-term maturities.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts. An analysis of the Group's revenue for the Track Record Period and the nine months ended 31 December 2012 is as follows:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Sales of goods	545,750	796,873	598,383	662,562
Service income	294,431	294,216	217,457	227,913
	840,181	1,091,089	815,840	890,475

8. SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the executive directors of the Company. The information reported to the chief operating decision maker for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

Retail business	—	Sales of mobile phones and pre-paid SIM cards
Distribution business	—	Distribution of mobile phones
Paging and other telecommunications services	—	Sales of pagers and Mango Devices and provision of paging services, maintenance services and two-way wireless data services
Operation services	—	Provision of operation services

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 31 March 2012

	Retail business	Distribution business	Paging and other tele-communications services	Operation services	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	163,819	383,863	237,462	55,037	—	840,181
Inter-segment sales	—	92,824	—	—	(92,824)	—
Segment revenue	163,819	476,687	237,462	55,037	(92,824)	840,181
Segment results	8,119	6,744	48,672	(44,395)		19,140
Interest income						278
Finance costs						(3,021)
Corporate expenses						(10,010)
Profit before tax						6,387

For the year ended 31 March 2013

	Retail business	Distribution business	Paging and other tele-communications services	Operation services	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	479,775	318,971	179,147	113,196	—	1,091,089
Inter-segment sales	—	148,617	—	—	(148,617)	—
Segment revenue	479,775	467,588	179,147	113,196	(148,617)	1,091,089
Segment results	34,832	7,950	29,102	(26,475)		45,409
Interest income						385
Finance costs						(4,352)
Reversal of impairment loss recognised in respect of interest in an associate						9,646
Share of results of an associate						12,983
Corporate expenses						(9,530)
Profit before tax						54,541

For the nine months ended 31 December 2012 (unaudited)

	Retail business HK$'000	Distribution business HK$'000	Paging and other tele-communications services HK$'000	Operation services HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	369,312	229,553	139,058	77,917	—	815,840
Inter-segment sales	—	97,252	—	—	(97,252)	—
Segment revenue	369,312	326,805	139,058	77,917	(97,252)	815,840
Segment results	28,830	6,838	29,659	(24,801)		40,526
Interest income						300
Finance costs						(3,205)
Reversal of impairment loss recognised in respect of interest in an associate						9,646
Share of results of an associate						8,787
Corporate expenses						(6,982)
Profit before tax						49,072

For the nine months ended 31 December 2013

	Retail business HK$'000	Distribution business HK$'000	Paging and other tele-communications services HK$'000	Operation services HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	353,862	316,355	102,414	117,844	—	890,475
Inter-segment sales	—	154,138	—	—	(154,138)	—
Segment revenue	353,862	470,493	102,414	117,844	(154,138)	890,475
Segment results	33,208	11,895	9,238	7,134		61,475
Interest income						564
Finance costs						(2,914)
Share of results of an associate						16,836
Corporate expenses						(3,365)
Profit before tax						72,596

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represented the profit earned/loss from each segment without allocation of interest income, finance costs, reversal of impairment loss recognised in respect of interest in an associate, share of results of an associate, corporate expenses and directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	31 March		31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Segment assets			
Retail business	25,958	69,140	82,430
Distribution business	33,528	44,854	68,773
Paging and other telecommunications services	41,168	227,094	39,670
Operation services	38,800	11,357	15,138
Total segment assets	139,454	352,445	206,011
Unallocated corporate assets	263,621	345,767	323,529
Total assets	403,075	698,212	529,540
Segment liabilities			
Retail business	7,886	7,587	17,082
Distribution business	70,079	68,095	48,247
Paging and other telecommunications services	47,514	228,970	39,246
Operation services	13,828	5,580	1,193
Total segment liabilities	139,307	310,232	105,768
Unallocated corporate liabilities	255,549	329,690	298,100
Total liabilities	394,856	639,922	403,868

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to segments other than investment property, deferred tax assets, club debenture, interest in an associate, amounts due from directors and related companies, tax recoverable, other receivables, pledged bank deposits, bank balances managed on central basis and corporate assets; and

- all liabilities are allocated to segments other than other payables, tax payables, deferred tax liabilities, amounts due to directors and related companies, bank overdrafts and bank borrowings, long services payment obligations and corporate liabilities.

The segment information is as follows:

For the year ended 31 March 2012	**Retail business**	**Distribution business**	**Paging and other tele-communications services**	**Operation services**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of plant and equipment	2,157	879	8,589	182	103	11,910
Addition to non-current assets	1,566	—	3,137	13	—	4,716
Gain on disposal of plant and equipment	(40)	—	—	(3)	—	(43)
Loss on written off of plant and equipment	—	—	5,061	—	—	5,061
Written off of inventories	—	—	3	—	—	3
Reversal of allowance for inventories	—	—	(1,748)	—	—	(1,748)
Allowance for inventories	—	—	3,479	—	—	3,479
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Depreciation of investment property	—	—	—	—	17	17
Interest income	(3)	(274)	(1)	—	—	(278)
Interest expenses	302	2,344	375	—	—	3,021
Income tax (credit) expense	356	149	(1,025)	—	—	(520)

For the year ended 31 March 2013	Retail business	Distribution business	Paging and other tele-communications services	Operation services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of plant and equipment	3,959	827	8,013	52	128	12,979
Addition to non-current assets	15,163	464	9,469	—	—	25,096
Gain on disposal of plant and equipment	(150)	—	(10)	—	—	(160)
Loss on written off of plant and equipment	—	—	1,892	—	—	1,892
Reversal of allowance for inventories	—	—	(1,490)	—	—	(1,490)
Allowance for inventories	—	—	2,163	—	—	2,163
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interest in an associate	—	—	—	22,629	—	22,629
Depreciation of investment property	—	—	—	—	17	17
Interest income	(5)	(380)	—	—	—	(385)
Interest expenses	1,389	2,788	175	—	—	4,352
Income tax expense	2,006	754	1,397	—	—	4,157
Reversal of impairment loss recognised in respect of interest in an associate	—	—	—	(9,646)	—	(9,646)
Share of result of an associate	—	—	—	(12,983)	—	(12,983)

For the nine months ended 31 December 2012 (unaudited)	Retail business	Distribution business	Paging and other tele-communications services	Operation services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of plant and equipment	2,654	613	5,957	50	111	9,385
Addition to non-current assets	14,050	—	4,823	—	—	18,873
Gain on disposal of plant and equipment	—	—	(46)	—	—	(46)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interest in an associate	—	—	—	18,433	—	18,433
Depreciation of investment property	—	—	—	—	13	13
Interest income	(4)	(296)	—	—	—	(300)
Interest expenses	1,089	1,973	143	—	—	3,205
Income tax expense	1,997	676	1,347	—	—	4,020
Reversal of impairment loss recognised in respect of interest in an associate	—	—	—	(9,646)	—	(9,646)
Share of result of an associate	—	—	—	(8,787)	—	(8,787)

For the nine months ended 31 December 2013	Retail business	Distribution business	Paging and other tele-communications services	Operation services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of plant and equipment	4,418	613	8,281	25	109	13,446
Addition to non-current assets	5,490	1,117	15,345	50	—	22,002
Gain on disposal of plant and equipment	—	(1,028)	—	—	—	(1,028)
Loss on written off of plant and equipment	—	—	830	—	—	830
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interest in an associate	—	—	—	27,585	—	27,585
Depreciation of investment property	—	—	—	—	13	13
Interest income	(2)	(562)	—	—	—	(564)
Interest expenses	579	2,223	112	—	—	2,914
Income tax expense	3,350	1,499	78	—	—	4,927
Share of result of an associate	—	—	—	(16,836)	—	(16,836)

Note: Non-current assets excluded deferred tax assets.

Geographical information

The Group's operations are located in Hong Kong and Macau.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about its non-current assets is presented based on the geographical location of these assets.

Revenue from external customers

	31 March		31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Hong Kong (country of domicile)	834,464	1,087,159	812,819	888,181
Macau	5,717	3,930	3,021	2,294
	840,181	1,091,089	815,840	890,475

Non-current assets

	31 March		31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong (country of domicile)	33,187	66,061	79,578
Macau	691	656	657
	33,878	66,717	80,235

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Details of the customer contributing over 10% of total revenue of the Group during the Track Record Period and the nine months ended 31 December 2012 are as follows:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Customer A[1]	N/A[2]	113,786	N/A[2]	118,667

1 Revenue from operation services.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year/period.

9. OTHER INCOME

	Year ended 31 March		Nine months ended 31 December	
	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income:				
Bank interest income	5	26	20	32
Interest income from related companies	273	359	280	532
	278	385	300	564
Consultancy income	300	300	225	225
Gain on disposal of plant and equipment	43	160	46	1,028
Management fee income	6,938	—	—	—
Rental income	3,164	3,559	2,707	2,646
Warehouse storage income	265	95	77	312
Others	1,746	2,326	1,953	448
	12,734	6,825	5,308	5,223

10. FINANCE COSTS

	Year ended 31 March		Nine months ended 31 December	
	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest expenses on:				
— bank borrowings and bank overdrafts wholly repayable within five years	2,867	4,230	3,103	2,914
— amount due to a related company	154	122	102	—
	3,021	4,352	3,205	2,914

11. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 March		Nine months ended 31 December	
	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Macau Complementary Income Tax				
— current year/period	475	288	287	—
Hong Kong Profits Tax				
— current year/period	1,243	3,805	3,684	4,012
— over-provision in prior years	(737)	(49)	(49)	(36)
	981	4,044	3,922	3,976
Deferred tax				
— current year/period	(1,501)	113	98	951
Total income tax (credit) expense for the year/period	(520)	4,157	4,020	4,927

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

For the Track Record Period and the nine months ended 31 December 2012, Macau Complementary Income Tax is charged at the progressive rate on the estimate assessable profit.

For the Track Record Period and the nine months ended 31 December 2012, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

The income tax (credit) expense can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Profit before tax	6,387	54,541	49,072	72,596
Tax expense at rates applicable to profits in the jurisdictions concerned	873	8,939	8,095	11,981
Tax effect of share of results of an associate	—	(2,142)	(1,450)	(2,778)
Tax effect of expenses not deductible for tax purpose	103	98	29	3
Tax effect of income not taxable for tax purpose	(45)	(1,655)	(1,641)	(93)
Tax effect of tax losses not recognised	—	206	125	2,051
Tax effect of deductible temporary difference not recognised	79	4	—	24
Tax exemption *(note)*	—	(40)	(40)	—
Over-provision in prior years	(737)	(49)	(49)	(36)
Utilisation of tax losses previously not recognised	(793)	(1,141)	(1,049)	(6,176)
Utilisation of deductible temporary difference previously not recognised	—	(63)	—	(49)
Income tax (credit) expense for the year/period	(520)	4,157	4,020	4,927

Note: During year ended 31 March 2013 and nine months ended 31 December 2012, four Hong Kong subsidiaries were entitled to 75% tax deduction on Hong Kong Profit Tax with a cap at HK$10,000.

Details of deferred taxation are set out in note 18.

12. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March		Nine months ended 31 December	
	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period is arrived at after charging (crediting):				
Directors' emoluments *(note 13)*				
— salaries, allowances and other benefits	9,401	8,738	6,546	2,782
— contribution to retirement benefits scheme	96	106	62	97
	9,497	8,844	6,608	2,879
Other staff costs				
— salaries and other allowance	86,718	105,976	79,845	73,031
— contribution to retirement benefits scheme	2,873	3,795	2,967	3,193
— provision for long service payments	425	436	371	475
	90,016	110,207	83,183	76,699
Total staff costs	99,513	119,051	89,791	79,578
Auditors' remuneration	710	609	365	543
Depreciation of plant and equipment	11,910	12,979	9,385	13,446
Depreciation of investment property	17	17	13	13
	11,927	12,996	9,398	13,459
Loss on written off of plant and equipment	5,061	1,892	—	830
Allowance for inventories (included in cost of sales)	3,479	2,163	—	—
Reversal of allowances for inventories (included in cost of sales)	(1,748)	(1,490)	—	—
Written off of inventories (included in cost of inventories sold)	3	—	—	—
Exchange (gain) losses, net	(67)	164	(50)	(1)
Share of income tax expense of an associate	—	3,243	1,687	3,189
Operating lease rentals in respect of:				
— rented premises	25,636	34,219	26,715	29,590
— transmission stations	13,957	14,655	11,056	9,980
	39,593	48,874	37,771	39,570

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The details remuneration of each director and chief executive for the Track Record Period and the nine months ended 31 December 2012 are as follows:

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonus	Contribution to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2012					
Directors:					
Mr. Cheung King Shek *(Note 1)*	—	1,050	506	24	1,580
Mr. Cheung King Fung, Sunny *(Note 1)*	—	3,000	—	24	3,024
Mr. Cheung King Shan *(Note 2)*	—	660	1,707	24	2,391
Mr. Cheung King Chuen, Bobby *(Note 2)*	—	660	1,818	24	2,502
Total	—	5,370	4,031	96	9,497

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonus	Contribution to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2013					
Directors:					
Mr. Cheung King Shek *(Note 1)*	—	1,436	1,030	29	2,495
Mr. Cheung King Fung, Sunny *(Note 1)*	—	1,105	—	19	1,124
Mr. Cheung King Shan *(Note 2)*	—	656	1,902	29	2,587
Mr. Cheung King Chuen, Bobby *(Note 2)*	—	656	1,953	29	2,638
Total	—	3,853	4,885	106	8,844

	Directors' fees *HK$'000*	Salaries, allowances and other benefits *HK$'000*	Discretionary bonus *HK$'000*	Contribution to retirement benefits scheme *HK$'000*	Total *HK$'000*
Nine months ended 31 December 2013					
Directors:					
Mr. Cheung King Shek *(Note 1)*	—	850	—	27	877
Mr. Cheung King Fung, Sunny *(Note 1)*	—	752	—	16	768
Mr. Cheung King Shan *(Note 2)*	—	590	—	27	617
Mr. Cheung King Chuen, Bobby *(Note 2)*	—	590	—	27	617
Total	—	2,782	—	97	2,879

	Directors' fees *HK$'000*	Salaries, allowances and other benefits *HK$'000*	Discretionary bonus *HK$'000*	Contribution to retirement benefits scheme *HK$'000*	Total *HK$'000*
Nine months ended 31 December 2012 (unaudited)					
Directors:					
Mr. Cheung King Shek *(Note 1)*	—	1,208	773	17	1,998
Mr. Cheung King Fung, Sunny *(Note 1)*	—	443	—	11	454
Mr. Cheung King Shan *(Note 2)*	—	623	1,427	17	2,067
Mr. Cheung King Chuen, Bobby *(Note 2)*	—	608	1,464	17	2,089
Total	—	2,882	3,664	62	6,608

Notes:

(1) Redesignated as executive director on 21 March 2014.

(2) Redesignated as non-executive director on 21 March 2014.

Discretionary bonuses are based on the Group's performance for such financial year/period.

Mr. Cheung King Shek is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors or chief executive waived or agreed to waive any emolument paid by the Group during the Track Record Period and the nine months ended 31 December 2012. No emoluments were paid by the Group to any of the directors or chief executive as an incentive payment to join or upon joining the Group or as compensation for loss of office during the Track Record Period and the nine months ended 31 December 2012.

(b) Employees' emoluments

The five highest paid individuals of the Group included four directors of the Company for the two years ended 31 March 2012 and 2013 and the nine months ended 31 December 2012 and 2013 respectively, whose emoluments are included in the analysis presented above. Details of emoluments paid to the remaining one individual of the Group for the two years ended 31 March 2012 and 2013 and nine months ended 31 December 2012 and 2013 respectively were as follows:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowances and other benefits	1,073	1,080	712	798
Contribution to retirement benefits scheme	12	15	11	11
	1,085	1,095	723	809

Their emoluments were within the following bands:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees*
Nil to HK$1,000,000	—	—	1	1
HK$1,000,000 to HK$1,500,000	1	1	—	—

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the Track Record Period and the nine months ended 31 December 2012.

14. DIVIDENDS

The dividend paid by the Company's subsidiaries to its then shareholders during the year ended 31 March 2012 amounted to approximately HK$23,240,000. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

Pursuant to the resolution passed on 20 May 2014, an interim dividend amount of HK$138,000,000 was declared and paid by the Company to its then shareholders.

Other than disclosed above, no dividends have been paid or declared by the companies now comprising the Group since the commencement of the Track Record Period and up to the date of this Prospectus.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share during the Track Record Period and the nine months ended 31 December 2012 is based on the profit attributable to the owners of the Company during the Track Record Period and the nine months ended 31 December 2012 and the weighted average number of ordinary shares in issue during the Track Record Period and the nine months ended 31 December 2013 on the assumption that 300,000,000 ordinary shares of HK$0.01 each, representing the number of shares of the Company immediately after the Reorganisation and the capitalisation issue as detailed in Appendix V to Prospectus.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the Track Record Period and the nine months ended 31 December 2012.

16. PLANT AND EQUIPMENT

	Radio and transmitting equipment	Tele-communication devices	Motor vehicles	Leasehold improvement	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
As at 1 April 2011	63,893	26,679	17,560	16,216	46,173	170,521
Additions	953	1,738	41	844	1,140	4,716
Disposal	—	(1)	(521)	—	—	(522)
Written off	—	(12,455)	—	—	(12)	(12,467)
Exchange realignment	—	—	—	13	35	48
As at 31 March 2012 and 1 April 2012	64,846	15,961	17,080	17,073	47,336	162,296
Additions	2,928	1,514	6,410	5,361	4,563	20,776
Disposal	—	—	(693)	—	—	(693)
Written off	—	(6,051)	—	—	—	(6,051)
Exchange realignment	—	—	—	12	31	43
As at 31 March 2013 and 1 April 2013	67,774	11,424	22,797	22,446	51,930	176,371
Transferred from inventories	—	5,955	—	—	—	5,955
Additions	6,166	7,948	1,976	1,390	4,522	22,002
Disposal	—	(19)	(2,941)	—	—	(2,960)
Written off	—	(1,694)	—	—	—	(1,694)
Exchange realignment	—	—	(1)	(41)	(101)	(143)
As at 31 December 2013	73,940	23,614	21,831	23,795	56,351	199,531
ACCUMULATED DEPRECIATION						
As at 1 April 2011	52,615	12,814	7,687	12,453	40,981	126,550
Provided for the year	3,302	2,922	2,541	1,072	2,073	11,910
Eliminated in disposal	—	(1)	(521)	—	—	(522)
Eliminated in written off	—	(7,404)	—	—	(2)	(7,406)
Exchange realignment	—	—	—	13	34	47
As at 31 March 2012 and 1 April 2012	55,917	8,331	9,707	13,538	43,086	130,579
Provided for the year	3,694	1,757	3,167	1,851	2,510	12,979
Eliminated in disposal	—	—	(693)	—	—	(693)
Eliminated in written off	—	(4,159)	—	—	—	(4,159)
Exchange realignment	—	—	—	12	31	43
As at 31 March 2013 and 1 April 2013	59,611	5,929	12,181	15,401	45,627	138,749
Provided for the period	3,460	3,266	2,753	2,106	1,861	13,446
Eliminated in disposal	—	(1)	(2,177)	—	—	(2,178)
Eliminated in written off	—	(864)	—	—	—	(864)
Exchange realignment	—	—	(1)	(41)	(101)	(143)
As at 31 December 2013	63,071	8,330	12,756	17,466	47,387	149,010
CARRYING VALUES						
As at 31 March 2012	8,929	7,630	7,373	3,535	4,250	31,717
As at 31 March 2013	8,163	5,495	10,616	7,045	6,303	37,622
As at 31 December 2013	10,869	15,284	9,075	6,329	8,964	50,521

The above plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Radio and transmitting equipment	5 years
Tele-communication devices	5 years
Motor vehicles	5 years
Leasehold improvement	Over the shorter of lease term or 5 years
Furniture and fixtures	5 years

17. INVESTMENT PROPERTY

	HK$'000
COST	
At 1 April 2011	839
Exchange realignment	2
At 31 March 2012 and 1 April 2012	841
Exchange realignment	2
At 31 March 2013 and 1 April 2013	843
Exchange realignment	(6)
At 31 December 2013	837
DEPRECIATION	
At 1 April 2011	222
Provided for the year	17
Exchange realignment	1
At 31 March 2012 and 1 April 2012	240
Provided for the year	17
Exchange realignment	—
At 31 March 2013 and 1 April 2013	257
Provided for the period	13
Exchange realignment	(2)
At 31 December 2013	268
CARRYING VALUES	
At 31 March 2012	601
At 31 March 2013	586
At 31 December 2013	569

Investment property located in Macau held for earnings rentals and/or appreciation purposes are measured using the cost model.

The fair value of the Group's investment property at the ended of each reporting period were HK$4,620,000, HK$6,160,000 and HK$7,000,000 respectively. The fair values have been arrived at based on valuations carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent valuers not connected with the Group.

In estimating the fair values of the property, the highest and best use of the property is its current use.

The carrying value of investment property shown above is situated in Macau and held under medium-term lease.

Details of the Group's investment property and information about the fair value hierarchy as at the end of each reporting period are as follows:

		31 March		**31 December**
		2012	**2013**	**2013**
		HK$'000	*HK$'000*	*HK$'000*
Property located in the Macau	Level 2	4,620	6,160	7,000

The valuation technique used in valuating the investment property is direct comparison method. Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.

The above investment property is depreciated on a straight-line basis at depreciate rate of 2% per annum.

18. DEFERRED TAXATION

	As at 31 March		**As at 31 December**
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	120	1	1
Deferred tax liabilities	(3,928)	(3,922)	(4,873)
	(3,808)	(3,921)	(4,872)

The following are the major deferred tax (liabilities) and assets recognised and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation	Estimated tax losses	Deferred employee benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2011	(4,475)	228	(1,062)	(5,309)
Credited (charged) to the combined statements of profit or loss and other comprehensive *(note 11)*	1,576	(108)	33	1,501
As at 31 March 2012 and 1 April 2012	(2,899)	120	(1,029)	(3,808)
(Charged) credited to the combined statements of profit or loss and other comprehensive *(note 11)*	(144)	(119)	150	(113)
As at 31 March 2013 and 1 April 2013	(3,043)	1	(879)	(3,921)
(Charged) credited to the combined statements of profit or loss and other comprehensive *(note 11)*	(1,086)	—	135	(951)
As at 31 December 2013	(4,129)	1	(744)	(4,872)

At 31 March 2012 and 2013 and 31 December 2013, the Group had unused tax losses of approximately HK$55,765,000, HK$49,371,000 and HK$24,371,000 respectively available for offset against future profits. No deferred tax assets has been recognised in respect of the tax losses of approximately HK$55,038,000, HK$49,371,000 and HK$24,371,000 due to the unpredictability of future profit streams.

At 31 March 2012 and 2013 and 31 December 2013, the Group had deductible temporary differences of HK$1,101,000, HK$739,000 and HK$891,000 respectively. At 31 March 2012, a deferred tax assets of HK$720,000 (31 March 2013 and 31 December 2013: nil) has been recognised in relation to such deductible temporary difference. No deferred tax has been recognised as at 31 March 2012 and 2013 and 31 December 2013 in respect of the remaining HK$381,000, HK$739,000 and HK$891,000.

19. CLUB DEBENTURE

	31 March		31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Club membership, at cost	1,560	1,560	1,560

The directors of the Company consider no impairment identified with reference to the second hand market price of the club debenture as at the end of each of the reporting period.

20. INTEREST IN AN ASSOCIATE

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Cost of interest in an associate — unlisted	16,640	16,640	16,640
Impairment loss recognised *(note)*	(9,646)	—	—
Share of post-acquisition results, net of dividends received	(6,994)	5,989	10,945
	—	22,629	27,585

Note: Prior to the Track Record Period, the Group recognised impairment loss of approximately HK$9,646,000 in relation to the interest in New World Mobility Limited ("NWM") as NWM had continuously incurred substantial losses. During the year ended 31 March 2013, the directors of the Company reviewed the carrying amount of interest in NWM, impairment loss recognised in prior year was reversed because of the expected profit streams would be generated by NWM and distribution of dividend from NWM.

As at 31 March 2012 and 2013 and 31 December 2013, the Company had interests in the following associate:

Name of company	Form of entity	Place of incorporation and operation	Class of shares held/ paid-up capital	Proportion of ownership interest and voting rights held by the Group	Principal activity
NWM	Incorporated	Hong Kong	Ordinary shares/ HK$1,000	40%	Provision of mobile services including voice and data products

The associate was accounted for using the equity method in these combined financial statements.

21. INVENTORIES

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Merchandises	55,320	66,097	106,712

During the Track Record Period, certain impaired inventories were sold at gross profit. Reversal of allowance for inventories approximately HK$1,748,000 and HK$1,490,000 have been recognised and included in cost of sales during the years ended 31 March 2012 and 2013 respectively. There has been no reversal of allowance for inventories during the nine months ended 31 December 2013.

22. TRADE AND OTHER RECEIVABLES

	The Group			The Company
	As at 31 March		As at 31 December	As at 31 December
	2012	2013	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	16,130	19,115	9,260	—
Other receivables	10,494	8,686	8,512	—
Deposits	11,889	205,323	14,938	—
Prepayment	8,716	3,732	1,785	550
	47,229	236,856	34,495	550
Less: impairment loss recognised in respect of trade receivables	(64)	(64)	(64)	—
	47,165	236,792	34,431	550

The Group does not hold any collateral over these balances.

The Group allows an average credit period of ranged from 7 to 30 days to its trade customers. The following is an aged analysis of trade receivables, net of accumulated impairment loss, presented based on invoice date at the end of each reporting period, which approximated the respective revenue recognition dates.

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	15,666	18,703	8,679
91–180 days	292	289	472
181–365 days	93	44	31
Over 365 days	15	15	14
	16,066	19,051	9,196

The movement in the impairment loss of trade receivables were as follow:

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
At the beginning and the end of the year/period	64	64	64

At 31 March 2012 and 2013 and 31 December 2013, the aged analysis of trade receivables that were past due but not impaired are as follows:

	Within 30 days	31–90 days	91–180 days	181–365 days	Over 365 days	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2012	1,045	744	193	93	15	2,090
As at 31 March 2013	975	575	289	44	15	1,898
As at 31 December 2013	1,071	446	472	31	14	2,034

The Group has not recognised any impairment loss as there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

At 31 March 2013, included in deposits were refundable deposit paid to manufacturer for acquisition of specialised equipment for an independent third party of approximately HK$190,080,000. In relation of the transaction, the Group had also received HK$192,000,000 as receipt in advance (Note 26). The transaction was terminated and deposit was refunded during the nine months ended 31 December 2013.

23. AMOUNTS DUE FROM (TO) DIRECTORS

				Maximum amount outstanding		
Name of directors	**As at 31 March**		**As at 31 December**	**During the year ended 31 March**		**During the nine months ended 31 December**
	2012	**2013**	**2013**	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from:						
Cheung King Fung, Sunny	—	6,635	16,067	—	6,635	16,067
Cheung King Chuen, Bobby	—	7,600	16,772	—	7,600	16,772
Cheung King Shan	—	7,600	15,716	—	7,600	15,716
Cheung King Shek	—	7,265	13,317	—	7,265	13,317
	—	29,100	61,872			
Due to:						
Cheung King Fung, Sunny	(965)	—	—			
Cheung King Shek	(335)	—	—			
	(1,300)	—	—			

The amounts are unsecured, interest-free and repayable on demand. The amounts due from directors are subsequently settled with the interim dividends attributable to the directors (who are the shareholders of the Company) declared by the Company on 20 May 2014 and the remaining balances are settled by cash in May 2014.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. All bank deposits have been pledged to secure bank overdrafts and bank borrowings. The pledged deposits carried interest at prevailing market rates ranging from 0.02% to 0.16% per annum during the Track Record Period.

During the Track Record Period, bank balances carried interest at prevailing market rates ranging from 0.01% to 0.17% per annum.

During the Track Record Period, bank overdrafts carried interest at 1-month HIBOR plus 0.25% per annum.

All the bank overdrafts were secured by bank deposits with aggregate principal amount of not less than HK$2,048,000 and continuing unlimited personal guarantees from the directors of the Group during the Track Record Period.

The Group's bank balances and cash that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
RMB	—	4,985	5,015
JPY	3	3	3
USD	23	12	38

25. TRADE AND OTHER PAYABLES

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	81,174	70,843	68,145
Receipt in advance	39,314	221,238	26,741
Accrued expenses and other payables	19,219	18,551	11,276
	139,707	310,632	106,162

The average credit period on trade payables is 30 days. The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 60 days	80,310	69,921	63,842
61–90 days	36	65	1,092
Over 90 days	828	857	3,211
	81,174	70,843	68,145

At 31 March 2013, included in receipt in advance were receipt from an independent third party for acquisition of plant and equipment on its behalf of approximately HK$192,000,000. In relation of the transaction, the Group had also paid HK$190,080,000 as prepayment (Note 22). The transaction was terminated and the receipt in advance was refunded to the independent third party during the nine months ended 31 December 2013.

26. BANK BORROWINGS

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Variable rate bank borrowings	82,678	118,332	89,550
Variable rate trust receipt borrowings	87,047	65,610	190,630
	169,725	183,942	280,180
Secured	—	26,252	10,000
Unsecured	169,725	157,690	270,180
	169,725	183,942	280,180

The amounts due are based on scheduled repayment dates set out in the loan agreements:

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Within one year	140,369	164,998	268,813
After one year but within two years	10,412	9,931	6,609
After two years but within five years	18,944	9,013	4,758
	169,725	183,942	280,180
Carrying amount of bank borrowings that are repayable on demand or within one year	140,369	164,998	268,813
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	29,356	18,944	11,367
	169,725	183,942	280,180

(a) All the bank borrowings carried interest at floating rates. The ranges of effective interest rates per annum on the Group's bank borrowings are as follows:

	As at 31 March		As at 31 December
	2012	2013	2013
Variable rate bank borrowings	0.74%–3.41%	0.77%–3.08%	0.81%–2.46%

(b) The bank borrowings are all denominated in HK$.

(c) As at 31 March 2012 and 2013 and 31 December 2013, the bank borrowings of approximately HK$23,950,000, HK$16,484,000 and HK$10,872,000 was guaranteed by the Government of the Hong Kong Special Administrative Region for an amount equivalent to 50% to 80% of the respective bank borrowing amount granted by the banks to the Group.

(d) As at 31 March 2012 and 2013 and 31 December 2013, all bank borrowings were guaranteed by the directors of the Company.

(e) As at 31 March 2012 and 2013 and 31 December 2013, bank borrowings of approximately HK$77,386,000, HK$118,669,000 and HK$263,807,000 were secured by certain investment properties of the Group's related companies.

(f) As at 31 March 2012 and 2013 and 31 December 2013, secured bank borrowings of approximately nil, HK$26,252,000 and HK$10,000,000 were secured by pledged bank deposits with carrying amounts of HK$4,649,000, HK$7,657,000 and HK$8,037,000 respectively.

27. LONG SERVICE PAYMENT OBLIGATIONS

The Group made provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance, as further in note 3. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK$390,000 per employee. The provision represented the management's best estimate of the Group's liability at the end of each reporting period.

The Group exposes to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Interest risk	A decrease in the bond interest rate will increase the plan liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2013 by Asset Appraisal Limited. The present value of the defined benefit obligation, and the related service cost, were measured using the Projected Unit Credit Method.

Movement of present value of provision for long service payment is as follows:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year/period	232	556	1,232
Charged to profit or loss	425	436	475
Actuarial (gains) loss recognised in other comprehensive income	(98)	268	347
Paid during the year/period	(3)	(28)	(659)
At end of the year/period	556	1,232	1,395

Movement of present value of the defined benefit obligations is as follows:

	As at 31 March		As at 31 December
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year/period	232	556	1,232
Current service cost	418	430	452
Interest cost	7	6	23
Remeasurement (gains) loss:			
Actuarial (gains) loss recognised in other comprehensive income	(98)	268	347
Benefit paid during the year/period	(3)	(28)	(659)
At end of the year/period	556	1,232	1,395

Amounts recognised in combined statements of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows.

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Current service cost	418	430	452
Net interest expense	7	6	23
Components of defined benefit costs recognised in profit or loss (included in staff costs)	425	436	475

Remeasurement on the net defined benefit liability

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Actuarial (gain) loss arising from changes in financial assumptions	(98)	268	347
Components of defined benefit costs recognised in other comprehensive income	(98)	268	347

The amounts recognised in combined statements of profit or loss and other comprehensive income are as follows:

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Cumulative amount of actuarial gains at the beginning of the year/period	—	(98)	170
Net actuarial (gains) loss during the year/period	(98)	268	347
Cumulative amount of actuarial (losses) gains at the end of the year/period	(98)	170	517

As at 31 March 2012 and 2013 and 31 December 2013, the amount is calculated based on the principal assumptions stated as below:

	As at 31 March		As at 31 December
	2012	2013	2013
Annual salary increment	3.5%	3.7%	3.7%
Turnover rate	4% to 14%	5% to 13%	5% to 13%
MPF return rate	3.6%	4.0%	4.1%
Discount rate	0.09% to 1.33%	0.15% to 1.38%	0.19% to 2.57%

28. SHARE CAPITAL

As at 31 March 2012 and 2013 and 31 December 2013, the share capital of the Group represented the sum of amount of share capital of the Company and the companies now comprising the Group.

The Company

	Number of shares	Share capital
		HK$
Authorised:		
Ordinary share of HK$0.01 each as at 1 April 2011, 31 March 2012, 2013 and 31 December 2013	38,000,000	380,000
Issued and fully paid:		
Ordinary share of HK$0.01 each as at 1 April 2011, 31 March 2012, 2013 and 31 December 2013	1	0.01

29. RESERVES OF THE COMPANY

	Accumulated losses
	HK$'000
As at 1 April 2011	(191)
Loss for the period and total comprehensive expense for the year	(28)
As at 31 March 2012 and 1 April 2012	(219)
Loss for the period and total comprehensive expense for the year	(19)
As at 31 March 2013 and 1 April 2013	(238)
Loss for the period and total comprehensive expense for the period	(19)
As at 31 December 2013	(257)
For the nine months ended 31 December 2012 (unaudited)	
As at 1 April 2012	(219)
Loss for the period and total comprehensive expense for the period	—
As at 31 December 2012	(219)

30. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Within one year	13,500	29,929	27,575
In the second to fifth year, inclusive	4,855	13,569	8,207
	18,355	43,498	35,782

The Group leases certain of its office premises, cell sites and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three years with fixed rentals as at 31 March 2012 and 2013 and 31 December 2013.

The Group as lessor

Sub-letting income earned during the Track Record Period and nine months period ended 31 December 2012 were approximately HK$3,164,000, HK$3,559,000, HK$2,707,000 and HK$2,646,000 respectively. The office premises, transmission stations, warehouse and service outlets are sub-let to third parties under operating lease with leases negotiated for a term of one to three years as at 31 March 2012 and 2013 and 31 December 2013.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Within one year	1,357	2,088	956
In the second to fifth year, inclusive	673	868	308
	2,030	2,956	1,264

31. CAPITAL COMMITMENTS

The Group

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the Financial Information	—	1,080	—

32. CONTINGENT LIABILITIES

At 31 March 2012 and 2013 and 31 December 2013, the Group has financial guarantees given to banks in respect of mortgage loans granted to certain related companies for acquisition of properties of approximately HK$62,210,000, HK$87,460,000 and HK$87,460,000 respectively.

At the end of each reporting period, the directors of the Company considered that the fair value of the financial guarantee is insignificant.

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2012, an amount of approximately HK$3,777,000 included in trade and other payables was taken up by a related company of which amount was included in amounts due to related companies.

During the year ended 31 March 2012, an amount of approximately HK$45,857,000 included in amounts due from related companies was set off with the same amount included in amounts due to related companies.

During the year ended 31 March 2013, an amount of approximately HK$2,120,000 included in trade and other payables was taken up by related companies of same amount and which amount was included in amounts due to related companies.

During the year ended 31 March 2013, an amount of approximately HK$6,255,000 included in amounts due from related companies was set off with the same amount included in amounts due to related companies.

During the nine months ended 31 December 2013, an amount of approximately HK$61,268,000 included in amounts due from related companies was set off with the same amount included in amounts due to related companies.

34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's combined statements of financial position.

The Group currently has a legally enforceable right to set off the amounts due from related companies and amounts due to related companies and the Group intends to settle these balances on a net basis.

As at 31 March 2012

Description	**Gross amounts of recognised financial assets (liabilities)**	**Gross amounts of recognised financial (assets) liabilities set off in the statement of financial position**	**Net amounts of financial assets (liabilities) presented in the statement of financial position**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from related companies	297,843	(45,857)	251,986
Amounts due to related companies	(121,389)	45,857	(75,532)

As at 31 March 2013

Description	Gross amounts of recognised financial assets (liabilities)	Gross amounts of recognised financial (assets) liabilities set off in the statement of financial position	Net amounts of financial assets (liabilities) presented in the statement of financial position
	HK\$'000	*HK\$'000*	*HK\$'000*
Amounts due from related companies	274,850	(6,255)	268,595
Amounts due to related companies	(137,080)	6,255	(130,825)

As at 31 December 2013

Description	Gross amounts of recognised financial assets (liabilities)	Gross amounts of recognised financial (assets) liabilities set off in the statement of financial position	Net amounts of financial assets (liabilities) presented in the statement of financial position
	HK\$'000	*HK\$'000*	*HK\$'000*
Amounts due from related companies	267,515	(61,268)	206,247
Amounts due to related companies	(62,007)	61,268	(739)

35. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and its employees makes monthly contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month and HK$1,250 per month since June 2012.

Employees employed by the Group's operations in Macau Special Administration Region ("MSAR") are members of government-managed retirement benefits schemes operated by the MSAR government. The MSAR operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the MSAR government is to make the required contributions under the schemes.

During the two years ended 31 March 2012 and 2013 and the nine months ended 31 December 2012 and 2013, the total costs charged to the combined statements of profit or loss and other comprehensive income of approximately HK$2,969,000 HK$3,901,000, HK$3,029,000 and HK$3,290,000 respectively represented contributions payable to the scheme by the Group in respect of the year/period.

36. SUMMARISED FINANCIAL INFORMATION OF AN ASSOCIATE

The summarised financial information in respect of the associate as extracted from the financial statements prepared in accordance with HKFRSs.

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	10	178	634
Current assets	76,553	160,786	198,395
Current liabilities	(52,448)	(104,392)	(130,067)
Net assets	24,115	56,572	68,962
Revenue	182,130	373,723	389,988
Profit and total comprehensive income for the year/period	2,184	32,458	42,090
Dividends received from the associate during the year/period	—	—	11,880

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the combined financial statements:

	As at 31 March		As at 31 December
	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*
Net assets of an associate	24,115	56,572	68,962
Proportion of the Group's ownership interest in an associate	9,646	22,629	27,585
Impairment loss recognised	(9,646)	—	—
Carrying amount of the Group's interest in an associate	—	22,629	27,585

37. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to the balances elsewhere in the Financial Information, the Group had the following material transactions and balances with related parties during the Track Record Period and the nine months ended 31 December 2012:

Name of company	Nature of transactions	Notes	Year ended 31 March 2012 HK$'000	Year ended 31 March 2013 HK$'000	Nine months ended 31 December 2012 HK$'000 (unaudited)	Nine months ended 31 December 2013 HK$'000
Related companies						
Telecom Digital Securities Limited	Technical support service income received	(i)	120	120	90	90
	Promotion service income received	(i)	352	225	173	142
	Consultancy fee income received	(i)	300	300	225	225
	Subscription fee income received	(i)	602	517	391	481
	Rental expense paid thereto	(ii)	179	235	151	252
	Sub-letting income received	(ii)	747	680	529	467
	Advertising and promotion fee received	(i)	323	355	273	333
Radiotex International Limited	Purchase of goods therefrom	(i)	37,979	12,833	11,575	11,388
	Sales of goods	(i)	446	—	—	—
Telecom Service Limited	Rental expenses paid thereto	(ii) & (iii)	861	832	624	624
	Interest paid	(i)	154	122	102	—
	Management fee income received	(i)	356	—	—	—
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	2,021	2,017	1,516	1,494
	Interest income received	(i)	116	134	107	347
	Management fee income received	(i)	1,499	—	—	—
Telecom Digital Holding Limited (HK)	Rental expenses paid thereto	(ii) & (iii)	1,142	1,322	897	1,245
	Interest income received	(i)	37	48	38	3
	Management fee income received	(i)	452	—	—	—
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	942	942	707	322
	Interest income received	(i)	—	1	1	107
	Management fee income received	(i)	872	—	—	—
Telecom Service One Limited	Repairs and maintenance fee paid thereto	(i) & (iii)	9,639	10,040	6,505	8,595
	Telecommunications service income received	(i) & (iii)	53	89	67	33
	Sales of goods	(i) & (iii)	55	21	17	1
	Consignment fee received	(i) & (iii)	—	590	3	1,188
	Licensing fee received	(iii)	—	44	33	20
	Purchase of motor vehicle therefrom	(i) & (iii)	—	2,500	—	—
	Logistics fee income received	(i)	417	783	591	544
NWM	Service fee income received	(i) & (iii)	66,845	132,348	91,235	131,044
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	1,473	1,040	780	780
	Interest income received	(i)	33	8	8	8
	Management fee income received	(i)	2,147	—	—	—
Telecom Digital Media Limited	Purchase of coupons	(i) & (iii)	127	10	10	—
Silicon Creation Limited	Rental expenses paid thereto	(ii) & (iii)	4,606	4,438	3,358	3,238
	Interest income received	(i)	87	167	125	67
	Management fee income received	(i)	1,612	—	—	—
Elite Benefit Limited	Rental expenses paid thereto	(ii) & (iii)	264	264	198	—
Asia King Investment Limited	Rental expenses paid thereto	(ii) & (v)	2,592	2,592	1,944	1,000
Chief Plus Limited	Rental expenses paid thereto	(ii) & (iv)	390	780	585	260

Name of director	Nature of transactions	Note	Year ended 31 March 2012	Year ended 31 March 2013	Nine months ended 31 December 2012	Nine months ended 31 December 2013
			HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cheung King Shek	Rental expenses paid thereto	(ii)	660	660	495	—

Details of amounts due from related companies are as follows:

	Notes	As at 31 March 2012	As at 31 March 2013	As at 31 December 2013	Maximum amount During the year ended 31 March 2012	Maximum amount During the year ended 31 March 2013	Maximum amount During the nine months ended 31 December 2013
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chief Asia Pacific Limited	(vi) & (vii)	—	5	—	—	5	5
Sun Asia Pacific Limited	(iii) & (vii)	31,232	31,237	18,955	31,232	31,237	31,237
East-Asia Pacific Limited	(iii) & (vii)	89,434	85,938	187,127	89,434	89,434	187,127
Hellomoto Limited	(iii) & (vii)	2,856	2,861	—	2,856	2,861	2,861
H.K. Magnetronic Company Limited	(iii) & (vii)	3,124	2,015	—	3,124	3,124	2,015
Kawi King Limited	(vi) & (vii)	—	10	—	—	10	10
Marina Trading Limited	(iii) & (vii)	55	62	—	55	62	62
Oceanic Rich Limited	(iii) & (viii)	2,938	—	—	2,938	2,938	—
Pin International Holdings Limited	(iii) & (vii)	34	39	—	34	39	39
Smart King Group Limited	(vi) & (vii)	16	11	—	16	11	11
Telecom Digital Limited	(iii) & (vii)	—	29	—	—	29	29
Telecom Digital Limited (Macau)	(iii) & (vii)	1	—	—	1	1	—
Yiutai Industrial Company Limited	(iii) & (vii)	131	131	—	131	131	131
Glossy Enterprises Limited	(iii) & (viii)	43,898	37,957	—	43,898	43,898	37,957
Telecom Digital Holdings Limited (HK)	(iii) & (viii)	15,866	15,756	—	15,866	15,866	15,756
Silicon Creation Limited	(iii) & (viii)	32,213	62,471	—	32,213	62,471	62,471
Telecom Digital Limited	(iii) & (vii)	73	51	—	73	51	51
Txtcom Limited	(iii) & (vii)	—	15	—	—	15	15
TSN (Macau) Limited	(iii) & (vii)	202	202	—	202	202	202
Smart Nation Limited	(iii) & (vii)	3	3	—	3	3	3
Telecom Digital Media Limited	(iii) & (vii)	13,139	13,158	—	13,139	13,158	13,158
Hellomoto (Macau) Limited	(iii) & (vii)	1,470	1,474	—	1,470	1,474	1,474
Main Force Limited	(iii) & (vii)	12	12	—	12	12	12
Telecom Digital Securities Limited	(iii) & (vii)	193	57	165	193	193	165
Dragon Spirit Limited	(iii) & (vii)	15,096	15,101	—	15,096	15,101	15,101
		251,986	268,595	206,247			

Details of amounts due to related companies are as follows:

	Notes	As at 31 March 2012	As at 31 March 2013	As at 31 December 2013
		HK$'000	*HK$'000*	*HK$'000*
Telecom Service Limited	(iii) & (viii)	41,480	32,861	—
Telecom Paging Limited	(iii) & (vii)	1,231	1,226	—
Oceanic Rich Limited	(iii) & (vii)	—	62,798	—
Glossy Investment Limited	(iii) & (vii)	13,547	12,686	—
Telecom Service One Limited	(iii) & (vii)	2,931	1,400	739
Telecom Service One (Macau) Limited	(iii) & (vii)	3,215	3,169	—
Kung Wing Enterprises Limited	(iii) & (vii)	5,879	107	—
Radiotex International Limited	(iii) & (vii)	7,249	16,578	—
		75,532	130,825	739

Notes:

(i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.

(ii) The rental income, sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.

(iii) All the directors of the Company have direct or indirect interests in the relevant parties.

(iv) Mr. Cheung King Shek, the director of the Company, has beneficial interests in the relevant party.

(v) Mr. Cheung King Fung, Sunny, the director of the Company, has beneficial interests in the relevant party.

(vi) Mr. Cheung King Shek, Mr. Cheung King Fung, Mr. Cheung King Chuen, Bobby, the directors of the Company, have beneficial interests in the company.

(vii) The amounts are unsecured, interest-free and repayable on demand.

(viii) The amount is unsecured, repayable on demand and carried interest at 1 month HIBOR per annum.

(ix) The amounts due from related parties are subsequently assigned to the immediate holding company and being partially settled by the interim dividends payable by the Company on 20 May 2014, the remaining balances have been settled by cash in April and May 2014.

(b) Banking facilities

In addition to the pledge of the Group's bank deposits referred to in note 24, certain banking facilities of the Group during Tracking Record Period were secured by the followings:

- Unlimited guarantees given by the directors of the Company;
- Unlimited corporate guarantees given by certain related companies of the Group; and

- Charge over properties of certain related companies situated in Hong Kong as at 31 March 2012 and 2013 and 31 December 2013.

The directors of the Company confirmed that the guarantee provided by the directors and related companies, the charge over the properties of certain related companies will be released upon the listing of the Company's share on the GEM of the Stock Exchange.

(c) The amount due from an associate is unsecured, interest-free and aged within 30 days.

(d) Compensation of key management personnel

The remuneration of key management during the Track Record Period and the nine months ended 31 December 2012 was as follow:

	Year ended 31 March		Nine months ended 31 December	
	2012	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Short-term benefits	13,400	12,403	9,231	5,530
Post-employment benefits	144	161	103	196
	13,544	12,564	9,334	5,726

The remuneration of the key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

B. EVENTS AFTER THE REPORTING PERIOD

(a) Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange. Details of the Reorganisation are set out in the section headed "History and Development — Reorganisation" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 20 May 2014.

(b) Share option scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 20 May 2014, the Company has conditionally adopted a share option scheme, details of which are set out in section headed "Share Option Scheme" in Appendix V to the Prospectus.

(c) Disposal of investment property

Subsequent to the Track Record Period, Telecom Macau entered into a sale and purchase agreement with an independent third party, pursuant to which Telecom Macau agreed to sell the investment property to an independent third party at a cash consideration of HK$6,000,000 which was determined with reference to market value. The transaction was completed on 26 March 2014.

(d) Interim dividend

Subsequent to the Track Record Period, an interim dividend amounted of HK$138,000,000 was declared and paid by the Company to its then shareholders in accordance with a resolution passed on 20 May 2014.

(e) Acquisition of CSL New World Mobility Limited by HKT Limited

As further detailed in the joint announcement of PCCW Limited, HKT Trust and HKT Limited dated 20 December 2013, HKT Limited conditionally agreed to purchase all the issued share capital of CSL New World Mobility Limited and its wholly owned subsidiary CSL Limited. CSL Limited is the 60% owner of the associate NWM. The transaction was completed on 14 May 2014.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2013.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants of the Company, SHINEWING (HK) CPA Limited as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group (the "Unaudited Pro Forma NTA") prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Placing on the combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2013 as if the Placing had taken place on 31 December 2013.

This Unaudited Pro Forma NTA has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2013 or at any future dates following the Placing. It is prepared based on the combined net tangible assets attributable to owners of the Company as at 31 December 2013 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets attributable to owners of the Company as at 31 December 2013	**Estimated net proceeds from the Placing**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company immediately after the completion of the Placing**	**Unaudited pro forma adjusted combined net tangible assets per Share as at 31 December 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'*
	(Note 1)	*(Note 2)*		*(Notes 3 and 4)*
Based on the Placing Price of HK$1.00 per Share	125,672	77,709	203,381	0.51

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 has been derived from the audited combined net assets of the Group attributable to the owners of the Company of approximately HK$125,672,000 as at 31 December 2013 extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Placing are based on 100,000,000 new Shares at the Placing Price of HK$1.00 per Placing Share, after deducting the underwriting fees and commissions and estimated expenses payable by the Company in relation to the Placing. The estimated net proceeds do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Scheme.

3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Placing payable to the Company as described in note 2 and on the basis that a total of 400,000,000 Shares were in issue as at 31 December 2013 (including Shares in issue as at the date of this prospectus and those Shares are expected to be issued pursuant to the Placing and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Scheme).

4. The investment property of the Group is valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. According to the valuation report, the investment property of the Group as of 31 December 2013 amounted to approximately HK$7,000,000. Comparing this amount with the carrying value of the investment property of the Group as of 31 December 2013 of approximately HK$569,000, there is a surplus of approximately HK$6,431,000. Had the investment property been stated at the revaluation amount, additional annual depreciation of approximately HK$184,000 would be incurred. The surplus on revaluation will not be incorporated in the Group's combined financial information in subsequent years as the Group has elected to state the investment property at cost basis.

5. The unaudited pro forma adjusted combined net tangible assets and the unaudited pro forma adjusted combined net tangible assets per Share have not taken into account the dividend declared on 20 May 2014 for payment to the then shareholders of the Company (namely CKK Investment and the Cheung Brothers) amounting to HK$138,000,000. The unaudited pro forma adjusted combined net tangible assets as at 31 December 2013 would have been reduced to HK$65,381,000 and the unaudited pro forma adjusted combined net tangible assets per Share would have been reduced to HK$0.16 per Share, based on the Placing Price of HK$1.00 per Placing Share, after taking into account the payment of the dividend in the sum of HK$138,000,000.

6. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2013.

(B) ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, for the purpose of incorporation in this prospectus.

信永中和
ShineWing

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

26 May 2014

The Board of Directors
Telecom Digital Holdings Limited
Guotai Junan Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of 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 pro forma financial information consists of the pro forma combined net tangible asset statement and related notes as set out in Appendix II of the prospectus ("Prospectus") dated 26 May 2014 in connection with the proposed placing of 100,000,000 shares of HK$0.01 each in the Company (the "Placing"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described in Appendix II of the Prospectus.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Placing on the Group's financial position as at 31 December 2013 as if the Placing had taken place at 31 December 2013. 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 financial information for the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013, on which the accountants' report has been included in the Appendix I to the Prospectus.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM 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").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 the GEM Rules, on the 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 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 accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in the Prospectus is solely to illustrate the impact of the Placing on unadjusted financial information of the Group as if the Placing had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Placing as at 31 December 2013 would have been as presented.

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

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

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

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

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds or whether such use will take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the 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 pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong

The estimate of the combined profit attributable to the owners of the Company for the year ended 31 March 2014 is set out in the section headed "Financial Information — Profit Estimate For the Year Ended 31 March 2014" in this prospectus.

BASES

The Company has prepared its estimated profit attributable to the owners for the year ended 31 March 2014 based on the audited combined statements of profit or loss and other comprehensive income of the Group for the nine months ended 31 December 2013 and the unaudited figures in the management accounts for the three months ended 31 March 2014. The profit estimate of the Group has been presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company as summarised in the Accountants' Report in Appendix I to this prospectus.

LETTERS

(1) Letter from the Reporting Accountants on the Profit Estimate

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

26 May 2014

The Board of Directors
Telecom Digital Holdings Limited
Guotai Junan Capital Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the combined profit attributable to owners of the Telecom Digital Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2014 (the "Estimate"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 26 May 2014 issued by the Company (the "Prospectus"). The Estimate is prepared based on the audited combined results of the Group for the nine months ended 31 December 2013 and unaudited combined results of the Group based on the management accounts for the three months ended 31 March 2014.

We conducted our work in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

In our opinion, the Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled by the directors of the Company on the bases made as set out in the section headed "Bases" of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the Financial Information of the Group for the two years ended 31 March 2013 and the nine months ended 31 December 2013 as set out in Appendix I to the Prospectus.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong

(2) Letter from the Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

27/F, Grand Millennium Plaza
181 Queen's Road
Central, Hong Kong

26 May 2014

The Board of Directors
Telecom Digital Holdings Limited

Dear Sirs,

We refer to the estimate of the combined profit attributable to equity holders of Telecom Digital Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2014 (the "Profit Estimate") as set out in the subsection headed "Profit estimate for the year ended 31 March 2014" in the section headed "Financial information" in the prospectus of the Company dated 26 May 2014 (the "Prospectus").

The Profit Estimate, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the nine months ended 31 December 2013 and the unaudited combined results based on the unaudited management accounts of the Group for the three months ended 31 March 2014.

We have discussed with you the basis made by the directors of the Company as set out in Appendix III to the Prospectus, to the extent applicable, upon which the Profit Estimate has been made. We have also considered the letter dated 26 May 2014 addressed to you and us from SHINEWING (HK) CPA Limited regarding the accounting policies and calculations upon which the Profit Estimate has been based.

On the basis of the information comprising the Profit Estimate and the basis of the accounting policies and calculations adopted by you and reviewed by SHINEWING (HK) CPA Limited, we are of the opinion that the Profit Estimate, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Wilson Lo
Managing Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 November 2002 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 20 May 2014 and effective from the Listing Date. The following is a summary of certain provisions of the Articles:

2.1 Shares

2.1.1 *Classes of shares*

The share capital of the Company consists of ordinary shares.

2.1.2 *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

2.2 Directors

2.2.1 *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.2 *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.3 *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.4 *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

2.2.5 *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(a) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(e) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

2.2.6 *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

2.2.7 *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(a) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(b) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(c) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(e) if he is prohibited from being a director by law;

(f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(g) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(h) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

2.2.8 *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

2.2.9 *Register of Directors and officers*

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the

Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

2.2.10 *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

2.4 Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

2.6 Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.7 Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

2.7.1 the chairman of the meeting; or

2.7.2 at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

2.7.3 any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

2.7.4 a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.8 Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.9 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.10 Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and GEM, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

2.10.1 in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

2.10.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(g) the granting of any mandate or authority to the Board to repurchase securities in the Company.

2.11 Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to GEM (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

2.13 Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.14 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

2.14.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

2.14.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.16 Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.17 Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the New Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this appendix.

2.20 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.20.1 if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

2.20.2 if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.21 Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

2.21.1 all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

2.21.2 upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

2.21.3 the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

2.22 Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 20 November 2002 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

3.6.1 an act which is ultra vires the company or illegal;

3.6.2 an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

3.6.3 an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3.8 Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

3.10.1 that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

3.10.2 in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(a) on or in respect of the shares, debentures or other obligations of the Company; or

(b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 3 December 2002.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

3.15 Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.16 Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.17 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.18 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "B. Documents Available for Inspection" in Appendix VI of this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated on 20 November 2002 in the Cayman Islands under the Companies Law as an exempted company with limited liability. Its registered address is at Appleby Trust (Cayman) Ltd. of Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Our Company has registered a place of business in Hong Kong at 19/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the New Companies Ordinance on 12 May 2014. Mr. Cheung King Fung Sunny and Ms. Chan Yi Kan had been appointed as the agents for the acceptance of service of process and notices in Hong Kong for our Company. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong set out above.

As our Company is incorporated in the Cayman Islands, its corporate structure, its Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of the Memorandum and Articles of our Company and certain relevant aspects of Cayman Islands company law are set out in Appendix IV to this prospectus.

2. Changes in the authorised and issued share capital of our Company

Our Company was incorporated on 20 November 2002 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, the subscriber Share was transferred to Codan Trust Company (Cayman) Limited for nominal consideration. On 29 November 2002, Codan Trust Company (Cayman) Limited transferred its 1 Share to Mr. Cheung King Shek, at par value.

On 7 May 2014, 1 Share held by Mr. Cheung King Shek was transferred to CKK Investment for a nominal cash consideration of HK$0.01.

On 7 May 2014, CKK Investment subscribed for 43 new Shares, credited as fully paid, at per value of HK$0.43 in total. CKK Investment held a total of 44 Shares following this subscription.

On 20 May 2014, our Company acquired fully paid share of TD Investment from Sun Asia in consideration and exchange for which our Company allotted and issued 16 Shares in aggregate, credited as fully paid, with 4 such Shares to each of the Cheung Brothers in equal share at the discretion of Sun Asia.

On 20 May 2014, the authorised share capital of our Company was increased to HK$100,000,000 by the creation of an additional 9,962,000,000 new Shares of HK$0.01 each. Prior to completion of the Placing, 299,999,940 Shares will be allotted and issued to each of the Cheung Brothers and CKK Investment under the Capitalisation Issue.

Save as aforesaid, there has been no other alteration in the share capital of our Company in the two years preceding the date of this prospectus.

3. Written resolutions of the Shareholders

On 20 May 2014, pursuant to resolutions in writing passed by all the Shareholders:

(a) the authorised share capital was increased from HK$380,000 to HK$100,000,000 by the creation of a further 9,962,000,000 Shares;

(b) our Company approved and adopted the Memorandum of Association with immediate effect and the Articles of Association with effect from Listing;

(c) conditional on the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares in issue and to be issued as mentioned in this prospectus on the GEM and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of those agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Placing and the Over-allotment Option were approved and our Directors were authorised to approve the allotment and issue of the Placing Shares and such number of Placing Shares as may be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph D of this appendix, were approved and adopted and our Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account being credited as a result of the Placing, our Directors were authorised to capitalise HK$2,999,999.40 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,999,940 Shares for allotment and issue to Shareholders whose names appear on the register of members of our Company at the close of business on 20 May 2014 (or as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and they are hereby authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Placing or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first (the "Applicable Period");

(v) a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Placing and the Capitalisation Issue until expiry of the Applicable Period; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. The Reorganisation

Our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing and our Company became the holding company of our Group. For information relating to the Reorganisation, please refer to the section headed "History and Development" in this prospectus.

5. Particulars of our subsidiaries

Our Group comprises our Company and ten subsidiaries. Please refer to the accountants' report set out in Appendix I to this prospectus for a summary of the corporate information of these companies.

6. Changes in share capital of our subsidiaries

Save as disclosed in the section headed "History and Development" in this prospectus, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolutions in writing passed by all Shareholders on 20 May 2014, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company immediately following completion of the Placing and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme), such mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the same, whichever occurs first.

(b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with our Company's Articles of Association, the GEM Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any payment for the repurchase of shares will be drawn from the profits of our Company or from the proceeds of a fresh issue of shares made for the purpose of the purchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the listing of the Shares on the GEM, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part 16 of the New Companies Ordinance

Our Company has been registered as a non-Hong Kong company under Part 16 of the New Companies Ordinance and has established a principal place of business in Hong Kong at 19/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Hong Kong on 12 May 2014. Mr. Cheung King Fung Sunny and Ms. Chan Yi Kan had been appointed as authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process and notices on our Company is the same as the address of our principal place of business in Hong Kong.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into the ordinary course of business) have been entered into by the members of our Group within the two years immediately preceding the date of this prospectus that are or may be material:

(a) a reorganisation deed dated 20 May 2014 and entered into amongst our Company, Sun Asia and the Cheung Brothers, pursuant to which our Company agreed to acquire from Sun Asia its entire interests in TD Investment, in consideration of and exchange for which the Company allotted and issued 16 Shares in aggregate, credited as fully paid, with 4 such Shares to each of the Cheung Brothers at the direction of Sun Asia;

(b) a master agreement dated 22 May 2014 and entered into between Radiotex and TDD setting out the governing terms and conditions in relation to the purchase of goods from the Listing Date to 31 March 2017;

(c) a master agreement dated 22 May 2014 and entered into between East Asia and our Company setting out the basic terms and conditions of leasing of properties in Hong Kong from the Listing Date to 31 March 2017;

(d) a master agreement dated 22 May 2014 and entered into between TD Securities and our Company setting out the basic terms and conditions in relation to the sub-leasing of properties and the provision of various services by our Group to TD Securities from the Listing Date to 31 March 2017;

(e) a master agreement dated 22 May 2014 and entered into between TSO and our Company setting out the governing terms and conditions in relation to the services provided by TSO and our Group to each other from the Listing Date to 31 March 2017;

(f) an agreement for the division, assignment and unification of quotas dated 12 May 2014 and entered into between Mr. Cheung King Shek, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny, TD Investment and TDD, pursuant to which TD Investment acquired from each of Mr. Cheung King Shek and Mr. Cheung King Chuen Bobby their quotas in Telecom Macau; Mr. Cheung King Fung Sunny divided his quota in Telecom Macau into two separate quotas which were acquired by each of TD Investment and TDD; and TD Investment unified its quotas in Telecom Macau into one single quota;

(g) the Deed of Non-Competition;

(h) the Deed of Indemnity; and

(i) the Underwriting Agreement.

2. Intellectual property rights

(a) *Trademarks*

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following trademarks:

No.	Trademark	Registration number	Class	Place of registration	Registered owner	Validity
1.	TSL Telecom Digital Wireless Data 電訊數碼	2002B08279	38	Hong Kong	TDS	6 November 2001 – 6 November 2018
2.	mango	200408568	38	Hong Kong	TD2	7 October 2002 – 7 October 2019
3.	mango TANGO	200408567	9	Hong Kong	TD2	7 October 2002 – 7 October 2019
4.	M-ZONE	300287622	9, 37, 38, 42	Hong Kong	TDS	17 September 2004 – 16 September 2014
5.	M ZONE	1999B08438AA	9, 38	Hong Kong	TDS	4 December 1997 – 4 December 2014
6.	Rabbit	300694990	9, 38	Hong Kong	TDS	4 August 2006 – 3 August 2016
7.	TSN Telecom Service Network	302321315	39	Hong Kong	TSN	20 July 2012 – 19 July 2022
8.	TSL; 电讯数码; TELECOM DIGITAL; WIRELESS DATA	3914183	9	China	TDS	14 April 2006 – 13 April 2016
9.	MANGO	3914181	38	China	TD2	7 October 2006 – 6 October 2016

As at the Latest Practicable Date, our Group has applied for registration for the following trademarks in Hong Kong:

No.	Trademark		Application number	Class	Place of application	Applicant	Date of filing of the application
1.	Telecom Digital 電訊數碼		302901014	38	Hong Kong	TDS	20 February 2014
2.	Telecom Digital		302901023	38	Hong Kong	TDS	20 February 2014

Note: Class 9 relates to "pagers; telephones; mobile phones; personal digital assistant devices; cordless phones; mobile data transmission devices; cards (encoded or magnetic) for making telephone calls; cash payment service computer terminals; parts and fittings for all the aforesaid goods"; class 37 relates to "repair and maintenance of telecommunication and of electronic apparatus and instruments"; class 38 relates to "Telecommunications services; paging services; mobile data services; voicemail services, mobile telephone services, cordless telephone services; 2-way wireless mobile data services; transmission of information by means of alpha-numeric paging; secretarial paging services; satellite communication networks services; electronic communication services; telephone communication services; delivery of messages by electronic media; facsimile communication services; message sending; wireless communication services; rental of telecommunication apparatus, pagers, mobile telephones, personal digital assistant devices, mobile data transmission devices and cordless telephones; provision of information relating to the aforesaid services; advisory services relating to the aforesaid services"; class 39 relates to "transport; packaging and storage of goods; travel and transportation logistics arrangement; distribution of goods"; and class 42 relates to "design and professional consultancy services relating to electronic and electrical apparatus and system".

Save as disclosed above, there is no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

(b) ***Domain Name***

As at the Latest Practicable Date, our Group has registered the following domain names:

No.	Domain Name	Registered Owner	Expiry Date
1.	www.telecomdigital.cc	TDH	3 August 2014
2.	www.mango.cc	TDH	12 July 2014
3.	www.mangocombo.cc	TDH	4 August 2014
4.	www.mangopro.cc	TDH	18 March 2017
5.	www.gogo3.cc	TDH	19 July 2014
6.	www.jcweb.cc	TDH	23 March 2016
7.	www.racematenet.com	TDH	24 August 2021
8.	www.racingodds.cc	TDH	11 June 2014
9.	www.tdstocks.cc	TDH	9 November 2015
10.	www.tdstockpro.cc	TDH	1 June 2014

Save as disclosed above, there is no other domain names which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Particulars of Directors' services contracts and appointment letters*

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date which shall be terminated in accordance with the provisions of the service agreement by either party giving to the other not less than three months' prior notice in writing, subject to the provisions on retirement by rotation as set out in the Articles.

The aggregate annual remuneration of each of our executive Directors payable by us is set out below:

Executive Directors

Mr. Cheung King Shek	HK$984,000
Mr. Cheung King Fung Sunny	HK$660,000
Ms. Mok Ngan Chu	HK$463,200
Mr. Wong Wai Man	HK$624,000

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with us for an initial term of three years commencing on the Listing date with the following annual remuneration:

Non-executive Director

Mr. Cheung King Shan	HK$984,000
Mr. Cheung King Chuen Bobby	HK$984,000

Independent non-executive Director

Mr. Hui Ying Bun	HK$100,000
Mr. Ho Nai Man Paul	HK$100,000
Mr. Lam Yu Lung	HK$100,000

Save as aforesaid, none of our Directors has or is proposed to have a service agreements or letters of appointment with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(b) *Directors' remuneration*

(i) During the year ended 31 March 2013 and the nine months ended 31 December 2013, the aggregate emoluments paid by our Group to our Directors were approximately HK$8,844,000 and HK$2,879,000 respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ending 31 March 2015 are estimated to be approximately HK$4,928,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

(v) Interests and short positions of Directors in the Shares, underlying shares or debentures of our Company and our associated corporations Immediately following the completion of the Placing and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option), the interests and short positions of our Directors in the Shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed, will be as follows:

Name of Director	Nature of interest	Number of securities[1]	Approximate percentage of shareholding after the Placing and the Capitalisation Issue
Mr. Cheung King Shek	(a) Beneficial owner (b) Beneficiary of a trust [2]	20,000,000(L) 220,000,000(L)	(a) 5% (b) 55%
Mr. Cheung King Shan	(a) Beneficial owner (b) Beneficiary of a trust [2]	20,000,000(L) 220,000,000(L)	(a) 5% (b) 55%
Mr. Cheung King Chuen Bobby	(a) Beneficial owner (b) Beneficiary of a trust [2]	20,000,000(L) 220,000,000(L)	(a) 5% (b) 55%
Mr. Cheung King Fung Sunny	(a) Beneficial owner (b) Beneficiary of a trust [2]	20,000,000(L) 220,000,000(L)	(a) 5% (b) 55%

Notes:

(1) The letter "L" denotes the Director's long position in the shares.

(2) Immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), CKK Investment will hold 220,000,000 Shares, representing 55% of the share capital of our Company. CKK Investment is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Ltd., which holds the shares in Amazing Gain as nominee for the Trustee. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny. Each of the Cheung Brothers is deemed to be interested in the Shares held by the Cheung Family Trust under the SFO.

2. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following completion of the Placing and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), the following persons/entities (other than Directors) will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	**Capacity/Nature of interest**	**Number of Shares[1]**	**Approximate percentage of shareholding after the Placing and the Capitalisation Issue**
CKK Investment	Beneficial owner	220,000,000	55%
Amazing Gain[1]	Interest in a controlled corporation	220,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Ltd.[1]	Trustee (other than a bare trustee)	220,000,000	55%
Mr. Cheung King Shek	(a) Beneficial owner	20,000,000	(a) 5%
	(b) Beneficiary of a trust[1]	220,000,000	(b) 55%
Ms. Law Lai Ying Ida	Interest of Spouse [2]	240,000,000	60%
Mr. Cheung King Shan	(a) Beneficial owner	20,000,000	(a) 5%
	(b) Beneficiary of a trust[1]	220,000,000	(b) 55%
Ms. Tang Fung Yin Anita	Interest of Spouse [3]	240,000,000	60%
Mr. Cheung King Chuen Bobby	(a) Beneficial owner	20,000,000	(a) 5%
	(b) Beneficiary of a trust[1]	220,000,000	(b) 55%
Mr. Cheung King Fung Sunny	(a) Beneficial owner	20,000,000	(a) 5%
	(b) Beneficiary of a trust[1]	220,000,000	(b) 55%
Ms. Yeung Ho Ki	Interest of Spouse [4]	240,000,000	60%

Notes:

(1) Immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), CKK Investment will hold 220,000,000 Shares, representing 55% of the share capital of our Company. CKK Investment is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Ltd., which holds the shares in Amazing Gain as nominee for the Trustee. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny. Each of the Cheung Brothers is deemed to be interested in the Shares held by the Cheung Family Trust under the SFO.

(2) Mrs. Law Lai Ying Ida is the spouse of Mr. Cheung King Shek and is deemed under the SFO to be interested in 240,000,000 Shares held by the Cheung Family Trust.

(3) Mrs. Tang Fung Yin Anita is the spouse of Mr. Cheung King Shan and is deemed under the SFO to be interested in 240,000,000 Shares held by the Cheung Family Trust.

(4) Mrs. Yeung Ho Ki is the spouse of Mr. Cheung King Fung and is deemed under the SFO to be interested in 240,000,000 Shares held by the Cheung Family Trust.

3. Related party transactions

Save as disclosed in note 37 of the accountants' report of our Company set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material related party transactions.

4. Disclaimers

Save as set out in this prospectus:

(a) taking no account of any Shares which may be taken up or acquired under the Placing or upon the exercise of the Over-allotment Option or the options granted or which may be granted under the Share Option Scheme, our Directors are not aware of any person who, save as disclosed in the paragraph headed "C. Further information about our directors and substantial shareholders — 2. Interest discloseable under the SFO and substantial shareholders" in this appendix, will, immediately following the completion of the Placing and the Capitalisation Issue, have an interest or a short position in Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(b) save as disclosed in the paragraph headed "C. Further information about our directors and substantial shareholders — 1. Directors — (b) Directors' remuneration" in this appendix, none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the Shares or underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed on the GEM;

(c) none of our Directors nor the experts named in paragraph headed "E. Other information — 6. Qualifications of experts" of this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of or leased to any member of our Group nor will any Director apply for Shares either in his own name or in the name of a nominee;

(d) none of our Directors nor the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(e) none of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

D. SHARE OPTION SCHEME

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 20 May 2014:

(i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) *Who may join*

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants ("Eligible Participants"), to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries ("Subsidiaries") or any entity ("Invested Entity") in which our Group holds an equity interest ("Eligible Employee");

(bb) any non-executive directors (including independent non-executive directors) of our Company, any Subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group.

(iii) ***Maximum number of Shares***

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 40,000,000 Shares) (the "General Scheme Limit").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(iv) ***Maximum entitlement of each participant***

Subject to (v) (bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(v) ***Grant of options to connected persons***

(aa) Without prejudice to (v)(bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the GEM

Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

(bb) Without prejudice to (v)(aa) above, where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

i. representing in aggregate over 0.1% of the Shares in issue; and

ii. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by Shareholders of our Company in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by the Shareholders of our Company in general meeting.

(vi) ***Time of acceptance and exercise of option***

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) ***Performance targets***

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) ***Subscription price for Shares and consideration for the option***

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) ***Ranking of Shares***

(aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

(x) ***Restrictions on the time of grant of options***

No offer for grant of options shall be made after inside information has come to our knowledge until such information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, our Company may not make any offer during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to publish an announcement of its results for any year or half-year (under the GEM Listing Rules), or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the announcement of the results, no offer may be made.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) ***Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) ***Rights on ceasing employment***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not. Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of its Subsidiaries or any Invested Entity.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of its Subsidiaries or any Invested Entity.

(xiii) ***Rights on death, ill-health or retirement***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) ***Rights on dismissal***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) ***Rights on breach of contract***

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) ***Rights on a general offer, a compromise or arrangement***

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) ***Rights on winding up***

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) ***Grantee being a company wholly owned by Eligible Participants***

If the grantee is a company wholly owned by one or more Eligible Participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) ***Adjustments to the subscription price***

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iv) any adjustment must be made in compliance with the GEM Listing Rule and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the GEM Listing Rules and such other applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange.

(xx) ***Cancellation of options***

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) ***Termination of the Share Option Scheme***

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) ***Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) ***Lapse of option***

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii); and (cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) ***Others***

(aa) The Share Option Scheme is conditional on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders of our Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issues dated 5 September 2005 and other relevant guidance of the Stock Exchange.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme

(i) ***Approval of the Stock Exchange required***

The Share Option Scheme, which complies with Chapter 23 of the GEM Listing Rules, is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) ***Application for approval***

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) ***Grant of option***

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) ***Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Our Controlling Shareholders (collectively the "**Indemnifiers**") have executed the Deed of Indemnity (being the material contract referred to in paragraph headed "B. Further information about our business — 1. Summary of material contracts" above of this appendix) in favour of our Company (for itself and as trustee for each of its present subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group in respect of, among others, the following:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the date on which the Placing becomes unconditional (the "**Effective Date**"); and

(b) tax liabilities (including all costs, expenses, interests and penalties incidental to or relating to taxation) and claims which might fall on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Effective Date, whether alone or in conjunction with any circumstances whenever occurring and whether or not such tax liabilities or claims are chargeable against or attributable to any other person, firm or company.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraph (b) above:

(1) to the extent that provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 31 December 2013 which arises in our ordinary course of business; or

(2) to the extent that such taxation falls on any member of our Group in respect of the accounting period commencing on or after 1 January 2014 unless such taxation would not have arisen but for an act or omission of, or transaction voluntarily effected by the Indemnifiers or any member of our Group otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or

(3) to the extent that such taxation would not have arisen but for a voluntary act or transaction arisen out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by the relevant member of our Group after the date of the Deed of Indemnity; or

(4) to the extent that such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(5) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to 31 December 2013 and which is finally established to be an over-provision or an excessive reserve.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to jointly and severally indemnify each of the members of our Group from and against any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or incurred or suffered by any member of our Group directly or indirectly as a result of or in connection with any of the following (collectively, the "**Indemnified Matters**"):

(a) all the incidents occurred on or before the Listing Date referred to in the paragraph headed "Non-compliances with the Predecessor Companies Ordinance" in the section headed "Business" in this prospectus;

(b) the implementation of the corporate reorganisation of our Group in the preparation for the Listing as described in this prospectus; and

(c) the incident in respect of the termination of the tenancies/licences for certain cell sites leased/licensed by the Group which have already expired as at the Latest Practicable Date as disclosed in the paragraph headed "Property" in the section headed "Business" in this prospectus,

provided that the Indemnifiers are under no liability pursuant to the Deed of Indemnity in respect of the Indemnified Matters:

(1) to the extent that provision or reserve has been made for the Indemnified Matters in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period; or

(2) to the extent of any provision or reserve made for the Indemnified Matters in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of the Indemnified Matters shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of Indemnified Matters shall not be available in respect of any such liability arising thereafter.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sole Sponsor is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor's fees are approximately HK$4.3 million and are payable by our Company.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$8,600 and are payable by our Company.

5. Promoter

Our Company does not have any promoter for the purpose of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Placing or the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Sole Sponsor	
Guotai Junan Capital Limited	Licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Reporting Accountants	
SHINEWING (HK) CPA Limited	Certified public accountants
Counsel	
Mr. Leung Wai Keung Richard	Barrister-at-law in Hong Kong
Valuer	
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuers
Industry Consultant	
Frost & Sullivan	Industry consultant
Legal adviser to the Company regarding Macau laws	
Rato, Ling, Vong, Lei & Cortés — Advogados	Macau legal advisers
Legal adviser to the Company regarding Cayman Islands laws	
Appleby	Cayman legal advisers

7. Consents and interests of Experts

Each of the Sole Sponsor, SHINEWING (HK) CPA Limited, Mr. Leung Wai Keung Richard, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Frost & Sullivan, Rato, Ling, Vong, Lei & Cortés — Advogados and Appleby has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Share registers

The principal register of members of our Company is maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd. and the branch register of members of our Company is maintained in Hong Kong by Union Registrars Limited. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. Dividend

Our Directors confirm that they are not aware of any arrangements in existence under which future dividends of our Company are to be waived or agreed to be waived.

11. Miscellaneous

Save as disclosed in this prospectus:

(i) within two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in our Company or any of its subsidiaries;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) there has been no material adverse change in the financial position or prospects of our Group since 31 December 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(iv) there has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group; there is no arrangement under which future dividends are waived or agreed to be waived;

(v) there are no founder, management or deferred shares in our Company or any of its subsidiaries;

(vi) our Group does not have any outstanding convertible debt securities or debentures;

(vii) no securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange;

(viii) all necessary arrangements have been made to enable the Shares to be admitted into CCASS; and

(ix) none of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) written consents referred to in the paragraph headed "E. Other Information — 7. Consents and interests of Experts" in Appendix V to this prospectus; and

(b) copies of the material contracts referred to in the section headed "B. Further Information about our business — 1. Summary of material contracts" in Appendix V to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Cheung & Lee in association with Locke Lord (HK) LLP at 21st Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the Accountants' Report prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of each of the major subsidiaries of our Group for the two years ended 31 March 2013;

(d) the report on unaudited pro forma financial information of our Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to the profit estimate, the texts of which are set out in Appendix III to this prospectus;

(f) the rules of the Share Option Scheme;

(g) the legal opinion issued by Mr. Leung Wai Keung Richard;

(h) the Companies Law;

(i) the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;

(j) the material contracts referred to in the paragraph headed "B. Further Information about our business — 1. Summary of material contracts" in Appendix V to this prospectus;

(k) the service agreements and appointment letters referred to in the paragraph headed "C. Further information about our Directors and Substantial Shareholders — 1.(a) Particulars of Directors' services contracts and appointment letters" in Appendix V to this prospectus; and

(l) the written consents referred to in the paragraph headed "E. Other information — 7. Consents and interests of experts" in Appendix V to this prospectus.

Telecom Digital Holdings Limited
電訊數碼控股有限公司