



Telecom Service One Holdings Limited

電訊首科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8145



BY WAY OF PLACING

Sole Sponsor



China Everbright Capital Limited

Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

IMPORTANT

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



Telecom Service One Holdings Limited

電訊首科控股有限公司

(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 : 30,000,000 Shares (subject to Offer Size Adjustment Option)

Placing Price : Not more than HK\$1.34 per Placing Share and expected to be not less than HK\$1.00 per Placing Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars)

Nominal Value : HK\$0.1 per Share

Stock Code : 8145

Sole Sponsor



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China Everbright Securities (HK) 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 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.

The Placing Price is expected to be determined by an agreement between the Sole Lead Manager and the Company on the Price Determination Date, which is expected to be on or about 24 May 2013 (Hong Kong time) or such later date as may be agreed between the Sole Lead Manager and the Company. If, for any reason, the Sole Lead Manager and the Company are unable to agree on the Placing Price on or before 24 May 2013 (Hong Kong time) or such later date as agreed by the Sole Lead Manager and the Company, the Placing will not proceed and will lapse. The Placing Price will be not more than HK\$1.34 and is currently expected to be not less than HK\$1.00, unless otherwise announced.

The Sole Lead Manager may, with the Company's consent, reduce the indicative Placing Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, notice of such reduction will be published on the Company's website (www.tso.cc) and the Stock Exchange Website as soon as practicable but in any event not later than the Price Determination Date. Further details are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

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 Underwriter under the Underwriting Agreement are subject to termination by the Sole Lead Manager upon the occurrence of any of the events set forth in the paragraph headed "Grounds for termination" under the section headed "Underwriting" 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.

23 May 2013

CHARACTERISTICS OF GEM

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.

EXPECTED TIMETABLE

(Notes 1 and 4)

Expected Price Determination Date (Note 2)	24 May 2013
Announcement of the Placing Price and the level of indication of interest in the Placing to be published on the Stock Exchange Website (www.hkexnews.hk) and the Company's website (www.tso.cc) on or before	29 May 2013
Allotment of the Placing Shares to placees on or before	29 May 2013
Deposit of share certificates for the Placing Shares into CCASS on or before (Note 3)	29 May 2013
Dealings in Shares on GEM expected to commence at 9:00 a.m. on	30 May 2013

Notes:

1. All times and dates refer to Hong Kong times and dates.
2. The Placing Price is expected to be determined on or about 24 May 2013 or such later date as may be agreed between the Sole Lead Manager and the Company. If the Sole Lead Manager and the Company are unable to reach any agreement on the Placing Price on or before 24 May 2013 or such later date as agreed between the Sole Lead Manager and the Company, the Placing will not become unconditional and will lapse immediately.
3. The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before 29 May 2013 for credit to the relevant CCASS Participants' or CCASS Investor Participants' stock accounts designated by the Sole Lead Manager, the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued by the Company. 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.
4. A separate announcement will be made by the Company on the Stock Exchange Website and the Company's website at www.tso.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.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the 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. The Company, the Sole Sponsor, the Sole Lead Manager and the Underwriter 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 the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Placing.

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SUMMARY

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

The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. TSO, the operating subsidiary of the Company, 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.

The various operation and revenue models of the Group regarding the business arrangements with its corporate customers are summarised in the table below:

Operation model	Revenue model	Arrangement in respect of spare parts & components
<p><u>Model 1</u></p> <p>The Group's business arrangements with 5 corporate customers (Customers A, B, C, D & E, among which Customer A is TDD) are under this model:</p> <ul style="list-style-type: none"> The corporate customers do not require the Group to operate customer service centres. Faulty devices were delivered to the Group's central repair and refurbishment centre in Kwai Chung for repair and refurbishment. 	<p>The Group's revenue model in respect of Customers A, B, C, D & E is under this model:</p> <ul style="list-style-type: none"> The Group receives repair fee income at different rates of charges represented by a fixed sum per unit (Sum A) in respect of each type of repair and refurbishment works. As at the Latest Practicable Date, the repair and refurbishment service fees charged under this revenue model vary from HK\$10 to HK\$525 per job. Pricing basis — The rates and charges of the service fees are agreed between the corporate customers and TSO after negotiation and TSO used to take account of the estimated direct labour costs, the other operating expenses, and the expected number of job orders. In addition, the repair service fees paid by individual customers for out-of-warranty works include the cost of the parts and components used. In-warranty works — The Group receives fee directly from corporate customers. Out-of-warranty works — The Group receives fee directly from individual customers under the arrangements with four corporate customers (namely Customers B, C, D and E), and Customer D requires the Group to receive repair labour fees from the corporate customer and credit back to it the repair fees paid by the individual customers. For TDD, the Group receives fee from it. 	<ul style="list-style-type: none"> Customers A, B, C, D & E require the Group to purchase spare parts and components and bear the inventory risk. TDD and Customer D require the Group to purchase the spare parts and components and reimburse the Group when those parts and components are used for both in-warranty and out-of-warranty works. Customers C and E require the Group to purchase the spare parts and components and reimburse the Group when those parts and components are used for in-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works). Customer B supplies spare parts and components to the Group without any charges for in-warranty works, but requires the Group to purchase the spare parts and components for out-of-warranty works and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works).

SUMMARY

Operation model	Revenue model	Arrangement in respect of spare parts & components
<u>Model II</u>		
<p>The Group's business arrangements with 4 corporate customers (Customers F, G, H and I) are under this model:</p> <ul style="list-style-type: none"> • The corporate customers require the Group to operate service centres. • The corporate customers require the Group to absorb all costs in operating the service centres. • End users can leave their faulty devices or collect the repaired devices at the customer service centres. • Repair works are generally performed at the customer service centres. 	<p>The Group's revenue model in respect of Customers F, G, H and I is under this model:</p> <ul style="list-style-type: none"> • The Group receives repair fee income at different rates of charges represented by a fixed sum per unit (which, for certain types of repair and refurbishment works, are higher than Sum A above in order to cover costs of service centres) in respect of each type of repair and refurbishment works. As at the Latest Practicable Date, the repair and refurbishment service fees charged under this revenue model vary from HK\$10 to HK\$310 per job. • Pricing basis — The rates and charges of the service fees are agreed between the corporate customers and TSO after negotiation and TSO used to take account of the estimated direct labour costs, the other operating expenses (including the expenses for operating service centres), and the expected number of job orders. In addition, the repair service fees paid by individual customers for out-of-warranty works include the cost of the parts and components used. • In-warranty works — The Group receives fee directly from corporate customers. • Out-of-warranty works — The Group receives fee directly from individual customers. Customers G and I require the Group to receive repair labour fees from the corporate customers and credit back to them the repair fees paid by the individual customers. 	<ul style="list-style-type: none"> • Customer H requires the Group to purchase the spare parts and components and bear the inventory risk, and reimburses the Group when those parts and components are used for in-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works). • Customer F supplies spare parts and components to the Group without any charges for in-warranty works, but requires the Group to purchase the spare parts and components for out-of-warranty works and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works). • Customers G and I supply spare parts and components to the Group without charges for both in-warranty and out-of-warranty works.
<u>Model III</u>		
<p>The Group's business arrangement with 1 corporate customer (Customer J) is under this model:</p> <ul style="list-style-type: none"> • The corporate customer requires the Group to operate service centres in Hong Kong and Taiwan. • The corporate customer pays service centre management fee and reimburses operating expenses of the service centres. 	<p>The Group's revenue model in respect of Customer J is under this model:</p> <ul style="list-style-type: none"> • The Group receives (i) repair fee income, (ii) service centre management fee and (iii) reimbursement of operating expenses of the service centres. • The Group receives repair fee income at different rates of charges represented by a fixed sum per unit in respect of each type of repair and refurbishment works. As at the Latest Practicable Date, the repair and refurbishment service fees charged under this revenue model vary from HK\$100 to HK\$139 per job. • Pricing basis — The rates and charges of the service fees are agreed between the corporate customers and TSO after negotiation and TSO used to take account of the estimated direct labour costs, the other operating expenses, and the expected number of job orders. In addition, the repair service fees paid by individual customers for out-of-warranty works include the cost of the parts and components used. • In-warranty works — The Group receives fee directly from the corporate customer. • Out-of-warranty works — The Group receives fee directly from individual customers. The corporate customer requires the Group to receive repair labour fees from the corporate customer and credit back to it the repair fees paid by the individual customers. 	<ul style="list-style-type: none"> • Spare parts and components are supplied by the relevant supplier to the Group without any charges for in-warranty works undertaken in Hong Kong and Taiwan and out-of-warranty works undertaken in Hong Kong, but the Group is required to purchase the spare parts and components for out-of-warranty works undertaken in Taiwan and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for such out-of-warranty works).

SUMMARY

The revenue (i.e. the repair and refurbishment fees) and gross profit received by the Group under the above three models during the Track Record Period are set forth below:

	Year ended 31 March		Ten months ended 31 January
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
<i>Model I</i>			
Revenue	13,366	18,751	18,560
Gross Profit	6,799	10,578	9,002
Gross Profit Margin (<i>Note</i>)	50.9%	56.4%	48.5%
<i>Model II</i>			
Revenue	20,173	44,419	39,650
Gross Profit	4,541	16,701	14,519
Gross Profit Margin (<i>Note</i>)	22.5%	37.6%	36.6%
<i>Model III</i>			
Revenue	2,835	5,236	3,811
Gross Profit	1,266	3,059	1,770
Gross Profit Margin (<i>Note</i>)	44.6%	58.4%	46.4%

Note: Please note that the gross profit margin for each of the three operation models is set out in the above table for information only. Such gross profit margin for each model is in fact only the weighted average of the gross profit margins for the various operations with the corporate customers under the same model and does not represent that the various operations with the corporate customers under the same model have similar gross profit margins.

As at the Latest Practicable Date, TSO is appointed to provide repair and refurbishment services by ten corporate customers comprising:

- five global manufacturers of mobile phones (namely Customers B, C, E, F and H);
- a Hong Kong mobile network operator (namely Customer G), and TDD, being a paging operator and a connected person of the Company;
- a video game company (namely Customer D) ;
- two global services companies (namely Customers I and J).

In addition, the Group sources accessories for mobile phones and other personal electronic products such as mobile phone cases, screen protectors, chargers, batteries, etc. for sale to corporate customers such as mobile phone manufacturers or in the customer service centres operated by it and the retail shops of TDM.

The table below sets out the breakdown of the Group's revenue during the Track Record Period by the nature of income and the breakdown of the repair and refurbishment fees received by the Group during the Track Record Period by the type of personal electronic products repaired and refurbished.

SUMMARY

	Year ended 31 March				Ten months ended 31 January	
	2011		2012		2013	
	HK\$'000		HK\$'000		HK\$'000	
Repairing service income						
Mobile phones	25,393	69.8%	52,326	76.5%	46,167	74.4%
Pagers and two way mobile data communication devices	8,581	23.6%	9,639	14.1%	7,822	12.6%
Personal computers (<i>note 1</i>)	—	—	—	—	1,226	2.0%
Tablet computers and portable media players	2,400	6.6%	5,967	8.7%	5,593	9.0%
Video game consoles (<i>note 2</i>)	—	—	380	0.6%	997	1.6%
Handheld game consoles (<i>note 2</i>)	—	—	94	0.1%	216	0.4%
	36,374	100%	68,406	100%	62,021	100%
Sale of accessories	1,531		1,175		1,515	
Total	37,905		69,581		63,536	

Notes:

1. The Group started to provide repair and refurbishment services for personal computers from April 2012.
2. The Group started to provide repair services for video game consoles and handheld game consoles from October 2011.

The revenue increased by 83.6% from approximately HK\$37.9 million for the year ended 31 March 2011 to approximately HK\$69.6 million for the year ended 31 March 2012. Such increase in revenue for the year ended 31 March 2012 primarily because of the reasons highlighted in the paragraph headed “Comparison of the Group’s results for the year ended 31 March 2012 with the year ended 31 March 2011” under the section headed “Financial Information” in this prospectus.

The average price per job order decreased over the Track Record Period because of the performance of repair jobs of different complexities for certain mobile phone manufacturers over the relevant period (Year ended 31 March 2011: HK\$151; Year ended 31 March 2012: HK\$146; Ten months ended 31 January 2013: HK\$143).

Despite the mild decrease in average price for job for the ten months ended 31 January 2013, revenue in the said period further increased by 12.1% when comparing with that in the ten months ended 31 January 2012 because of (i) the increase in repair and refurbishment service income for certain corporate customers (namely Customers C, D, E, G, H and I) and (ii) the increase in the revenue generated by sale of accessories, which was partially offset by (iii) the decrease in the repair and refurbishment service income for provision of services to the Group’s certain other corporate customers (namely Customer F and two other then corporate customers of the Group).

SUMMARY

REPAIR AND REFURBISHMENT BUSINESS

Repair works which can be completed within a couple of hours are performed at the customer service centres so that end-users may collect the repaired devices within the same day. In addition, the Group has a central repair and refurbishment centre in Kwai Chung, Hong Kong which enables the Group to carry out more complicated repair and refurbishment assignments with a turnaround time of more than one or two days at the centre.

The repair and refurbishment works performed by the Group generally include the followings:

- Screening and inspection
- Exchange of accessories or exchange for buffer units
- Cosmetic refurbishment
- Setting re-configuration
- Software upgrade
- Replacement of electronic components or modules

As at the Latest Practicable Date, the Group operates seven service centres in Hong Kong and one service centre in Taipei. Moreover the Group has established a customer service booth at a shop of TDD in Causeway Bay for collecting the defective video game consoles and handheld game consoles to be repaired and refurbished by the Group.

SALE OF ACCESSORIES

The Group is actively expanding the scale of accessories business. In December 2012 and January 2013, it received purchase orders from certain mobile manufacturers, which would give such accessories to its customers as gifts or premium. In addition, in order to avoid any competition with the Group by the Controlling Shareholders, TDM, which is wholly owned by the Cheung Brothers, has ceased to engage in the sale of accessories for mobile phones and other personal electronic products and allowed the Group to sell such accessories at the retail shops of TDM on a consignment basis since December 2012. For the ten months ended 31 January 2013, the Group's total revenue as a result of sale of accessories was approximately HK\$1.5 million, among which HK\$0.7 million were sales in its service centres, HK\$0.5 million were sales in TDM's retail shops and HK\$0.3 million were bulk sales to corporate customers.

SUMMARY

COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths of the Group have contributed to its success to date:

- The Group is an authorised service provider of prominent brands
- The Group has established relationships with its corporate customers
- The Group is an experienced provider of repair and refurbishment services for mobile phones
- The Group is committed to providing value-added and quality services
- The central repair and refurbishment centre of the Group enables the Group to provide quality repair and refurbishment services and optimise the use of the space of its customer service centres for customer service
- The Group has experienced management and technical teams

BUSINESS OBJECTIVES AND STRATEGIES

The primary business objectives of the Group are (i) to further the growth of its repair and refurbishment business by enhancing the scope of the repair and refurbishment services provided by it and strengthening the product knowledge and technical capability of the Group in order to become one of the largest service providers to provide repair and refurbishment services on personal electronic products in Hong Kong, and (ii) to expand its sales on accessories. The Group will endeavour to achieve its business objectives and adopt the following business strategies:

- enhancing the scope of the repair and refurbishment services provided by the Group;
- strengthening the product knowledge and technical capability of the Group by establishing a team of customer service staff and technicians possessing product knowledge and technical skills on a wide range of personal electronic products;
- expanding the Group's sales on accessories.

Details of the business strategies of the Group are set out in the paragraph headed "Business Strategies" under the section headed "Future Plans and Use of Proceeds" in this prospectus.

RISK FACTORS

The Directors consider that the business of the Group and its performance are subject to a number of risk factors which can be categorised into (i) risks relating to the business of the Group; (ii) risks relating to the industry; (iii) risks relating to the Placing; and (iv) risks relating to the statements made in this prospectus.

SUMMARY

In particular, the Group has experienced decrease in gross profit margin and net profit margin during the Track Record Period partly as a result of the increase in cost of sales such as cost of parts and components used for out-of-warranty repair works and the increase in rental expenses of the Group. The Group has not been able to transfer all the increases in its cost of sales and other operating expenses to its customers during the Track Record Period and it may not be able to do so in the future. Moreover the continued successful operation of the Group's business depends on the Group's ability to renew the existing service agreements and the Group has limited bargaining power with certain corporate customers. The business and prospects of the Group are also dependent on the business and financial performance of its corporate customers.

The financial results of the Group will be affected by certain non-recurring expenses including the expenses in relation to the Placing and Listing. The estimated commission and expenses in relation to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing fees) are approximately HK\$15.4 million, of which approximately HK\$5.4 million is directly attributable to the issue of the Placing Shares under the Placing and is expected to be accounted for as a deduction from equity. The remaining expenses in relation to the Placing and Listing of approximately HK\$10.0 million are expected to be recognised upon the Listing in the profit and loss account of the Group. Accordingly, the Shareholders and potential investors should be informed that the financial results of the Group for the financial years ended 31 March 2013 and ending 31 March 2014 will materially and adversely be affected by the expenses in relation to the Placing and Listing which are estimated to represent approximately 368% and 109% of the Group's profits for the financial years ended 31 March 2011 and 2012, respectively.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Group has been established, owned and managed by the Cheung Brothers, who are Directors and Controlling Shareholders, since its incorporation. The current Board comprises an executive Director and three non-executive Directors, namely the Cheung Brothers, and four independent non-executive Directors. In the event of conflict of interest which requires the Cheung Brothers to abstain from voting, the four independent non-executive Directors will be responsible to consider and approve the transactions of the Group and may require to take reference to an opinion from the senior management of the Group or, at the Group's expense, from external parties with relevant experience and expertise as and when they consider necessary and appropriate. Ms. Kwok Yuen Man, Marisa, who is one of the independent non-executive Directors, has over 10 years of experience in holding senior managerial roles in telecommunication industry.

SUMMARY

In relation to the above, the Group has entered into the following 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 the Group after the Listing:

	Nature of transactions	Counterparty	Transaction amount during each of the two years ended 31 March 2012 and the ten months ended 31 January 2013	Annual cap of expected transaction amount for the year ended 31 March 2013 and each of the two years ending 31 March 2015
(i)	provision of logistic services to the Group	Telecom Service Network Limited	HK\$125,000 HK\$417,000 HK\$660,000	less than HK\$1,000,000 for each of the three years
(ii)	consignment of accessories for mobile phones and personal electronic products of certain brands for sale by the Group	TDM	nil nil HK\$158,000	less than HK\$1,000,000 for each of the three years
(iii)	sale of mobile phone accessories by the Group	New World Mobility Limited	nil nil nil	less than HK\$1,000,000 for each of the three years
(iv)	licensing arrangement for use of premises by the Group	Telecom Digital Services Limited	nil nil HK\$37,000	less than HK\$1,000,000 for each of the three years
(v)	provision of repair and refurbishment services by the Group (<i>Note</i>)	TDD	HK\$8,537,000 HK\$9,606,000 HK\$7,787,000	HK\$10,000,000 for each of the three years
(vi)	leasing of premises by TSO	certain subsidiaries of East-Asia	HK\$1,320,000 HK\$1,989,000 HK\$3,113,000	HK\$3,716,000 HK\$3,234,000 HK\$3,392,000
(vii)	purchase of parts and components by the Group	Sun Asia Pacific Limited and its subsidiaries	HK\$1,071,000 HK\$759,000 HK\$1,104,000	HK\$1,250,000 HK\$1,380,000 HK\$1,520,000

Note: The gross profit margin of this transaction were approximately 51.7%, 60.1% and 53.3% for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013, respectively.

For further information on the above continuing connected transactions, please refer to the section headed “Continuing Connected Transactions” in this prospectus.

During the Track Record Period, Telecom Digital Services Limited, a connected person upon Listing, provided certain customer service booths, office premises, staff costs and miscellaneous operating expenses which cost approximately HK\$413,000 and HK\$489,000 for the financial years ended 31 March 2011 and 2012 respectively, to the Group at nil consideration. Moreover during the Track Record Period, the Group provided and received financial assistance to and from related companies of which the Cheung Brothers are the ultimate beneficial owners or which are under the Cheung Family Trust.

SUMMARY

Details of the amounts due from and to related companies and an intermediate holding company during the Track Record Period are as follows:

	As at 31 March		As at
	2011	2012	31 January
	HK\$'000	HK\$'000	2013
			HK\$'000
Amount due from related companies			
— non-trade in nature	2,913	—	14,754
— trade in nature	<u>86</u>	<u>3,520</u>	<u>1,678</u>
Total	<u>2,999</u>	<u>3,520</u>	<u>16,432</u>
Amount due to related companies and an intermediate holding company			
— non-trade in nature	13,333	3,875	85
— trade in nature	<u>—</u>	<u>—</u>	<u>—</u>

The Group's non-trade balances due from and to the related companies and the intermediate holding company, amounting to approximately HK\$14,754,000 and HK\$85,000 respectively, were settled in February 2013; and there has been no non-trade balances with the related parties of the Company since then.

SELECTED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND STATEMENTS OF FINANCIAL POSITION LINE ITEMS

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	37,905	69,581	56,703	63,536
Gross profit	13,515	30,640	24,201	25,893
Profit before tax	4,182	16,721	13,143	3,277
Profit for the year/period	4,182	14,076	11,069	1,659

SUMMARY

	As at 31 March		As at 31 January
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Current assets	18,722	24,102	56,289
Current liabilities	<u>16,197</u>	<u>12,334</u>	<u>30,345</u>
Net current assets	<u>2,525</u>	<u>11,768</u>	<u>25,944</u>
Net assets	7,914	21,925	34,612
Total assets	24,301	37,291	65,532

KEY FINANCIAL RATIOS

	Year ended 31 March		Ten months ended 31 January
	2011	2012	2013
	%	%	%
Gross profit margin	35.7	44.0	40.8
Net profit margin	11.0	20.2	2.6

Gross profit margin

The Group's gross profit margin increased from approximately 35.7% for the year ended 31 March 2011 to approximately 44.0% for the year ended 31 March 2012. This was mainly attributable to the increase in the provision of repair and refurbishment services with higher gross profit margin for (i) mobile phones produced by global manufacturers which newly engaged the Group as their authorised service providers in the year ended 31 March 2012; and (ii) mobile phones of new models produced by global manufacturers which have already appointed the Group as their authorised service providers before or in the year ended 31 March 2011.

The Group's gross profit margin decreased from 44.0% for the year ended 31 March 2012 to 40.8% for the ten months ended 31 January 2013 primarily due to the fact that the Group's gross profit margin in respect of repair and refurbishment services provided for out-of-warranty products of certain mobile phone manufacturers decreased in the corresponding period as a result of the increase in the price of parts and components required.

Net profit margin

The Group's net profit margin increased from approximately 11.0% for the year ended 31 March 2011 to approximately 20.2% for the year ended 31 March 2012. Such increase was a result of the increase in gross profit margin due to the aforementioned reasons.

SUMMARY

The Group recorded net profit margin of approximately 2.6% for the ten months ended 31 January 2013 when compared with the net profit margin of approximately 20.2% for the year ended 31 March 2012. The decrease in net profit margin over the ten months ended 31 January 2013 was primarily a result of (i) the decrease in gross profit margin due to the aforementioned reasons; (ii) the expenses incurred for the expansion of service centres in the corresponding period; and (iii) the professional fees incurred for the Placing and Listing in the corresponding period.

RECENT DEVELOPMENT

Mobile phone manufacturers have experienced and may continue to experience ups and downs in their sales due to the feature of the mobile phone industry which is characterised by a rapid launch of new models, continuous technological advancement, changing customer needs and short product life. The close relationship between the Group's performance and its corporate customers' performance has been disclosed in the paragraph headed "Risk factors — The business and prospects of the Group are dependent on the business and financial performance of its corporate customers" in this prospectus.

In mid-August 2012, the holding company of two corporate customers of the Group at that time (the "**Relevant Customers**") published that there would be reorganisation plan on the group of companies comprising, among others, the Relevant Customers (the "**Relevant Customer Group**"). The Relevant Customer Group is a global technology enterprise and the Relevant Customers appointed only the Group as non-exclusive authorised service provider to provide repair and refurbishment services in Hong Kong and Taiwan respectively and operate solely for each of them a customer service centre in Hong Kong and Taiwan respectively. The Relevant Customers were the sixth and seventh largest customers of the Group for the year ended 31 March 2012, contributing approximately 3.9% and 3.6% of the total revenue of the Group for the year ended 31 March 2012, respectively. Under the reorganisation plan, the Relevant Customer Group would reduce approximately one-fifth of its employees, close or consolidate one-third of its facilities, as well as simplify its mobile product portfolio by shifting the emphasis from feature phones to more innovative and profitable devices. The Relevant Customers, due to the reorganisation plan, launched fewer models of smart phones in the ten months ended 31 January 2013 than in the ten months ended 31 January 2012, and this had resulted in a decrease of approximately HK\$0.4 million in the revenue contributed by the provision of repair and refurbishment service for electronic products of the Relevant Customers in the ten months ended 31 January 2013. The two service agreements between TSO and the Relevant Customers were terminated in January 2013.

The Relevant Customer Group subsequently appointed a global services company (namely Customer J) to manage the repair network of the Relevant Customer Group in Asia Pacific Region including Hong Kong and Taiwan. The Group entered into an agreement with the global services company (namely Customer J) in January 2013 whereby the Group continues to provide repair and refurbishment services to the global services company for the mobile phones of the Relevant Customer Group in Hong Kong and Taiwan. Similar to the previous arrangement with the Relevant Customers, the Group receives repair fees for the repair and refurbishment services provided, management fees in relation to the operation of the relevant customer service centres and counters and reimbursement of direct operating expenses of the customer service centres and counters. The primary difference between the two business arrangements is that under the previous arrangement with the Relevant Customers, the Relevant Customers supplied spare parts to the Group without any charges for both in-warranty and out-of-warranty works, whereas under the arrangement with the global services company, spare parts are

SUMMARY

supplied by the relevant supplier to the Group without any charges for in-warranty works undertaken in Hong Kong and Taiwan and out-of-warranty works undertaken in Hong Kong, but the Group is required to purchase the spare parts for out-of-warranty works undertaken in Taiwan and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts used for such out-of warranty works).

Further details on the former business relationship between the Group and the Relevant Customers are set out under the paragraph headed “Business — Customers — Reorganisation plan of corporate customers of the Group” in this prospectus.

The largest corporate customer of the Group (namely Customer F) launched a new model of smart phone in September 2012, and the popularity of this new smart phone was not the same as its preceding models launched in 2010 and 2011 and had not driven the demand of the Group’s repair and refurbishment services for the ten months ended 31 January 2013 in similar extent when compared with the corresponding period ended 31 January 2012. The revenue contributed by the provision of repair and refurbishment service for electronic products of this corporate customer decreased by approximately HK\$3.6 million over the said periods, and may continue to decrease in the future. If the revenue contributed by the provision of repair and refurbishment service for electronic products of the Group’s largest corporate customer continues to decrease, the Group’s results of operation will be materially and adversely affected.

Three of the Group’s largest five corporate customers (namely Customers C, F and H), including the Group’s largest corporate customer (namely Customer F), during the financial year ended 31 March 2012 and the ten months ended 31 January 2013 are manufacturers of mobile phones. Their recently published operation performances are as follows: (a) The global sales of smartphones by the Group’s largest corporate customer in the three months ended 30 March 2013 had an increase of 3% compared to the corresponding period in 2012 and the unit sales of smart phones by it totalled approximately 37.4 million in the three months ended 30 March 2013, which represented an increase of 7% compared to the corresponding period in 2012. (b) Customer C globally had a quarterly revenue of NT\$60 billion and a net profit of NT\$1 billion for the three months ended 31 December 2012, and a quarterly revenue of NT\$42.8 billion and a net income after tax of NT\$85 million for the three months ended 31 March 2013. (c) The smart phones globally sold by the group of companies to which Customer H belongs for the three months ended 31 December 2012 amounted to 8.7 million units, which was substantially the same for the three months ended 30 September 2012. The group recorded sales of 300.4 billion yen and 318.8 billion yen on mobile products and communications (including mobile phones and personal computers) for the three months ended 30 September and 31 December 2012, respectively.

The Group has continued to seek new business opportunities. The Group entered into a letter of intent in November 2012 and subsequently a formal agreement in February 2013 with the Hong Kong operation of a global services company (namely Customer I) in respect of provision of repair and refurbishment services by the Group for certain brands of handsets and accessories. Such new corporate customer specialises in providing services including value-added distribution, supply chain solutions, handset protection and insurance, buy-back and trade-in solutions, and multi-channel retail solutions to mobile device manufacturers, wireless operators and retailers. The Group started to provide repair and refurbishment services to such new corporate customer at a customer service centre in Mongkok in March 2013. In addition, in November 2012, such new corporate customer also engaged the Group to provide screening and software upgrade services for mobile phones at the Group’s repair centre in Kwai

SUMMARY

Chung. Without incurring much additional direct cost of sales, this new stream of revenue is expected to improve the gross profit and gross profit margin of the Group for the years ended 31 March 2013 and ending 31 March 2014.

The Directors confirm that (i) there has been no material adverse change in the general economic and market conditions or the industry and environment in which the Group operates that materially and adversely affected the Group's financial or operating position since 31 January 2013 and up to the date of this prospectus, (ii) there has been no material adverse change in the trading and financial positions or prospects of the Group since 31 January 2013 and up to the date of this prospectus, and (iii) no event has occurred since 31 January 2013 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

STATISTICS OF THE PLACING

	Based on a Placing Price of HK\$1.00 per Placing Share	Based on a Placing Price of HK\$1.34 per Placing Share
Market capitalisation of the Shares (<i>Note 1</i>)	HK\$120 million	HK\$160.8 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share (<i>Note 2</i>)	HK\$0.469	HK\$0.549

Notes:

- (1) The calculation of the market capitalisation of the Shares is based on the respective Placing Prices of HK\$1.00 and HK\$1.34 per Placing Share and 120,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue, but takes no account of (i) any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue of Shares or any Shares which may be repurchased by the Company pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed "Resolutions of the Shareholders passed on 2 May 2013" in Appendix V to this prospectus; and (ii) any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial Information" in this prospectus, and on the basis of the respective Placing Prices of HK\$1.00 and HK\$1.34 per Placing Share and 120,000,000 Shares in issue immediately following completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.

DIVIDEND

No dividend has been paid or declared by the companies now comprising the Group during the Track Record Period. After completion of the Placing, the Shareholders will be entitled to receive dividends only when declared by the Directors. The payment and the amount of any future dividends will be at the discretion of the Directors and will depend upon the Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which the Directors deem relevant. After taking into account the impact of the non-recurring

SUMMARY

expenses of the Placing and the Listing on the financial results of the Group for the two financial years ended 31 March 2013 and ending 31 March 2014, the Directors expect that the Company will not declare any dividend in respect of the financial years ended 31 March 2013 and ending 31 March 2014.

REASONS FOR THE PLACING

The Directors believe that the Listing will enhance the Group's profile and recognition. In addition, the Board is also of the view that despite the estimated net proceeds from the Placing (based on the mid-point of the indicative Placing Price range) only amount to approximately HK\$19.7 million, the Listing and the Placing will provide the Company with additional avenues to raise capital for its future business expansion and long-term development, and expand and diversify the Company's shareholders base as institutional funds and retail investors in Hong Kong can easily participate in the equity of the Company. The net proceeds from the placing of the Placing Shares will strengthen the Group's financial position.

USE OF PROCEEDS

Assuming a Placing Price of HK\$1.17 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$1.00 to HK\$1.34 per Placing Share, the net proceeds from the Placing, after deducting the estimated commission and expenses of approximately HK\$15.4 million in relation to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing fees), are estimated to amount to approximately HK\$19.7 million (assuming the Offer Size Adjustment Option is not exercised). The Group intends to apply such net proceeds from the Placing as follows:

Use	Approximate percentage or amount of net proceed to be applied
acquisition of a commercial property at a prime location in Hong Kong for use as a customer service centre of the Group	approximately 90% or HK\$17.7 million
general working capital	approximately 10% or HK\$2.0 million

If the Offer Size Adjustment Option is exercised in full, assuming a Placing Price of HK\$1.17 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$1.00 to HK\$1.34 per Placing Share, the net proceeds will be increased by approximately HK\$5.0 million. The Directors intend to apply such additional proceeds for the above purposes on a pro-rata basis. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

SUMMARY

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2013

On the bases set out in “Appendix III — Profit Estimate” in this prospectus and, in the absence of unforeseen circumstances, certain profit estimate data of the Group for the year ended 31 March 2013 are set out below:

Estimated consolidated profit attributable to owners of the Company for the year ended 31 March 2013	not less than HK\$1.4 million
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Unaudited estimated earnings per Share on a pro forma basis for the year ended 31 March 2013 ⁽¹⁾	not less than HK\$0.012
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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 the Company for the year ended 31 March 2013 by 120,000,000 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 (i) any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue of Shares or any Shares which may be repurchased by the Company pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed “Resolutions of the Shareholders passed on 2 May 2013” in Appendix V to this prospectus; and (ii) any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.

Please also refer to the paragraph headed “Profit estimate for the year ended 31 March 2013” in the section headed “Financial Information” in this prospectus for the reasons for the decrease in the Group’s estimated consolidated profit and estimated net profit margin for the year ended 31 March 2013.

DEFINITIONS

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 the 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 on 10 August 2000 and wholly-owned by the Cheung Family Trust
“Articles” or “Articles of Association”	the articles of association of the Company adopted on 2 May 2013 (conditional on 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 licenced banks in Hong Kong are generally open for normal business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 89,400,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of the Company referred to in the paragraph headed “A. Further Information about the Company — 3. Resolutions of the Shareholders passed on 2 May 2013” in Appendix V to this prospectus
“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

DEFINITIONS

“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 certain family members of the Cheung family, the discretionary objects of which include the Cheung Brothers
“China Everbright Capital” or “Sole Sponsor”	China Everbright Capital Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Listing
“China Everbright Securities” or “Sole Bookrunner” or “Sole Lead Manager”	China Everbright Securities (HK) Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sole bookrunner and sole lead manager of the Placing
“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 Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Telecom Service One Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 3 August 2012
“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 this prospectus unless the context otherwise requires, refers to East-Asia, Amazing Gain, the Cheung Brothers and the Cheung Family Trust
“Deed of Indemnity”	the deed of tax indemnity dated 10 May 2013 and executed by East-Asia, Amazing Gain, the Cheung Brothers and Sarasin Trust Company (Singapore) Limited (as trustee of the Cheung Family Trust) in favour of the Group, details of which are set out in the paragraph headed “E. Other Information — 1. Tax and estate duty” in Appendix V to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 10 May 2013 and entered into by East-Asia, Amazing Gain, the Cheung Brothers and Sarasin Trust Company (Singapore) Limited (as trustee of the Cheung Family Trust) in favour of the Company regarding certain non-competition undertakings given by the Controlling Shareholders in favour of the Company, a summary of the principal terms of which is set out in the paragraph headed “Deed of Non-competition” in the section headed “Relationship with Controlling Shareholders and Telecom Digital Group” in this prospectus
“Director(s)”	the director(s) of the Company
“East-Asia”	East-Asia Pacific Limited, a company incorporated in the BVI on 18 August 1993 and 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
“Group”	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries or the businesses which have since been acquired or carried on by them or (as the case may be) their predecessors
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards (including 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
“Hong Kong Share Registrar”	Union Registrars Limited, the Hong Kong share registrar of the Company
“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 the Company and its connected persons

DEFINITIONS

“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 the Company — 3. Resolutions of the Shareholders passed on 2 May 2013” in Appendix V to this prospectus
“Jones Lang LaSalle”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Latest Practicable Date”	15 May 2013, 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 trading of the Shares first commences on GEM, which is expected to be on or about 30 May 2013
“Listing Division”	the Listing Division of the Stock Exchange
“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
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on 2 May 2013 (conditional on Listing) and as amended from time to time
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“Offer Size Adjustment Option”	the option granted by the Company to the Underwriter, exercisable by the Sole Bookrunner at its sole and absolute discretion, prior to the date of allotment results announcement, whereby the Company may be required to issue and allot up to 4,500,000 additional new Shares representing up to 15% of the Placing Shares initially available under the Placing at the Placing Price, subject to the terms and conditions set out in the Underwriting Agreement
“Placing”	the conditional placing of the Placing Shares by the Underwriter on behalf of the Company for cash at the Placing Price with individual, professional and institutional investors in Hong Kong as described in the section headed “Structure and Conditions of the Placing” in this prospectus

DEFINITIONS

“Placing Price”	the final price per Placing Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which will be not more than HK\$1.34 per Placing Share and is expected to be not less than HK\$1.00 per Placing Share at which the Placing Shares are to be offered for subscription pursuant to the Placing, to be determined as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Shares”	the 30,000,000 new Shares being initially offered at the Placing Price for subscription under the Placing, subject to the exercise of the Offer Size Adjustment Option as further described in the section headed “Structure and Conditions of the Placing” in 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
“Price Determination Agreement”	the agreement to be entered into between the Company and the Sole Lead Manager on the Price Determination Date to fix and record the Placing Price
“Price Determination Date”	the date, expected to be on or about 24 May 2013, on which the Placing Price is expected to be fixed for the purposes of the Placing
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing, details of which are set out in the paragraph headed “History and Development — Reorganisation” in this prospectus
“Repurchase Mandate”	the general mandate granted to the Directors to repurchase Shares, details of which are set out in the paragraph headed “A. Further Information about the Company — 3. Resolutions of the Shareholders passed on 2 May 2013” 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(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the capital of the Company

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 2 May 2013, a summary of its principal terms is set out in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“significant shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Website”	the internet website at www.hkexnews.hk operated by the Stock Exchange
“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
“Taiwan”	Taiwan, the Republic of China
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“TDD”	Telecom Digital Data Limited, a company incorporated in Hong Kong on 3 September 1999 and wholly-owned by Sun Asia Pacific Limited, which is wholly-owned by the Cheung Brothers
“TDM”	Telecom Digital Mobile Limited, a company incorporated in Hong Kong on 27 August 2001 and wholly-owned by Sun Asia Pacific Limited, which is wholly-owned by the Cheung Brothers
“Telecom Digital Group”	the group of companies which are ultimately owned by the Cheung Brothers and engaged in the business of providing paging and information broadcasting services, mobile and IDD services, and interactive mobile data services over the network in Hong Kong, Macau and the Pearl River Delta, the PRC
“Track Record Period”	the period comprising the financial years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013
“TSO”	Telecom Service One Limited (電訊首科有限公司), a company incorporated in Hong Kong on 3 April 1987 and a wholly-owned subsidiary of the Company

DEFINITIONS

“TSO Investment”	Telecom Service One Investment Limited, a company incorporated in the BVI on 10 August 2012 and a wholly-owned subsidiary of the Company
“TSO Taiwan”	Telecom Service One (Taiwan) Limited (首科電訊數碼有限公司), a company incorporated in Taiwan on 15 February 2008 and a wholly-owned subsidiary of the Company
“Underwriter”	the Underwriter of the Placing listed in the section headed “Underwriting — Underwriter” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing dated 22 May 2013 and entered into among the Company, the executive Director, Amazing Gain, East-Asia, the Cheung Brothers and Sarasin Trust Company (Singapore) Limited (as trustee of the Cheung Family Trust), the Sole Sponsor, the Sole Lead Manager and the Underwriter, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“US\$” or “US dollars”	United States dollars, the lawful currency of United States

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

Unless otherwise specified, amounts denominated in US dollars and New Taiwan 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\$7.75 and HK\$1.00: NT\$3.80, respectively.

No representation is made that any amounts in US\$, NT\$ 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.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms, definitions and abbreviations used in this prospectus in connection with the Group and its business. As such, these terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“CAGR”	compound annual growth rate
“Fourth Generation (4G) wireless services”	Fourth Generation (4G) wireless services is the technical specification for the fourth generation mobile communication technology. Its transmission speed can be as high as 1Gbps
“GDP”	gross domestic product
“IDD”	international direct dialing
“IMEI”	International Mobile Equipment Identity, a number, usually unique, to identify mobile phones
“IT”	information technology
“Mobitex”	an open systems interconnection based open standard, national public access wireless packet-switched data network
“Second Generation (2G) wireless services”	Second Generation (2G) wireless services is the digital mobile telecommunications service operating on Code Division Multiple Access (CDMA), Time Division Multiple Access (TDMA), Global System for Mobile Communication (GSM) and Personal Communications Services (PCS) systems
“SIM”	subscriber identity module or subscriber identification module, an integrated circuit that securely stores the International Mobile Subscriber Identity (IMSI) and the related key used to identify and authenticate subscribers on mobile telephony devices such as mobile phones
“smart phone”	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 smart phones support Wi-Fi mobile broadband Internet service
“sq.ft.”	square feet
“Third Generation (3G) wireless services”	Third Generation (3G) wireless services is a generation of wireless telecommunications service and its development is based on the initiative of International Telecommunication Union (ITU) called IMT-2000 (International Mobile Telecommunication 2000). 3G will bring wireless transmission speeds up to 2Mbps, which allows high-quality wireless audio and video transmission

GLOSSARY OF TECHNICAL TERMS

“turnaround time”	the time interval between reception of a defective device at the repair site and the dispatch of the repaired unit
“unit shipment”	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
“Wi-Fi”	a technology that allows an electronic device to exchange data wirelessly over a computer network
“%”	per cent.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements relating to the Group that are based on the beliefs, intentions, expectations or predictions of the management of the Company for the future as well as assumptions made by and information currently available to the management of the 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:

- the Group's operations and business prospects;
- the Group's financial condition;
- the Group's future developments, trends and conditions in the industry and geographical markets in which the Group operates;
- the Group's strategies, plans, objectives and goals;
- the Group's relationships with its key customers;
- changes to regulatory environment and operating conditions in the industry and geographical markets in which the Group operates;
- the Group's ability to control costs;
- the amount and nature of, and potential for, future development of the 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", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "forecast", "potential", "seek", "should", "will", "would" and similar expressions, as they relate to the Group or the management of the Group, are intended to identify forward-looking statements. These forward-looking statements reflect the views of the management of the 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 the 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;

FORWARD-LOOKING STATEMENTS

- the actions and developments of the Company's competitors and the effects of competition in the industry on the demand for, and price of, the Group's services;
- various business opportunities that the Company may or may not pursue;
- the Company's ability to identify, measure, monitor and control risks in the Group's business, including the Company's ability to manage and adapt the Group's overall risk profile and risk management practices;
- the Company's ability to properly price the Group's services and establish reserves for future benefits; and
- the risk factors discussed in this prospectus as well as other factors beyond the Company's control.

Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, the 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 the 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. The Directors confirm that these forward-looking statements are made after due and careful consideration.

RISK FACTORS

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 the Group could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO THE BUSINESS OF THE GROUP

If the Group fails to accurately estimate the revenue or cost for performing a service agreement or transfer all the increases in cost of sales and operating expenses to the customers, it may experience cost overruns, lower profitability or even losses under the service agreement

The service agreements entered into by the Group and its corporate customers comprising manufacturers of mobile phones and personal electronic products, telecommunication service providers and global services companies require the Group to provide the services on pre-agreed prices during the term of the agreements. The Group, when estimating the revenue or costs for providing the repair and refurbishment services and, if necessary, operating service centres, takes into account a number of factors, including the number of work orders for repair and refurbishment, cost and availability of labour, rentals and technical standards to be applied to the repair and refurbishment works. However, the estimation may prove to be inaccurate. The deviation may be caused by the over-estimation of the number of work orders due to actual market demand of the products or unforeseeable economic downturn, or under-estimation of increase in labour cost or rental of service centres at prime locations in Hong Kong.

Moreover the pre-agreed prices may not be changed during the terms of the service agreements. Over-estimation of revenue and under-estimation of cost can result in a lower-than-expected profit or a loss on the performance of a service agreement with a customer.

The Group has experienced decrease in gross profit margin and net profit margin during the Track Record Period partly as a result of the increase in cost of sales such as cost of parts and components used for out-of-warranty repair works and the increase in rental expenses of the Group. The Group has not been able to transfer all the increases in its cost of sales and other operating expenses to its customers during the Track Record Period and it may not be able to do so in the future. Accordingly, the profitability and financial performance of the Group may be adversely affected.

The financial performance of the Group will be further affected by certain non-recurring expenses of the Group

The financial results of the Group will be affected by certain non-recurring expenses including the expenses in relation to the Placing and Listing. The estimated commission and expenses in relation to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing fees) are approximately HK\$15.4 million, of which approximately HK\$5.4 million is directly attributable to the issue of the Placing Shares under the Placing and is expected to be accounted for as a deduction from equity. The remaining expenses in relation to the Placing and Listing of approximately HK\$10.0 million are expected to be recognised upon the Listing in the profit and loss account of the Group.

RISK FACTORS

An aggregate amount of approximately HK\$8.9 million, of which approximately HK\$6.7 million has been expensed, has been incurred for the period from 1 April 2012 to 31 January 2013 in relation to the Placing and Listing. The remaining balance of approximately HK\$6.5 million, of which approximately HK\$3.3 million will be expensed, is expected to be incurred in the period from February 2013 to the Listing.

Accordingly, the Shareholders and potential investors should be informed that the financial results of the Group for the financial years ended 31 March 2013 and ending 31 March 2014 will materially and adversely be affected by the expenses in relation to the Placing and Listing which are estimated to represent approximately 368% and 109% of the Group's profits for the financial years ended 31 March 2011 and 2012, respectively.

The continued successful operation of the Group's business depends on the Group's ability to renew the existing service agreements and the Group has limited bargaining power with certain corporate customers

As at the Latest Practicable Date, the Group has been appointed by its corporate customers comprising global manufacturers of mobile phones and other personal electronic products, telecommunication service providers and global services companies to provide repair and refurbishment services. The service fee received by the Group from such corporate customers of the Group accounted for approximately 69.0%, 76.0% and 75.3% of its revenue for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013, respectively.

The Group's successful business operation relies on the continued cooperation relationship with these corporate customers. The Group has entered into written service agreements with its corporate customers, and the terms of the existing service agreements entered into by the Group with its corporate customers may be fixed or not. The Group and its corporate customers entered into a total of ten service agreements, eight of which are fixed term agreements and the remaining two are agreements without fixed term. Six of such fixed term agreements have an one-year term, one has a two-year term and one has a three-year term. The initial term has expired for three of the service agreements having one-year term, and such three agreements become agreements automatically continues year to year until terminated. For the two service agreements the terms of which are not fixed, such agreements are valid until terminated in accordance with their respective provisions. In general, TSO or the Group's corporate customers may terminate the service agreements by prior 30 to 180 days' (depending on the specific service agreements) written notice to the other party. There is no guarantee that the service agreements with any of the corporate customers could be renewed.

The corporate customers appointed TSO as their non-exclusive authorised service provider and such corporate customers have the right to appoint other authorised service providers. The corporate customers of the Group may choose to adjust their strategy in provision of after-sale services and establish their own large-scale repair and refurbishment service units or cooperate with other service providers.

Moreover, the Group has limited bargaining power with certain corporate customers as they are global manufacturers of mobile phones and other personal electronic products or global services companies. As a result, the Group may have entered into and may continue to enter into service agreements with certain provisions that are disadvantageous to it. For example, under the service agreements with certain corporate customers, the Group is required to operate the service centres in

RISK FACTORS

connection to the provision of the repair and refurbishment services and absorb the operating expenses for the centres, or the Group is required to purchase the parts and components for the repair and refurbishment works and then be reimbursed when such parts and components are used. The Group's trade receivables balances amounted to approximately HK\$13.1 million as at 31 January 2013, among which, there is no specific reason for delay in settlement of the outstanding balance of HK\$1.7 million from a corporate customer (namely Customer H). As at 30 April 2013, approximately 89.0% of the Group's trade receivables as at 31 January 2013 had been subsequently settled.

If any of the Group's corporate customers does not renew the service agreement with the Group and ceases business relationship with the Group, or only offers to renew the service agreement on less favourable terms, the Group's results of operation could be materially and adversely affected.

The business and prospects of the Group are dependent on the business and financial performance of its corporate customers

The business and prospects of the Group are dependent on the business and financial performance of the corporate customers of the Group, which are manufacturers of mobile phones and other personal electronic products, telecommunication service providers and global services companies. If such manufacturers of mobile phones and other personal electronic products are unable to keep abreast of the technological developments or market sentiments and consequently experience a slowdown due to any of these or other factors, it is likely that their products will become obsolete and, accordingly, demand for the Group's repair and refurbishment services for such products will decrease significantly. The Group is also dependent on the market acceptance and commercial success of such major customers' products and services which it cannot guarantee.

The largest corporate customer of the Group (namely Customer F) launched a new model of smart phone in September 2012, and the popularity of this new smart phone was not the same as its preceding models launched in 2010 and 2011 and had not driven the demand of the Group's repair and refurbishment services for the ten months ended 31 January 2013 in similar extent when compared with the corresponding period ended 31 January 2012. The revenue contributed by the provision of repair and refurbishment service for electronic products of this corporate customer decreased by approximately HK\$3.6 million over the said periods, and may continue to decrease in the future. If the revenue contributed by the provision of repair and refurbishment service for electronic products of the Group's largest corporate customer continues to decrease, the Group's results of operation will be materially and adversely affected.

In addition, if one or more of the corporate customers were to become insolvent or otherwise cease to be engaged in the manufacturing business of personal electronic products, the business, financial condition and results of operation of the Group would be materially and adversely affected.

In mid-August 2012, the holding company of two corporate customers of the Group at that time (the "**Relevant Customers**") published that there would be reorganisation plan on the group of companies comprising, among others, the Relevant Customers (the "**Relevant Customer Group**"). The Relevant Customer Group is a global technology enterprise and the Relevant Customers appointed only the Group as non-exclusive authorised service provider to provide repair and refurbishment services in Hong Kong and Taiwan respectively and operate solely for each of them a customer service centre in Hong Kong and Taiwan respectively. The Relevant Customers were the sixth and seventh largest customers of the Group for the year ended 31 March 2012, contributing approximately 3.9% and 3.6%

RISK FACTORS

of the total revenue of the Group for the year ended 31 March 2012, respectively. Under the reorganisation plan, the Relevant Customer Group would reduce approximately one-fifth of its employees, close or consolidate one-third of its facilities, as well as simplify its mobile product portfolio by shifting the emphasis from feature phones to more innovative and profitable devices. The Relevant Customers, due to the reorganisation plan, launched fewer models of mobile phones in the ten months ended 31 January 2013 than in the ten months ended 31 January 2012, and this had resulted in a decrease of approximately HK\$0.4 million in the revenue contributed by the provision of repair and refurbishment service for electronic products of the Relevant Customers in the ten months ended 31 January 2013.

The two service agreements between TSO and the Relevant Customers were terminated in January 2013. Under the said service agreements, the Relevant Customers (and only the Relevant Customers) were required to reimburse the Group certain operating expenses (such as rentals) of the customer service centres operated by the Group solely for them based on actual spending without mark-up and pay the Group certain other operating expenses of the customer service centres subject to mark-up percentage as a surcharge. As at 31 January 2013, the total trade and other receivables due from the Relevant Customers amounted to approximately HK\$1.05 million, approximately HK\$0.78 million of which have been settled as at the Latest Practicable Date.

The Relevant Customer Group subsequently appointed a global services company (namely Customer J) to manage the repair network of the Relevant Customer Group in Asia Pacific Region including Hong Kong and Taiwan. The Group entered into an agreement with the global services company (namely Customer J) in January 2013 whereby the Group continues to provide repair and refurbishment services to the global services company for the mobile phones of the Relevant Customer Group in Hong Kong and Taiwan. Similar to the previous arrangement with the Relevant Customers, the Group receives repair fees for the repair and refurbishment services provided, management fees in relation to the operation of the relevant customer service centres and counters and reimbursement of direct operating expenses of the customer service centres and counters.

The primary difference between the two business arrangements is that under the previous arrangement with the Relevant Customers, the Relevant Customers supplied spare parts to the Group without any charges for both in-warranty and out-of-warranty works, whereas under the arrangement with the global services company, spare parts are supplied by the relevant supplier to the Group without any charges for in-warranty works undertaken in Hong Kong and Taiwan and out-of-warranty works undertaken in Hong Kong, but the Group is required to purchase the spare parts for out-of-warranty works undertaken in Taiwan and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts used for such out-of warranty works). The Directors considered that the revenue of the Group has been affected by the reorganisation plan of the Relevant Customer Group.

The significant increase in the Group's finance costs in the future may have a material adverse effect on its business, financial condition and operating results

During the Track Record Period, the principal sources of liquidity and capital resources of the Group were the cash flow from operating activities, amount due to related companies and bank borrowings. The finance costs were incurred in relation to the Group's acquisition of vehicle via finance lease arrangement and bank borrowings. For the two financial years ended 31 March 2012 and the ten

RISK FACTORS

months ended 31 January 2013, the finance costs incurred by the Group was approximately nil, HK\$106,000 and HK\$320,000, respectively. TSO entered into a facility agreement with a bank in Hong Kong in September 2012 and another facility agreement with the same bank in November 2012. The aggregate limit of the facilities is HK\$30,000,000. The Directors are of the opinion that the Group's working capital in the next 12 months from the date of this prospectus will be funded by its internal resources, available banking facilities and the net proceeds from the Placing, and expect that the finance costs will amount to approximately HK\$0.4 million and HK\$20,000 for the financial years ended 31 March 2013 and ending 31 March 2014. The Group may continue to incur debts to fund its daily operations and the gearing ratio of the Group may further increase. The significant increase in the Group's finance costs in the future may have a material adverse effect on its business, financial condition and operating results.

The Group recorded negative operating cash flow and there can be no assurance that the Group will record positive operating cash flow in the future

The Group recorded negative operating cash flow in the financial year ended 31 March 2011, primarily as a result of increases in inventories, trade and other receivables, amounts due from related companies driven by the growth in the Group's business volume with its then existing and new corporate customers; and also in the ten months ended 31 January 2013, primarily as a result of payment of legal and professional fees in relation to the Listing incurred in the profit or loss account for the corresponding period and the payment of expenses mainly incurred for rental, depreciation of furniture and fixtures acquired and labour costs in relation to the service centres of the Group. There can be no assurance that the Group will generate sufficient cash flow from its operations in the future. If the Group is unable to finance the operations continuously by funds generated by operating activities or otherwise, its results of operations and financial position could be adversely affected.

The Group may fail to renew the existing tenancies and licenses for operation of its customer service centres and booth on commercially acceptable terms

As at the Latest Practicable Date, the Group has entered into tenancy agreements for premises used for operation of its central repair and refurbishment centre, seven customer service centres in Hong Kong and one customer service centre in Taipei, and a license agreement for an area for operation of a customer service booth in Hong Kong. Among such tenancy agreements and license agreement, two tenancy agreements will expire in the first half year of 2013, one tenancy agreement will expire in the first half year of 2014, and the remaining agreements will expire in the first half year of 2015. The relevant aggregate rental and licence fee expenses of the Group were approximately HK\$2.8 million, HK\$5.7 million and HK\$7.2 million for each of the two financial years ended 31 March 2011 and 2012 and for the ten months ended 31 January 2013, respectively. The average monthly rental and licence fee per square feet paid by the Group under the existing tenancy agreements and license agreement is approximately HK\$25.7. Details on properties leased or licensed to the Group for use are set out in the paragraph headed "Property" in the section headed "Business" in this prospectus.

With due regard to the difficulty in leasing premises at suitable locations on commercially acceptable rents given the relatively high rental rates for commercial premises in Hong Kong, the Group may not be able to lease suitable sites for new customer service centres on terms that are acceptable to the Group on the basis of commercial considerations. In such case, the Group's expansion plans and growth prospect may be materially and adversely affected.

RISK FACTORS

The Group's ability to renew existing tenancy agreements and license agreement for its repair and refurbishment centre, customer service centres and booth upon their expiry is important to its operations. If the Group relocates a customer service centre, it will generally takes one to two months to renovate and prepare for the operation of the new centre and the relocation expenses (including renovation costs) will cost approximately HK\$500,000.

In light of the prevailing rental trends for commercial premises in Hong Kong, the Group may not be able to renew the existing tenancy agreements or license agreement on terms and conditions that are commercially acceptable to the Group or may have to renew such agreements on less favourable terms, thus increasing its costs of operation. If the Group fails to renew the tenancy agreements and license agreement, it may have to incur additional costs in relocating its repair and refurbishment centre and customer service centres and booth.

A significant portion of the Group's revenue during the Track Record Period were contributed by provision of repair and refurbishment services to the five largest customers of the Group

The Group is dependent on the market acceptance and commercial success of its corporate customers' products. However the Group cannot guarantee that the products of its corporate customers will be marketable in the long term. For each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013, the Group derived approximately 60.9%, 65.6% and 63.3% of its revenue for the provision of repair and refurbishment services to its five largest customers, and approximately 22.5%, 25.8% and 14.0% of its revenue for the services provided to its largest customer. If the demand for the products of its five largest customers decreases, its revenue would decline significantly.

Any failure or perceived failure to deal with customer complaints or adverse publicity involving the services could materially and adversely impact the business and results of operations

The Company's business can be adversely affected by negative publicity or news reports, whether accurate or not, regarding service quality issues, repair time, repair procedure/policy, software/hardware issues, repair status updates, quotation issues, or warranty issues concerning the repair centres operated by the Group. Any such negative publicity could materially harm the business and results of operations and result in damage to the Group's reputation.

For the Track Record Period, the Group recorded an aggregate of 798 complaints made by the end-users, among which, 62 complaints were made to the Consumer Council by the complainants and then informed to the Group by the Consumer Council. In respect of the 798 complaints recorded by the Group, the customer service teams of the Group's corporate customers resolved 707 of them and the Group resolved the remaining. In respect of the 62 complaints informed by the Consumer Council, the customer service teams of the Group's corporate customers resolved 61 of them and the Group resolved the remaining one complaint.

There can be no assurance that the Group can successfully prevent all customer complaints in the future. Significant numbers of complaints could divert management and other resources from other business concerns, which may adversely affect the business and operations. Adverse publicity resulting from such allegations could cause customers to lose confidence in the Group, which may adversely affect the business of the Group. As a result, the Group may experience significant declines in revenues and customer traffic from which may not be able to recover.

RISK FACTORS

A reduction in the term or coverage of warranty offered by the Group's corporate customers to the end users may reduce the demand for the Group's services

The Group provides repair and refurbishment services under the warranties offered by the Group's corporate customers to the end users as well as repairs faulty devices which are out of warranty. As a result, a reduction in the term or coverage of such warranties may reduce the demand for the Group's services and have a material adverse effect on its business, results of operation and growth prospects.

The Group's failure to maintain proper level of inventory of spare parts could result in its inability to provide repair and refurbishment services or allowances of inventory

The provision of the Group's services depends on whether sufficient spare parts are available in a timely manner. The spare parts may not be available in a timely manner when, for example, the production capacities of the manufacturers are used in the manufacture of the products instead of the spare parts for fulfilling the market demands. If the Group fails to maintain sufficient level of inventory for the provision of repair and refurbishment services due to under-estimation of the procurement needs or delayed supply of spare parts, the operation and the revenue of the Group could be materially and adversely affected. Moreover if the Group over-estimates the procurement needs, excess inventory may become obsolete or even not suitable for use and allowances for such inventory are required to be made.

The Group may not be able to successfully implement its business strategies

The ability of the Group to successfully implement its business strategies depends on a number of factors, including the Group's ability to obtain financing on acceptable terms, the continued cooperation of the Group with its corporate customers and some other particular factors which may be beyond the control of the Group. Furthermore, in order to expand its business, it is essential for the Group to secure cooperation with new manufacturers of mobile phones and personal electronic products. As such, there is no assurance that the Group's business strategies will be successfully implemented, or that the Group's objectives will be fully or partially accomplished. There is also no guarantee that the Group could successfully enter into cooperation with other manufacturers in a timely manner or on terms acceptable to the Group, if at all. In the event that the Group fails to implement any of its business strategies or to do so in a timely manner, or fails to successfully contract with such new customers, the Group may not be able to achieve its planned future business growth and its operating results may be adversely affected. Failure to effectively implement the Group's business strategies may also lead to increased costs and reduced profitability.

The Board comprises an executive Director and three non-executive Directors, namely the Cheung Brothers, and four independent non-executive Directors. In the event of conflict of interest which requires the Cheung Brothers to abstain from voting, the four independent non-executive Directors will be responsible to consider and approve the transactions of the Group

The Group has been established, owned and managed by the Cheung Brothers since its incorporation. 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 Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the Company will be owned as to 55% by East-Asia and as to 5% by each of Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny. East-Asia is wholly-owned by Amazing Gain, which is in turn wholly-owned by the Cheung Family Trust.

RISK FACTORS

The current Board comprises an executive Director and three non-executive Directors, namely the Cheung Brothers, and four independent non-executive Directors. In the event of conflict of interest, for example, when considering the renewal, amendment or termination of the continuing connected transactions between the Group and the Controlling Shareholders set out in the section headed “Continuing Connected Transactions” in this prospectus or the remuneration of the executive and non-executive Directors, which requires the Cheung Brothers to abstain from voting, the four independent non-executive Directors will be responsible to consider and approve the transactions of the Group and may require to take reference to an opinion from the senior management of the Group or, at the Group’s expense, from external parties with relevant experience and expertise as and when they consider necessary and appropriate.

The expenses of the Group on Directors’ remuneration may increase and affect the financial performance of the Group and the Group may fail to renew the existing tenancies with the connected persons for operation of its offices and repair and customer service centres

During each of the two years ended 31 March 2012 and the ten months ended 31 January 2013, the remuneration paid to the Directors, comprising the Cheung Brothers, amounted to HK\$2,004,000, HK\$1,704,000 and HK\$621,000, respectively. Under the current arrangements, the non-executive Directors do not receive any remuneration, and the other Directors, comprising the executive Director and the four independent non-executive Directors, are entitled to receive remuneration which, for the financial year ending 31 March 2014, is expected to amount to approximately HK\$724,000 in aggregate. There is no assurance that the non-executive Directors will receive no remuneration forever. Should the non-executive Directors receive remuneration comparable to the amount of remuneration paid to them during the Track Record Period, the Group’s financial performance will be adversely affected.

In addition, TSO has been leasing properties in Hong Kong from certain wholly-owned subsidiaries of East-Asia, which are connected persons of the Company upon Listing, for the use by the Group as office premises and repair service centres and it is expected that TSO will continue to do so after the Listing. The aggregate annual rentals paid by TSO to the connected persons of the Company for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 under the relevant tenancy agreements were approximately HK\$1,320,000, HK\$1,989,000 and HK\$3,113,000 respectively. It is expected that the aggregate annual rentals paid and payable by TSO to the connected persons of the Company under the relevant tenancy agreements for the year ended 31 March 2013 and each of the two years ending 31 March 2015 did not and will not exceed HK\$3,716,000, HK\$3,234,000 and HK\$3,392,000 respectively. There is no assurance that the Group will be able to renew the existing tenancy agreements with the connected persons of the Company or renew them on terms that are acceptable to the Group. If the Group fails to renew the tenancy agreements with the connected persons, it may have to incur additional costs in relocating its office, repair and refurbishment centre and customer service centres.

The Group’s success is dependent on the retention of certain key personnel

The success of the Group to date has largely been attributable to the contributions and experiences of the Group’s key executive personnel, in particular, their familiarity with the Group’s business. The executive Director and the General Manager of TSO have had a long history of working with the Group’s corporate customers and understand their needs and requirements. If either the executive

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Director or the General Manager is unable or unwilling to continue in his or her present positions, the Group may not be able to find a suitable replacement, the business of the Group may be disrupted and its financial condition and results of operations may be materially and adversely affected.

The Group relies on a stable supply of experienced staff at reasonable cost

The repair and refurbishment services and customer services provided by the Group require sufficient experienced technicians and customer service staff to ensure their quality. The direct labour cost of the Group (excluding Directors' remuneration) was approximately HK\$15.8 million, HK\$28.7 million and HK\$26.3 million for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013, respectively. However, there is no guarantee that the labour cost will not increase in the future. If there is a significant increase in the Group's labour cost, the cost of its business operations will increase and its profitability will be adversely affected.

The Group derives most of its revenues from revenues arising in Hong Kong and any downturn in the Hong Kong economy could have a material adverse effect on its business and financial condition

More than 90% of the Group's revenues are generated from provision of repair and refurbishment services in Hong Kong. The Directors anticipate that revenues generated from the Group's services provided in Hong Kong will continue to represent a substantial proportion of its 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 the Group's services, which in turn would have a material adverse effect on the Group's revenues and profitability.

RISKS RELATING TO THE INDUSTRY

The Group operates in a competitive industry

The Group competes with other service providers providing repair and refurbishment services for mobile phones and other personal electronic products. The Group may also compete with new entrants in the same market in Hong Kong.

The Directors believe that the principal factors of competition are business relationship with manufacturers of mobile phones and other personal electronic products, quality of the services provided and reputation.

Some of the Group's current and possible new competitors may have greater financial, personnel and other resources, greater adaptability to changing market needs, longer operating histories and more established relationships in the industry than the Group currently does. Moreover, the corporate customers of the Group, which are manufacturers of mobile phones and other personal electronic products, may retain more than one service provider for provision of repair and refurbishment services for their products, which exposes the Group to continuous competition. In the future, the Group may not have the resources or ability to compete successfully. There can be no assurance that the existing customers of the Group will continue to use the Group's services at the same levels or at all. If the Group is unable to develop and expand its business or adapt to changing market needs as well as its current or future competitors are able to do, it may experience reduced revenue and profitability.

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The Group's business is dependent on the performance of the mobile phone industry and the industry of personal electronic products, the prospect of which may vary from time to time

The Group's business is sensitive to the consumer spending on mobile phones and personal electronic products. Although the mobile phone industry and the industry of personal electronic products have been experiencing growth in recent years, there is no guarantee that it will continue to develop at the same level or at all in the future. The development of these industries could be negatively affected by factors such as changes of consumer preferences and a general slowdown in the economy which may decrease spending on mobile phones and personal electronic products.

The close connection between the performance of the Group and the mobile phone industry as well as the industry of personal electronic products could render the Group susceptible to any fluctuations in these two industries. If there is any adverse change to these two industries, the business and results of operation of the Group may be harmed.

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 initial Placing Price range for the Group's Shares was the result of negotiations among the Company and the Sole Lead Manager. 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. The 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 or influenced by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of the Group and announcements of new services and/or investments of the Group, strategic alliances and/or acquisitions, fluctuations in market prices for the Group's services or fluctuations in market prices of comparable companies, changes of senior management of the 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 the 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 the Group's financial or business performance.

RISK FACTORS

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

Based on the Placing Price range, the Placing Price is expected to be 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 consolidated net tangible asset value to HK\$0.469 per Share and HK\$0.549 per Share based on the Placing Price of HK\$1.00 per Placing Share and HK\$1.34 per Placing Share respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of the Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in the 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 are subject to lock-up beginning on the date on which trading in the Group's Shares commences on GEM. While the 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. The Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of the 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 the Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by the 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

The 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 the 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 the Group may be adversely affected.

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

No dividend has been paid or declared by the Company since the date of its incorporation. In the future, the amount of dividends that the Group may declare and pay will be subject to, among other things, the full discretion of the Board, the Group's future operations, earnings, the financial performance, cash requirements and availability and any other factors which the Board may consider

RISK FACTORS

relevant. The Group may not be able to declare and distribute dividends to the Shareholders in any year as a result of the abovementioned factors. The Group may not be able to record profits or have sufficient funds to declare dividends to the Shareholders. After taking into account the impact of the non-recurring expenses of the Placing and the Listing on the financial results of the Group for the financial years ended 31 March 2013 and ending 31 March 2014, the Directors expect that the Company will not declare any dividend in respect of the financial years ended 31 March 2013 and ending 31 March 2014.

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 that have been extracted from government official sources and publications or other sources. The 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. The 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 the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective affiliates or advisers or any other party involved in the Placing and therefore, the Company makes no representation as to the accuracy or completeness of these statistics and facts, as such 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 and the Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of the Group and the development of the environment in which the Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of the Group to be materially different from the anticipated financial results, performance or achievements of the Group expressed or implied by these statements. The actual financial results, performance or achievements of the Group may differ materially from those discussed in this prospectus.

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

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:

1. 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 the Group in respect of the two financial years ended 31 March 2013.

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, the Group is required to include in this prospectus a statement as to the gross trading income or sales turnover of the Company for the two years ended 31 March 2013 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 to the Third Schedule to the Companies Ordinance, the 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 the Company for the two years ended 31 March 2013.

The Accountants' Report for the two years ended 31 March 2012 and the ten months ended 31 January 2013 is set out in Appendix I to this prospectus. However, strict compliance with section 342(1) of, and 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 2013 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 2013 to be finalised in a short period of time.

In such circumstances, the Sole Sponsor has, on behalf of the 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 Company are listed on the Stock Exchange by 31 May 2013;
- (ii) the Company obtains a certificate of exemption from the SFC from strict compliance with similar requirements under section 342(1) of, and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to, the Companies Ordinance; and
- (iii) a statement made by Directors in the prospectus that there has been no material adverse change to the financial and trading positions or the prospects of the Group since 31 January 2013.

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1) of, and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to, the Companies Ordinance in relation the inclusion of the Accountants' Report for the full year ended 31 March 2013 in this prospectus on the ground that it would be unduly burdensome to do so within a short period of time after 31 March 2013. 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 or before 23 May 2013.

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 the Group has been included in this prospectus, as such the waiver granted by the Stock Exchange and the exemption granted by the SFC from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and section 342(1) of, and 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 January 2013 and there is no event since 31 January 2013 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

2. CONNECTED TRANSACTIONS

Members of the Group have entered, and are expected to enter, into certain transactions, which will constitute continuing connected transactions for the Group under the GEM Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules for the non-exempt continuing connected transactions. Details of such continuing connected transactions and the waiver are set out in the section headed "Continuing Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the 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 the Company. The 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 the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Placing.

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 Underwriter subject to the terms and conditions of the Underwriting Agreement (including but not limited to the Company and the Sole Lead Manager agreeing on the Placing Price). For further details about the Underwriter and the Underwriting Agreement, please refer to the section headed "Underwriting" in this prospectus.

PLACING PRICE

The Placing Price is expected to be fixed by the Price Determination Agreement between the Sole Lead Manager and the Company on the Price Determination Date, which is currently scheduled to be on or about 24 May 2013, or such later date as the parties may agree. If, for whatever reason, the Company and the Sole Lead Manager are unable to agree on the Placing Price, the Placing will not proceed and will lapse. For full information relating to the determination of the Placing Price, please refer to the section headed "Structure and Conditions of the Placing" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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, including the Offer Size Adjustment Option, 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 Listing Division 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 any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any 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 the Company for permission by or on behalf of the Listing Division, 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, the Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or loan capital of the Company is listed, traded or dealt in on any other stock exchange. At present, the 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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 the Stock Exchange 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 30 May 2013.

Shares will be traded in board lots of 2,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8145.

The Company will not issue any temporary document of title.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered in the Company's branch register of members to be maintained in Hong Kong by the Hong Kong Share Registrar. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on GEM.

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

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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 the Company, the Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, 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.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential Address	Nationality
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Chairman and non-executive Director

Cheung King Shek	DD388, Lot 96 41 Castle Peak Road Tsing Lung Tau New Territories Hong Kong	Chinese
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Executive Director

Cheung King Fung Sunny	Flat A 28 LaSalle Road Kowloon Tong Kowloon Hong Kong	Chinese
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Non-executive Directors

Cheung King Shan	Flat C, 6/F Tower 6 Beverly Villas 16 LaSalle Road Kowloon Hong Kong	Chinese
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Cheung King Chuen Bobby	DD388, Lot 96 41 Castle Peak Road Tsing Lung Tau New Territories Hong Kong	Chinese
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Independent non-executive Directors

Hui Ying Bun	Block 10, Route Twisk Villa 99 Route Twisk Tsuen Wan New Territories Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Fong Ping	Flat C, 8/F Tower 6 Mount Beacon 20 Cornwall Street Kowloon Tong Kowloon Hong Kong	Chinese
Kwok Yuen Man, Marisa	11B, Monticello 48 Kennedy Road Mid-Levels Hong Kong	Canadian
Chu Kin Wang, Peleus	Flat 1001, 10th Floor Galaxia 3 Lung Poon Street Diamond Hill Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sole Sponsor	China Everbright Capital Limited 17th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Bookrunner, Sole Lead Manager and Underwriter	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Legal advisers to the Company	<i>As to Hong Kong law:</i> Mayer Brown JSM 16th–19th Floors, Prince’s Building 10 Chater Road Central Hong Kong <i>As to Cayman Islands law:</i> Appleby 2206–19 Jardine House 1 Connaught Place Central Hong Kong <i>As to Taiwan law:</i> Lee and Li, Attorneys-at-Law 7th Floor 201, Tun Hua North Road Taipei 105 Taiwan
Legal advisers to the Sole Sponsor and the Underwriter	<i>As to Hong Kong law:</i> Hastings & Co. 5th Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong	Units 1805–1807 18th Floor, Riley House 88 Lei Muk Road Kwai Chung New Territories Hong Kong
Company's website	www.tso.cc (No information on the website forms part of this prospectus)
Company secretary	Lam Yuen Ling, Eva <i>ACS, ACIS</i>
Authorised representatives	Cheung King Fung Sunny Flat A 28 LaSalle Road Kowloon Tong Kowloon Hong Kong Lam Yuen Ling, Eva 4A, K.C.C. Building, 2 Liberty Avenue, Homantin, Kowloon, Hong Kong
Compliance officer	Cheung King Fung Sunny
Audit committee	Chu Kin Wang, Peleus (<i>Chairman</i>) Hui Ying Bun Fong Ping Kwok Yuen Man, Marisa
Remuneration committee	Fong Ping (<i>Chairman</i>) Hui Ying Bun Kwok Yuen Man, Marisa Chu Kin Wang, Peleus

CORPORATE INFORMATION

Nomination committee	Hui Ying Bun (<i>Chairman</i>) Fong Ping Kwok Yuen Man, Marisa Chu Kin Wang, Peleus
Principal share registrar and transfer office in the Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO 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 adviser	China Everbright Capital Limited 17th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bankers	Chong Hing Bank Limited Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong

INDUSTRY OVERVIEW

The information in the section below has been partly derived from various publicly available government sources and partly from the third party sources.

The Group believes that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has 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 the Directors, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, advisers, officers, employees, agents or representatives or any person involved in the Placing. No representation is given as to the accuracy of such information and statistics.

INTRODUCTION

The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. TSO, the operating subsidiary of the Company, is appointed by manufacturers of mobile phones and personal electronic products, telecommunication service providers and global services companies to provide repair and refurbishment services for such products. The Group's repair and refurbishment services primarily cover mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles.

The Directors consider that the market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is highly fragmented and competitive. Repair and refurbishment service providers, including (i) business-to-business service providers and authorised service providers (such as the Group); and (ii) business-to-customers service providers operating their shops in shopping centres, compete with each other through brand recognition and reputation, pricing and customer service quality. To the best knowledge of the Directors, the information on the authorised service providers of other brands of mobile phones, for which the Group does not provide repair and refurbishment services, is not available from public domain, and there is no recognised profession association in the industry of repair and refurbishment services for personal electronic goods or market research report on the industry, and there are numerous business-to-customers service providers. As such, the Group is unable to quantify the number of repaired units of personal electronic goods in the market, and hence the corresponding market shares.

The Directors consider and the Sole Sponsor concurs that as a result of the lack of official industrial statistics and the inability for market research to obtain the market share of the other market players in Hong Kong, it is not possible to accurately estimate the market share and market position of the Group in the industry of repair and refurbishment of mobile phones and other personal electronic products. However, the future growth and prospects of the Group's repair and refurbishment business depends upon the consumer markets for mobile phones and other personal electronic products.

For the purpose of this section, the Company has extracted certain data on the market of mobile phones, which are the major products covered by the repair and refurbishment services provided by the Group, from a report prepared by International Data Corporation ("IDC"), an independent market research company. IDC is a global provider of market intelligence, advisory services, and events for the

INDUSTRY OVERVIEW

information technology, telecommunications and consumer technology markets. Information disclosed in this prospectus is extracted from a report of IDC which was not commissioned by the Group or the Sole Sponsor to prepare.

The Directors consider that competitive strengths of the Group, including but not limited to, the Group being an authorised service provider of prominent brands, its established relationships with its corporate customers, its experience in the provision of repair and refurbishment services for mobile phones and its commitment to providing value-added and quality services, have contributed to its success to date. For detailed information about the competitive strengths of the Group, please refer to the paragraph headed “Competitive Strengths” in the section headed “Business” in this prospectus. As the Hong Kong mobile phones market is dominated by a few mobile phone manufacturers, it is not uncommon for service providers to have a limited number of major mobile phone manufacturers as customers.

COMPETITIVE LANDSCAPE

Manufacturers of mobile phones and other personal electronic products usually procure repair and refurbishment services for the end users. The manufacturers generally, instead of setting up their own large scale repair teams all over the world, appoint global or domestic service providers to repair and refurbish their products which are under warranty or out-of-warranty. The global service providers may also engage domestic service providers to undertake the repair and refurbishment works. Mobile phone manufacturers may request mobile network operators to give warranty on the mobile phones sold by the operators to the subscribers of the operators’ service, and such operators may also choose to contract out the repair service to service providers.

For each of the two financial years ended 31 March 2012 and for the ten months ended 31 January 2013, repair and refurbishment fees for mobile phones received by the Group represented approximately 69.8%, 76.5% and 74.4% of the total repair and refurbishment fees of the Group respectively. Accordingly, the following describes the general competitive landscape of the market on repair and refurbishment of mobile phones in Hong Kong.

As at the Latest Practicable Date, there are five mobile network operators in Hong Kong. Such mobile network operators provide a wide range of public mobile services and they or their affiliated companies also sell mobile phones. The websites of such mobile network operators or their affiliated companies provide the addresses of the repair service centres for certain brands of mobile phones. Pursuant to the information available as such, there are approximately 30 brands of mobile phones. The Group provides repair and refurbishment services for mobile phones of eight brands.

The 30 brands of mobile phones have 37 repair service centres in Hong Kong. The Group operates seven service centres in Hong Kong for providing repair and refurbishment services for mobile phones of five brands. Moreover the Group also provides repair and refurbishment services for mobile phones of three brands in respect of which the Group is not required to operate service centres.

The Group’s primary competitors are other authorised service providers appointed by manufacturers of mobile phones and other personal electronic products to provide repair and refurbishment services for mobile phones and other personal electronic products which the Group currently repairs and refurbishes. Such competitors include service providers which principally provide repair and refurbishment services for mobile phones and other electronic products, and the distributors

INDUSTRY OVERVIEW

of personal electronic products which have the capabilities to provide repair and refurbishment services. To the best knowledge of the Directors, the following two companies are also authorised service providers appointed by manufacturers of mobile phones to provide repair and refurbishment services for mobile phones:

- A global manufacturer of mobile phones, which is not a customer of the Group, has appointed a company incorporated in Hong Kong (“Competitor A”) as a distributor to distribute its mobile phones and to manage a customer service centre and provide repair services. Competitor A, through its subsidiaries, is also engaged in distribution of other electronic products, operation of retail shops and customer service centres for other electronic products it distributes, and development and operation of middle-ware for mobile networks, as well as messaging services.
- A global manufacturer of mobile phones, which is a corporate customer of the Group (namely Customer F), has appointed a company incorporated in Hong Kong (“Competitor B”) as an authorised service provider to provide repair and refurbishment services for its mobile phones, media players, tablet computers and personal computers. Competitor B is principally engaged in sales of different kinds of electronic products including personal and notebook computers, projectors, printers and servers as well as provision of repair and refurbishment services for such products. It also operates customer service centres as authorised service providers of the manufacturers of such electronic products.

OVERVIEW OF THE HONG KONG ECONOMY

According to the data from the Hong Kong Census and Statistics Department, the nominal GDP in Hong Kong grew at a CAGR of approximately 5.2% from approximately HK\$1,503 billion in 2006 to a preliminary figure of HK\$2,040 billion in 2012 and the retained imports of consumer goods in Hong Kong amounted to HK\$270.0 billion in 2012, up from HK\$137.6 billion in 2009, representing a CAGR of approximately 25.2%.

Retained imports of consumer goods (*note*)

HK\$ million

2009	2010	2011	2012
137,619	184,107	250,466	270,039

Source: Hong Kong Census and Statistics Department

Note: Retained imports refer to those imported goods which are retained for use in Hong Kong rather than being re-exported to other places. The value of retained imports is derived by subtracting the estimated import value of re-exports from the value of imports. The former is obtained by removing an estimated re-export margin from the value of re-exports.

IMPORTS AND EXPORTS OF INFORMATION AND COMMUNICATION TECHNOLOGY GOODS

The demand for the Group's repair and refurbishment services for mobile phones and personal electronic products is largely driven by the demand for those goods.

Information and communication technology (ICT) goods are those that are either intended to fulfill the function of information processing and communication by electronic means (including transmission and display) or which use electronic processing to detect, measure and/or record physical phenomena, or to control a physical process. ICT goods may be grouped into the following categories: (i) telecommunications equipment, (ii) computer and related equipment, (iii) electronic components, (iv) audio and video equipment, and (v) other ICT goods.

For the following trade statistics on the ICT goods:

- i. telecommunications equipment mainly cover telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network such as a local or wide area network; transmission apparatus for radio-broadcasting or television and other apparatus incorporating reception apparatus;
- ii. audio and video equipment mainly cover sound and video recording or reproducing apparatus and their parts and accessories; transmission apparatus for radio-broadcasting or television, television cameras, digital cameras and video camera recorders; microphones and stands therefore, headphones and earphones, audio-frequency electric amplifiers, electric sound amplifier sets; and discs, tapes, solid-state non-volatile storage devices and other media for the recording of sound or of other phenomena;
- iii. computer and related equipment mainly cover automatic data processing machines and storage, input or output units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form, machines for processing such data and network units equipment; and other related parts and accessories;
- iv. electronic components mainly cover electronic integrated circuits and micro assemblies; diodes, transistors and semiconductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light emitting diodes; mounted piezo-electric crystals; printed circuits; and parts of transmission apparatus, television cameras, digital cameras, video camera recorders, monitors and projectors, etc.; and
- v. other ICT goods mainly cover imports and exports of office machinery and equipment, medical equipment, industrial process control equipment, and appliances for measuring, checking, testing and navigating, etc.

INDUSTRY OVERVIEW

The values of Hong Kong's imports and exports of ICT goods from 2006 to 2011 are set out in the table below.

Imports and exports of Information and Communication Technology Goods

	<i>HK\$ million</i>				
	2007	2008	2009	2010	2011
Telecommunications equipment					
Imports	177,937	189,727	187,291	240,697	309,833
Exports	184,990	208,367	205,157	270,737	326,071
Computer and related equipment					
Imports	261,865	278,299	252,240	330,510	363,237
Exports	270,130	292,058	254,789	338,796	386,369
Electronic components					
Imports	626,978	652,252	641,659	841,429	883,785
Exports	540,864	590,337	581,207	738,481	785,498
Audio and video equipment					
Imports	148,784	143,666	125,886	141,762	145,275
Exports	175,923	159,102	121,863	131,829	126,629
Other ICT goods					
Imports	26,371	27,928	25,060	33,154	37,574
Exports	33,555	34,528	29,856	40,586	47,502

Source: Trade Analysis Section, Census and Statistics Department

The value of the imports of ICT goods increased at an average rate of 13.7% per annum between 2001 and 2011, which is higher than the corresponding figure of 9.2% for the total merchandise imports. In 2011, the imports of ICT goods amounted to HK\$1,739.7 billion, representing 46.2% of the total merchandise imports. Over the same period, the value of the total exports (including domestic exports and re-exports) of ICT goods increased by 14.7% per annum, which is also more than the 8.5% for the total merchandise exports. In 2011, the value of total exports of ICT goods reached HK\$1,672.1 billion, representing 50.1% of the total merchandise exports.

HONG KONG MOBILE PHONE MARKET

For each of the two financial years ended 31 March 2012 and for the ten months ended 31 January 2013, repair and refurbishment fees for mobile phones received by the Group represented approximately 69.8%, 76.5% and 74.4% of the total repair and refurbishment fees of the Group respectively. Accordingly, the market statistics of the shipment of mobile phones as well as the number of public mobile subscribers in Hong Kong are relevant to reflect the demand for the Group's services, and are included in this section.

INDUSTRY OVERVIEW

Mobile phone market in Hong Kong

According to the report of IDC, the imports of mobile phones to Hong Kong grew at a CAGR of 36%, in term of shipment revenue, from HK\$13.2 billion in 2007 to HK\$45.8 billion in 2011, and, at a CAGR of 24%, in term of unit shipment, from 5.4 million units in 2007 to 12.6 million units in 2011.

Shipments of mobile phones to Hong Kong

		Smart phones	Feature phones	Total
2007	Shipment revenue (<i>HK\$ million</i>)	6,786	6,434	13,220
	Unit Shipment (<i>units</i>) ^(note)	1,973,458	3,379,911	5,353,369
2008	Shipment revenue (<i>HK\$ million</i>)	7,071	7,393	14,464
	Unit Shipment (<i>units</i>)	1,844,609	3,662,894	5,507,503
2009	Shipment revenue (<i>HK\$ million</i>)	9,714	5,816	15,530
	Unit Shipment (<i>units</i>)	2,735,943	3,612,760	6,348,703
2010	Shipment revenue (<i>HK\$ million</i>)	21,466	3,304	24,771
	Unit Shipment (<i>units</i>)	5,680,552	2,902,487	8,583,039
2011	Shipment revenue (<i>HK\$ million</i>)	43,930	1,891	45,822
	Unit Shipment (<i>units</i>)	10,380,747	2,197,465	12,578,212

Source: “IDC Asia/Pacific Quarterly Mobile Phone Tracker, May 2012” by IDC

Note: Unit 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 IDC tracks units that are intended to be sold in Hong Kong, 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.

IDC is a global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC is an Independent Third Party. Information disclosed in this prospectus from IDC is extracted from its report not commissioned by the Group or the Sole Sponsor.

Unlike ordinary mobile phones with basic functions such as calling and texting alone, smart phones may be recognised as a combination of a handheld computer and a mobile telephone. Smart phones allow users to install various applications with different functions provided by third-party service providers. Smart phones functioning under the 3G, and nowadays 4G, environment allows the end users to access the Internet in a more convenient manner. In addition, Hong Kong has an extensive Wi-Fi coverage, which also enables the smart phones to have access to Internet.

The data traffic packages launched and the discounted sales price offered by mobile service providers contributed the increasing sale of smart phones in Hong Kong. When the end users purchase or replace a mobile phone, they are likely to purchase smart phones.

INDUSTRY OVERVIEW

In respect of the market share of the mobile phones market in Hong Kong, according to the report of IDC, the market shares of the largest five vendors, in terms of unit shipments, are set out in the following table:

Market share of the mobile phones market in Hong Kong (in term of unit shipment)

	2007	2008	2009	2010	2011
Apple	—	2.5%	8.0%	25.6%	44.6%
Samsung	12.0%	19.8%	8.5%	7.9%	13.5%
Nokia	52.2%	45.7%	50.2%	42.2%	19.3%
HTC	1.6%	2.8%	2.3%	4.6%	11.2%
RIM	1.5%	1.5%	2.4%	1.8%	1.6%
Others	<u>32.8%</u>	<u>27.8%</u>	<u>28.5%</u>	<u>17.8%</u>	<u>9.7%</u>
Grand Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: “IDC Asia/Pacific Quarterly Mobile Phone Tracker, May 2012” by IDC

While IDC tracks units that are intended to be sold in Hong Kong, 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.

Note: IDC is a global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC is an Independent Third Party. Information disclosed in this prospectus from IDC is extracted from its report not commissioned by the Group or the Sole Sponsor.

The Group is the authorised service provider of two of the largest five vendors (in term of unit shipment in 2011), which together had an aggregate market share of 55.8% in Hong Kong in 2011, to provide repair and refurbishment services for their mobile phones.

Public mobile subscribers

Over the years, Hong Kong has developed comprehensive and efficient ICT infrastructure. As at January 2013, residential fixed line penetration rate, which is calculated by dividing the number of residential fixed lines by the number of households in Hong Kong, is 101.33%. On the other hand, the number of public mobile subscribers had more than doubled over the past decade, reaching approximately 16.5 million in January 2013. The mobile subscriber penetration rate was 229.6%, making Hong Kong one of the places with the highest penetration rates in the world.

Hong Kong issued 3G licenses in 2001 and 3G services were launched in 2003. During the first years, the application of 3G mobile communications network was in the development stage. The emergence of smart phones enhanced substantially the application of 3G mobile communications network, which in turn, also contributed to the rapid growth of smart phones.

The second generation (2G) mobile phone services are increasingly being replaced by the third generation (3G) mobile phone services. In 2011, there were approximately 7.5 million 2G customers, down by 7.9% when compared with 2010, and the number of 3G/4G customers reached approximately 7.4 million in 2011 and 9.4 million in 2012.

INDUSTRY OVERVIEW

Public mobile services

	2006	2007	2008	2009	2010	2011	2012
Number of public mobile subscribers (<i>thousands</i>)							
Total	9,444	10,589	11,374	12,207	13,416	14,931	16,393
Within which							
2G customers	8,112	8,584	8,562	8,388	8,161	7,514	N/A
2.5G customers	875	943	679	1,185	995	710	683
3G/4G customers	1,332	2,005	2,812	3,819	5,255	7,417	9,380
Number of public mobile subscribers per 100 population	136.8	152.6	163.3	174.5	190.2	210.2	229.6

Source: Office of the Communications Authority

Note: 2.5G customers refer to those customers who have joined the service plans for 2.5G services or used the 2.5G services. 3G/4G customers refer to those (i) who are registered as 3G/4G customers or purchase pre-paid SIM cards for 3G/4G services; and (ii) who are not registered as 3G/4G customers or do not purchase pre-paid SIM cards for 3G/4G services, but have used 3G/4G frequencies to receive the public mobile services.

LAWS AND REGULATIONS IN HONG KONG

There is no existing legislation in Hong Kong that deals specifically with the provision of repair and refurbishment services for mobile phones and other personal electronic products. However, the business of the Group in Hong Kong is still governed by existing general legislation in Hong Kong, the most pertinent of which is highlighted below.

Telecommunications Ordinance

Under the Telecommunications Ordinance (Chapter 106 of Laws of Hong Kong) (the “TO”), a licence, namely Radio Dealers Licence (Unrestricted), is required for dealing in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves whether or not the apparatus is intended, or capable of being used, for radiocommunications. However, the above requirement does not apply to licensed exempted radiocommunications apparatus (e.g. mobile phones, short-range walkie-talkies, cordless phones) meeting prescribed specifications.

Under the Radio Dealers Licence (Unrestricted), the licensee is permitted to deal in radiocommunications apparatus pursuant to section 9 of the TO. A Radio Dealers Licence (Unrestricted) is generally valid for a period of 12 months, and is renewable on payment of the prescribed fee, at the discretion of Office of the Communications Authority (“OFCA”).

TSO has obtained Radio Dealers Licences (Unrestricted) from the Communications Authority in connection with its repair and refurbishment business for mobile phones and other personal electronic products. Such licences have different dates of grant and are valid for a period of 12 months. They will expire by mid or late 2013, and will be renewed by TSO upon expiry (subject to the discretion of OFCA). TSO will renew the Radio Dealers Licences in accordance with the Telecommunications Regulations by paying the required renewal fee to OFCA.

The legal advisers to the Company, subject to the conditions below, are not aware of any legal impediment for TSO to renew the Radio Dealers Licences:

- (I) TSO has to pay to OFCA the required renewal fee as may from time to time be determined and required by OFCA on or before the respective date of expiry of the Radio Dealers Licences; and
- (II) TSO has to comply with the “General Conditions to be observed by Licensee of Radio Dealers Licence (Unrestricted)” and the “Conditions” set out in the Radio Dealers Licences.

LAWS AND REGULATIONS

The following table sets out a summary of the details of the Radio Dealers Licences held by the Group:

Licence No./Date of Issue	Forthcoming expiry Date	Date of last renewal
RU00137530-RU (04.03.2010)	31 March 2014	1 April 2013
RU00143850-RU (28.12.2010)	31 December 2013	1 January 2013
RU00146426-RU (11.05.2011)	31 May 2013	1 June 2012
RU00152354-RU (02.03.2012)	31 March 2014	1 April 2013
RU00156592-RU (11.09.2012)	30 September 2013	Not applicable
RU00158736-RU (12.12.2012)	31 December 2013	Not applicable

LAWS AND REGULATIONS IN TAIWAN

There is no existing legislation in Taiwan that deals specifically with the provision of repair and refurbishment services for mobile phones and other personal electronic products. However, the business of the Group in Taiwan is still governed by existing general legislation in Taiwan, the most pertinent of which is highlighted below.

Telecommunications Act and Administrative Regulations on the Controlled Telecommunications Radio-Frequency Devices

Under the Telecommunication Act, last amended on 11 July 2007, a special license from the National Communications Commission (“NCC”) in Taiwan is required for operating a business relating to the manufacture, import, installation, possession, sell and public display of controlled telecommunication radio-frequency devices. According to the Administrative Regulations on the Controlled Telecommunications Radio-Frequency Devices, last amended on 30 August 2007, the special license is generally valid for a period of three years, and is renewable within one month before the license expired, by making a renewal application to the NCC.

TSO Taiwan has obtained the special license from the NCC on 5 July 2012, for operating the business of the import of controlled telecommunication radio-frequency devices, which will expire on 4 July 2015.

COMPLIANCE

As at the Latest Practicable Date, the Company confirmed that it has complied with all relevant laws and regulations in Hong Kong and Taiwan necessary for conducting its business operations, and has obtained all requisite licences and permits for conducting its business in Hong Kong and Taiwan during the Track Record Period.

HISTORY AND DEVELOPMENT

BUSINESS MILESTONES

The Company was incorporated on 3 August 2012 in the Cayman Islands and, as part of the Reorganisation, became the holding company of the other members of the Group with its business being conducted through its subsidiaries. Set out below are the key milestones in the business development of the Group:

July 1999	TSO commenced business and started to provide repair services to a mobile phone manufacturer in Hong Kong
April 2006	TSO started to provide repair and refurbishment services to TDD in Hong Kong
November 2006	TSO started to provide repair and refurbishment services to another mobile phone manufacturer (namely Customer B) in Hong Kong
March 2008	TSO Taiwan, which was established in February 2008, started to provide repair and refurbishment services to an associated company of the first corporate customer of the Group in Taiwan
July 2008	TSO set up a customer service centre in Mongkok and started to provide repair services to its current largest customer (namely Customer F) for smart phones
November 2009	TSO started to provide repair services to its current largest Customer F for portable media players
March 2010	TSO set up a customer service centre in Causeway Bay for provision of repair services to Customer F
July 2010	TSO started to provide repair services to its current largest Customer F for tablet computers
	TSO started to provide repair and refurbishment services in Hong Kong to another new customer (namely Customer C) which is a mobile phone manufacturer
September 2010	TSO started to provide repair services to a Hong Kong mobile network operator (namely Customer G)
December 2010	TSO started to provide repair and refurbishment services in Hong Kong to a new customer (namely Customer H) which is a mobile phone manufacturer
October 2011	TSO started to provide repair services in Hong Kong to a new customer (namely Customer D) for video game consoles and handheld game consoles manufactured under the brand of such customer

HISTORY AND DEVELOPMENT

December 2011	TSO started to provide repair and refurbishment services in Hong Kong to a new customer (namely Customer E) which is a mobile phone manufacturer
April 2012	TSO started to provide repair services to Customer F for personal computers
November 2012	TSO started to provide screening and software upgrade services to a global services company (namely Customer I)
December 2012	TSO set up a customer service centre in Kwai Fong for provision of repair services to Customer F
January 2013	TSO terminated the business relationship with two corporate customers which belong to the same group of companies and started to provide repair and refurbishment services to a global services company (namely Customer J), which is appointed by the above group of companies to handle after-sale services
February 2013	TSO started to provide repair and refurbishment services to Customer I at a customer service centre in Mongkok

CORPORATE HISTORY OF THE OPERATING SUBSIDIARIES

TSO

TSO is the principal operating subsidiary of the Group and a company incorporated in Hong Kong with limited liability on 3 April 1987. Mr. Cheung King Shek and Mr. Cheung King Chuen Bobby were the shareholders of TSO at the time of its incorporation. Since 1999, TSO has been engaged in the provision of mobile phones repair services, which would, as believed by the said two Cheung brothers, have a good business prospect. As a result of restructuring of the investment of the Cheung family, TSO became a wholly-owned subsidiary of East-Asia in 2003.

East-Asia was incorporated in 1993 and was held by certain members of the Cheung family at the time of its incorporation. Since 2002, it has been held by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Ltd., which holds the shares in Amazing Gain as nominee for Sarasin Trust Company (Singapore) Limited, the trustee of the Cheung Family Trust. The Cheung Family Trust is a discretionary trust for the benefit of certain family members of the Cheung family, 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. The Cheung Family Trust has control over East-Asia through Amazing Gain.

After the Reorganisation, TSO became an indirect wholly-owned subsidiary of the Company.

TSO is principally engaged in the provision of repair and refurbishment services for mobile phones and other personal electronic products.

HISTORY AND DEVELOPMENT

TSO Taiwan

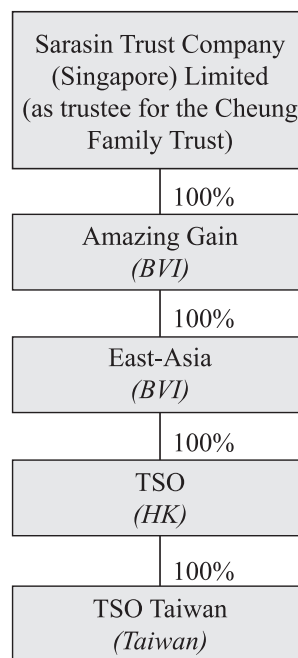
TSO Taiwan was incorporated in Taiwan on 15 February 2008 and is a wholly-owned subsidiary of TSO. After the Reorganisation, TSO Taiwan became an indirect wholly-owned subsidiary of the Company.

TSO Taiwan has been principally engaged in the provision of mobile phones repairing and refurbishment service.

Changes in share capital of the subsidiaries of the Company during the two years immediately prior to the date of this prospectus are set out in the paragraph headed “A. Further Information about the Company — 5. Changes in share capital of subsidiaries” in Appendix V to this prospectus.

GROUP STRUCTURE PRIOR TO THE REORGANISATION

The corporate structure of the Group immediately prior to the Reorganisation is set out below:



REORGANISATION

The Group underwent the following reorganisation steps to rationalise the group structure for the Listing:

(a) Incorporation of the Company

On 3 August 2012, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000 divided into 3,800,000 Shares, with one fully paid Share issued to the initial subscriber. On 3 August 2012, the subscriber Share was transferred to East-Asia.

HISTORY AND DEVELOPMENT

As a result, the Company became a direct wholly-owned subsidiary of East-Asia.

(b) Incorporation of TSO Investment as the intermediate holding company

On 10 August 2012, TSO Investment was incorporated in the BVI with limited liability, which is authorised to issue a maximum of 50,000 shares of US\$1 each, with 100 nil paid shares issued to the Company.

As a result, TSO Investment became a wholly-owned subsidiary of the Company.

(c) Acquisition of the entire interest in TSO by TSO Investment

On 29 October 2012, East-Asia, the Company and TSO Investment entered into an agreement for the following sale and purchase arrangements:

- (i) East-Asia transferring to TSO Investment all the issued share capital in TSO and in return acquiring 299,999 Shares from the Company credited as fully paid;
- (ii) TSO Investment allotting and issuing 900 shares to the Company credited as fully paid and crediting the previously issued 100 nil paid shares held by the Company as fully paid and in return acquiring all the interests in TSO; and
- (iii) the Company allotting and issuing to East-Asia 299,999 Shares credited as fully paid and in return acquiring 900 shares of TSO Investment credited as fully paid and having the 100 nil paid shares of TSO Investment held by the Company credited as fully paid.

As a result of such acquisition, TSO Investment became the intermediate holding company of TSO and its subsidiary.

(d) Subscription of Shares by East-Asia

On 6 December 2012, East-Asia entered into a subscription agreement with the Company pursuant to which East-Asia agreed to subscribe for 300,000 new Shares at a total subscription price of HK\$11,000,000. Completion of the subscription took place on the same date.

(e) Distribution of Shares to certain discretionary objects of Cheung Family Trust

On 29 April 2013, East-Asia made a distribution in specie of 160,000 Shares held by it to Amazing Gain, the holding vehicle used by Sarasin Trust Company (Singapore) Limited (the “Trustee”) to hold the Shares. The Trustee is the trustee for the Cheung Family Trust, which is a discretionary trust for the benefit of certain family members of the Cheung family. On 29 April 2013, the Trustee then distributed out of the Cheung Family Trust all such 160,000 Shares among the Cheung Brothers (who are among the discretionary objects of Cheung Family Trust) in equal share through the transfer of such 160,000 Shares to the Cheung Brothers from Amazing Gain by way of gift. Immediately after such distribution, each of the Cheung Brothers held an approximately 6.667% interest in the Company, and East-Asia held the remaining approximately 73.333% interest in the Company.

HISTORY AND DEVELOPMENT

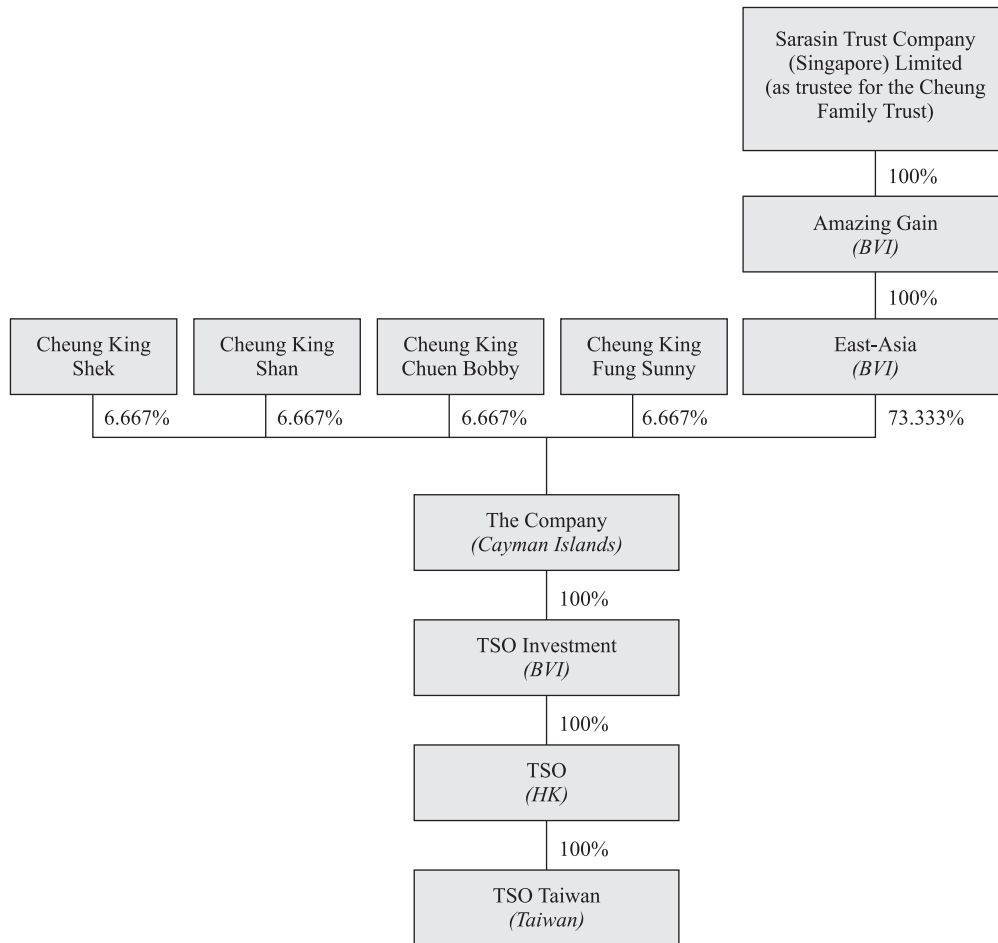
(f) Increase of authorised share capital

On 2 May 2013, the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares to HK\$100,000,000 divided into 1,000,000,000 Shares.

(g) Placing and Capitalisation Issue

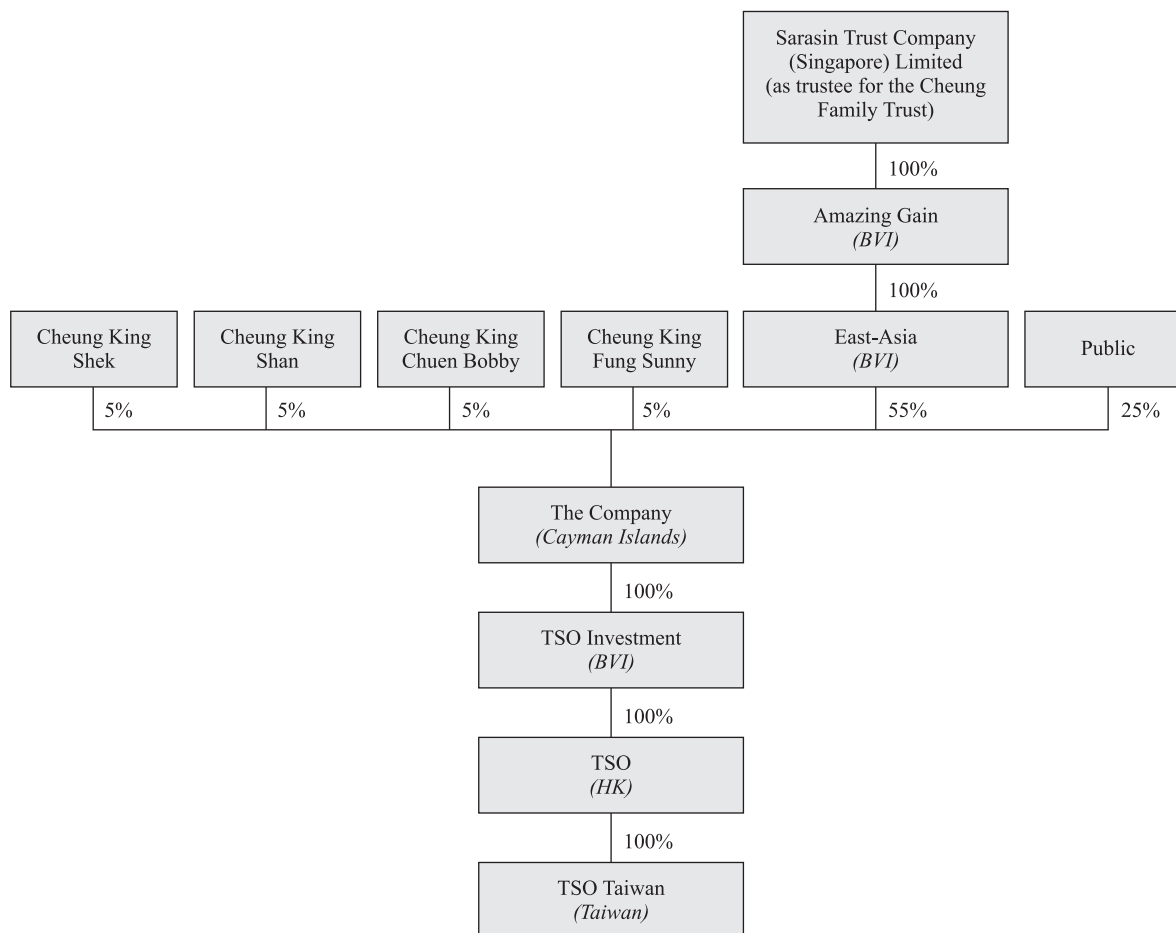
Conditional upon the share premium account of the Company being credited as a result of the Placing, a sum of HK\$8,940,000 standing to the credit of the share premium account of the Company will be capitalised by applying such sum in paying up in full a total of 89,400,000 Shares for the allotment and issue to each of the Cheung Brothers and East-Asia in proportion to their respective shareholdings in the Company.

The group structure immediately before the Placing and the Capitalisation Issue is as follow:



HISTORY AND DEVELOPMENT

The group structure immediately after the Placing and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option) is as follow:



OVERVIEW

The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. TSO, the operating subsidiary of the Company, is appointed by corporate customers comprising manufacturers of mobile phones and personal electronic products, telecommunication service providers and global services companies to provide repair and refurbishment services for such products. The Group's repair and refurbishment services primarily cover mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles.

Manufacturers of mobile phones and other personal electronic products usually procure repair and refurbishment services for the end users. The manufacturers generally, instead of setting up their own large-scale repair teams all over the world, appoint global or domestic service providers to repair and refurbish their products which are under warranty or out-of-warranty. The global service providers may also engage domestic service providers to undertake the repair and refurbishment works. Mobile phone manufacturers may request mobile network operators to give warranty on the mobile phones sold by the operators to the subscribers of the operators' service, and such operators may also choose to contract out the repair service to service providers.

The various operation and revenue models of the Group regarding the business arrangements with its corporate customers are summarised in the table below:

Operation model	Revenue model	Arrangement in respect of spare parts & components
<p><u>Model 1</u></p> <p>The Group's business arrangements with 5 corporate customers (Customers A, B, C, D & E, among which Customer A is TDD) are under this model:</p> <ul style="list-style-type: none"> • The corporate customers do not require the Group to operate customer service centres. • Faulty devices were delivered to the Group's central repair and refurbishment centre in Kwai Chung for repair and refurbishment. 	<p>The Group's revenue model in respect of Customers A, B, C, D & E is under this model:</p> <ul style="list-style-type: none"> • The Group receives repair fee income at different rates of charges represented by a fixed sum per unit (Sum A) in respect of each type of repair and refurbishment works. As at the Latest Practicable Date, the repair and refurbishment service fees charged under this revenue model vary from HK\$10 to HK\$525 per job. • Pricing basis — The rates and charges of the service fees are agreed between the corporate customers and TSO after negotiation and TSO used to take account of the estimated direct labour costs, the other operating expenses, and the expected number of job orders. In addition, the repair service fees paid by individual customers for out-of-warranty works include the cost of the parts and components used. • In-warranty works — The Group receives fee directly from corporate customers. • Out-of-warranty works — The Group receives fee directly from individual customers under the arrangements with four corporate customers (namely Customers B, C, D and E), and Customer D requires the Group to receive repair labour fees from the corporate customer and credit back to it the repair fees paid by the individual customers. For TDD, the Group receives fee from it. 	<ul style="list-style-type: none"> • Customers A, B, C, D & E require the Group to purchase spare parts and components and bear the inventory risk. • TDD and Customer D require the Group to purchase the spare parts and components and reimburse the Group when those parts and components are used for both in-warranty and out-of-warranty works. • Customers C and E require the Group to purchase the spare parts and components and reimburse the Group when those parts and components are used for in-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works). • Customer B supplies spare parts and components to the Group without any charges for in-warranty works, but requires the Group to purchase the spare parts and components for out-of-warranty works and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works).

BUSINESS

Operation model

Model II

The Group's business arrangements with 4 corporate customers (Customers F, G, H and I) are under this model:

- The corporate customers require the Group to operate service centres.
- The corporate customers require the Group to absorb all costs in operating the service centres.
- End users can leave their faulty devices or collect the repaired devices at the customer service centres.
- Repair works are generally performed at the customer service centres.

Revenue model

The Group's revenue model in respect of Customers F, G, H and I is under this model:

- The Group receives repair fee income at different rates of charges represented by a fixed sum per unit (which, for certain types of repair and refurbishment works, are higher than Sum A above in order to cover costs of service centres) in respect of each type of repair and refurbishment works. As at the Latest Practicable Date, the repair and refurbishment service fees charged under this revenue model vary from HK\$10 to HK\$310 per job.
- Pricing basis — The rates and charges of the service fees are agreed between the corporate customers and TSO after negotiation and TSO used to take account of the estimated direct labour costs, the other operating expenses (including the expenses for operating service centres), and the expected number of job orders. In addition, the repair service fees paid by individual customers for out-of-warranty works include the cost of the parts and components used.
- In-warranty works — The Group receives fee directly from corporate customers.
- Out-of-warranty works — The Group receives fee directly from individual customers. Customers G and I require the Group to receive repair labour fees from the corporate customers and credit back to them the repair fees paid by the individual customers.

Arrangement in respect of spare parts & components

- Customer H requires the Group to purchase the spare parts and components and bear the inventory risk, and reimburses the Group when those parts and components are used for in-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works).
- Customer F supplies spare parts and components to the Group without any charges for in-warranty works, but requires the Group to purchase the spare parts and components for out-of-warranty works and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works).
- Customers G and I supply spare parts and components to the Group without charges for both in-warranty and out-of-warranty works.

Model III

The Group's business arrangement with 1 corporate customer (Customer J) is under this model:

- The corporate customer requires the Group to operate service centres in Hong Kong and Taiwan.
- The corporate customer pays service centre management fee and reimburses operating expenses of the service centres.

The Group's revenue model in respect of Customer J is under this model:

- The Group receives (i) repair fee income, (ii) service centre management fee and (iii) reimbursement of operating expenses of the service centres.
- The Group receives repair fee income at different rates of charges represented by a fixed sum per unit in respect of each type of repair and refurbishment works. As at the Latest Practicable Date, the repair and refurbishment service fees charged under this revenue model vary from HK\$100 to HK\$139 per job.
- Pricing basis — The rates and charges of the service fees are agreed between the corporate customers and TSO after negotiation and TSO used to take account of the estimated direct labour costs, the other operating expenses, and the expected number of job orders. In addition, the repair service fees paid by individual customers for out-of-warranty works include the cost of the parts and components used.
- In-warranty works — The Group receives fee directly from the corporate customer.
- Out-of-warranty works — The Group receives fee directly from individual customers. The corporate customer requires the Group to receive repair labour fees from the corporate customer and credit back to it the repair fees paid by the individual customers.

- Spare parts and components are supplied by the relevant supplier to the Group without any charges for in-warranty works undertaken in Hong Kong and Taiwan and out-of-warranty works undertaken in Hong Kong, but the Group is required to purchase the spare parts and components for out-of-warranty works undertaken in Taiwan and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for such out-of-warranty works).

BUSINESS

The revenue (i.e. the repair and refurbishment fees) and gross profit received by the Group under the above three models during the Track Record Period are set forth below:

	Year ended 31 March		Ten months ended 31 January
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
<i>Model I</i>			
Revenue	13,366	18,751	18,560
Gross Profit	6,799	10,578	9,002
Gross Profit Margin (<i>Note</i>)	50.9%	56.4%	48.5%
<i>Model II</i>			
Revenue	20,173	44,419	39,650
Gross Profit	4,541	16,701	14,519
Gross Profit Margin (<i>Note</i>)	22.5%	37.6%	36.6%
<i>Model III</i>			
Revenue	2,835	5,236	3,811
Gross Profit	1,266	3,059	1,770
Gross Profit Margin (<i>Note</i>)	44.6%	58.4%	46.4%

Note: Please note that the gross profit margin for each of the three operation models is set out in the above table for information only. Such gross profit margin for each model is in fact only the weighted average of the gross profit margins for the various operations with the corporate customers under the same model and does not represent that the various operations with the corporate customers under the same model have similar gross profit margins.

As at the Latest Practicable Date, TSO is appointed to provide repair and refurbishment services by ten corporate customers comprising:

- five global manufacturers of mobile phones (namely Customers B, C, E, F and H):
 - among such five corporate customers, two corporate customers (namely Customer C and F) were among the largest five mobile phone vendors (in terms of unit shipment in 2011) in Hong Kong and together had an aggregate market share of 55.8% in Hong Kong in 2011; and
 - among such five corporate customers, two corporate customers (namely Customers C and E) appoint only the Group as their authorised service provider in Hong Kong to provide repair and refurbishment services;
- a Hong Kong mobile network operator (namely Customer G), and TDD, being a paging operator and a connected person of the Company, both of which appoint only the Group as their authorised service provider in Hong Kong to provide repair and refurbishment services;

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- a video game company (namely Customer D), which
 - appoints only the Group as its authorised service provider in Hong Kong to provide repair services; and
 - together with the Group's another corporate customer (namely Customer H), belongs to the same group of companies;
- two global services companies, among which:
 - one corporate customer (namely Customer I) is specialised in providing services including value-added distribution, supply chain solutions, handset protection and insurance, buy-back and trade-in solutions, and multi-channel retail solutions to mobile device manufacturers, wireless operators and retailers. The Group entered into an agreement with such corporate customer in February 2013 to provide repair and refurbishment services at a customer service centre in Hong Kong for mobile phones and the related accessories of three global brands, which brands are the clients of such global services company. It also engages the Group to provide screening and software upgrade services at the Group's repair centre in Kwai Chung for mobile phones of two other global brands; and
 - the other corporate customer (namely Customer J) is a global end-to-end aftersales platform technology and services company, which focuses on global consumer product companies primarily in telecommunications, electronics, and automotive markets and provides services to unify all customer service activities that occur after the sale including running call centers, providing preventive care, managing warranties, handling claims, operating repair centers, and managing reverse logistics. This corporate customer engages the Group to provide repair and refurbishment services in Hong Kong and Taiwan for mobile phones of a global brand, which brand is the client of such global services company and engaged the Group to provide repair and refurbishment services from July 1999 to January 2013. Further details on the former business relationship between the Group and this global brand are set out under the paragraph headed "Business — Customers — Reorganisation plan of corporate customers of the Group" in this prospectus.

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For each of the years ended 31 March 2011 and 2012 and for the ten months ended 31 January 2013, the Group's total revenue was approximately HK\$37.9 million, HK\$69.6 million and HK\$63.5 million, respectively; and for each of the same periods, the Group's profit after tax was approximately HK\$4.2 million, HK\$14.1 million and HK\$1.7 million, respectively. The table below sets out the breakdown of the Group's revenue during the Track Record Period by the nature of income.

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Repairing service income	36,374	68,406	55,738	62,021
Sale of accessories	<u>1,531</u>	<u>1,175</u>	<u>965</u>	<u>1,515</u>
Total	<u>37,905</u>	<u>69,581</u>	<u>56,703</u>	<u>63,536</u>

The table below sets out the number of the Group's corporate customers, the number of job orders and the number of customer service centres operated by the Group during the Track Record Period.

	31 March 2011	31 March 2012	31 January 2013	Latest Practicable Date
Number of corporate customers as at	8	10	10	10
— mobile phone manufacturers	6	7	5	5
— telecommunication services providers	2	2	2	2
— video game company	—	1	1	1
— global services companies	—	—	2	2
Number of job orders for the financial year/the ten months ended (in thousands)	241	469	434	—
Number of customer service centres	6	7	8	8

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The breakdown of the repair and refurbishment fees received by the Group during the Track Record Period by the type of personal electronic products repaired and refurbished is set out in the table below:

	Year ended 31 March				Ten months ended	
	2011		2012		31 January	
	HK\$'000		HK\$'000		HK\$'000	
Mobile phones	25,393	69.8%	52,326	76.5%	46,167	74.4%
Pagers and two way mobile data communication devices	8,581	23.6%	9,639	14.1%	7,822	12.6%
Personal computers (<i>note 1</i>)	—	—	—	—	1,226	2.0%
Tablet computers and portable media players	2,400	6.6%	5,967	8.7%	5,593	9.0%
Video game consoles (<i>note 2</i>)	—	—	380	0.6%	997	1.6%
Handheld game consoles (<i>note 2</i>)	—	—	94	0.1%	216	0.4%
Total	36,374	100%	68,406	100%	62,021	100%

Notes:

1. The Group started to provide repair and refurbishment services for personal computers from April 2012.
2. The Group started to provide repair services for video game consoles and handheld game consoles from October 2011.

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The repair and refurbishment fees received by the Group from the corporate customers and end-users (together with dealers or distributors of the corporate customers) during the Track Record Period are set out in the table below:

	Year ended 31 March		Ten months ended		31 January	
	2011	2012			2013	
	<i>HK\$'000</i>	<i>HK\$'000</i>			<i>HK\$'000</i>	
Service fees received from corporate customers principally for in-warranty services and out-of-warranty services in respect of which the Group receives service fees	26,151	71.9%	52,853	77.3%	47,826	77.1%
Gross profit	10,133	80.4%	24,407	80.5%	21,512	85.1%
Gross profit margin (%)	38.7%		46.2%		45.0%	
Service fees received from end-users (together with dealers or distributors of the corporate customers) principally for out-of-warranty services in respect of which the Group receives service fees	10,223	28.1%	15,553	22.7%	14,195	22.9%
Gross profit	2,473	19.6%	5,931	19.5%	3,779	14.9%
Gross profit margin (%)	24.2%		38.1%		26.6%	

COMPETITIVE STRENGTHS

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

The Group is an authorised service provider of prominent brands

As at the Latest Practicable Date, TSO is appointed as authorised service providers by global manufacturers of personal electronic products, domestic telecommunication service providers and global services companies. It is also appointed by a prominent brand to provide repair services for video game consoles and handheld game consoles of such brand.

In light of the appointment of the Group as the authorised service providers, the end users are more confident on the quality of the parts and components, which are provided with by the manufacturers or their designated suppliers and used by the Group in the repair and refurbishment of the faulty products, as well as the Group's expertise and quality of services. End users may prefer to seek the repair services provided by authorised service providers, when the relevant faulty products are out of warranty.

The Group has established relationships with its corporate customers

The Group strives to establish and maintain business relationships with prominent mobile phone manufacturers, telecommunication service providers and global services companies so that the Group could continuously be appointed as their authorised service providers. As at the Latest Practicable Date, the Group has established and maintained 4, 7 and 2 years of business relationship with its three largest customers for the financial year ended 31 March 2012. During the provision of service, if it comes to the attention of the Group that there is any suspected product defect or safety issue, or that certain knowhow or experience gained from the repair and refurbishment of the customer's certain product is beneficial to the repair and refurbishment of other similar products of that customer, the Group will communicate the same to that customer so as to enable the customer to improve overall quality of the relevant products. As such, the Group has successfully established and maintained strong business relationships with its customers, and so understands their requirements well and could provide efficient and effective services to cater to their needs.

Although the Group is a non-exclusive service provider of its corporate customers, which comprise six global manufacturers of mobile phones and other personal electronic products, two domestic telecommunication service providers and two global services companies, three out of such six global manufacturers of mobile phones and other personal electronic products and all such two domestic telecommunication service providers and two global services companies appoint only the Group as their authorised service provider in Hong Kong to provide repair and refurbishment services. The established customer relationship is a demonstration of the Group's capabilities and gives the Group a competitive edge in continuing the business relationship with the existing corporate customers. For each of the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013, the revenue attributable to the three corporate customers (namely Customers B, F and H) which have appointed other service providers to provide repair and refurbishment services amounted to approximately HK\$9.3 million, HK\$24.4 million and HK\$16.9 million, respectively, representing approximately 24.5%, 35.1% and 26.6% of its total revenue, respectively. The revenue attributable to these three corporate customers dropped considerably in the ten months ended 31 January 2013 primarily because the job orders

performed subsequent to the release of a new model of smart phone by one of them in the ten months ended 31 January 2013 were less than the job orders performed subsequent to the release of the last model of smart phone by such corporate customer in the year ended 31 March 2012.

The Group is an experienced provider of repair and refurbishment services for mobile phones

TSO, the first member of the Group, started to provide repair and refurbishment services as authorised service provider in July 1999. During these years, the Group has accumulated expertise and experiences in the business of providing repair and refurbishment services to mobile phone manufacturers, telecommunication service providers and global services companies. It possesses expertise and experience in the implementation of repair workflow prescribed by the customers as well as establishment and operation of customer service centres. Moreover, if the customer implements a programme relating to product safety, recall or extended warranty coverage, the Group, will, upon the request of the customer, be able to assist with the implementation of changes, recalls and/or service of the product programme.

TSO has established a good reputation in the industry, which was evidenced by the appointment as authorised service providers by prominent mobile phone manufacturers. The business track record of the Group enhances its ability to obtain new business opportunities from existing customers or potential customers such as other manufacturers of mobile phones and other personal electronic products. Since the commencement of the Track Record Period, the Group's experience in repair and refurbishment of mobile phones enabled it to increase the number of its corporate customers from five to ten and expand the services to cover other kinds of personal electronic products such as personal computers, tablet computers, video game consoles and handheld game consoles.

The Group is committed to providing value-added and quality services

As the authorised service provider of some of its corporate customers, TSO may be requested by them to be responsible for establishing customer service centres at prime commercial locations. End users can leave their faulty devices or collect the repaired devices at the customer service centres. Repair works which can be completed within a couple of hours are also performed at the customer service centres so that end-users may collect the repaired devices within the same day. Moreover the Group may also be responsible for the recruitment and training of the staff of the customer service centres as well as the day-to-day operation of the centres. Thus the services which the Group provides to customers are not only repair and refurbishment services but include customer services.

The Group is committed to providing high quality and timely services to its customers. It has placed strong emphasis on quality and efficient services, in particular when new models of products are very successful in the market and result in corresponding demand for the Group's services. The standards required by the Group's corporate customers on the quality of its services are stipulated in the service agreements and the corporate customers perform regular reviews on the quality of services provided by the Group. During the Track Record Period, no material deviation from such standards was found in the services provided by the Group and the Group did not have any material dispute with any of its corporate customers in respect of the quality of the services. The quality of the services provided by the Group strengthens the corporate customers' confidence and thus enhances its market reputation.

The central repair and refurbishment centre of the Group enables the Group to provide quality repair and refurbishment services and optimise the use of the space of its customer service centres for customer service

The Group has set up a central repair and refurbishment centre in Kwai Chung which occupies a total floor area of 15,101 square feet and at which a team of about 39 technicians are usually stationed. The Kwai Chung centre has specific areas designated as working areas and different storerooms for parts inventory of different brands of products. Moreover, it has also designated rooms for repair of video game consoles, handheld games consoles and personal computers, in respect of which there are additional requirements on the environment for repair and refurbishment.

The central repair and refurbishment centre of the Group enables it to carry out repair and refurbishment assignments with a turnaround time of more than one or two days at such centre and thus optimise the use of the space of its customer service centres for visits of the end users.

The Group has experienced management and technical teams

The Group has an experienced and dedicated senior management team. The executive Director and the General Manager of TSO have been serving the Group for more than eight years. Both of them have sound knowledge and in-depth understanding of the Group's business. This gives the Group a distinct competitive edge over its competitors as the core management is able to effectively maintain and enhance the Group's goodwill and reputation. For detailed information about the industry experience of the Group's executive Director and senior management, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

As at the Latest Practicable Date, the Group had 80 technicians engaged in the repair and refurbishment work. Since July 1999, TSO has provided repair and refurbishment services for mobile phones. The technical team of the Group has received training from the Group's corporate customers and thus possesses the expertise to carry out the work flow prescribed by them. Through the provision of services and the training of its staff over the years, the Group has accumulated experience in the provision of repair and refurbishment services for mobile phones and other personal electronic products.

SERVICES

Repair and Refurbishment Services

As the authorised service provider of some of its customers, TSO may be requested by them to be responsible for establishing customer service centres at prime commercial locations. End users can leave their faulty devices or collect the repaired devices at the customer service centres. Repair works which can be completed within a couple of hours are also performed at the customer service centres so that end-users may collect the repaired devices within the same day.

The Group has set up a central repair and refurbishment centre in Kwai Chung which occupies a total floor area of 15,101 square feet and at which a team of about 39 technicians are usually stationed. The Kwai Chung centre has specific areas designated as working areas and different storerooms for parts inventory of different brands of products. Moreover, it has also designated rooms for repair of video game consoles, handheld games consoles and personal computers, in respect of which there are

additional requirements on the environment for repair and refurbishment. The central repair and refurbishment centre of the Group enables it to carry out repair and refurbishment assignments with a turnaround time of more than one or two days at the centre.

For all the corporate customers of the Group, the faulty devices to be repaired and/or refurbished may be delivered to the Group's central repair and refurbishment centre in Kwai Chung from (i) the corporate customers which collect the faulty devices at the customer service centres operated by themselves, and (ii) the corporate customers' distributors or dealers which collect the faulty devices at their retail shops from the end users who return the faulty devices to the shops. In addition, for the five corporate customers of the Group which requires the Group to operate customer service centres for them, the Group may also collect the faulty devices from the end users when the end users visit and leave the faulty devices at the customer service centres operated by the Group.

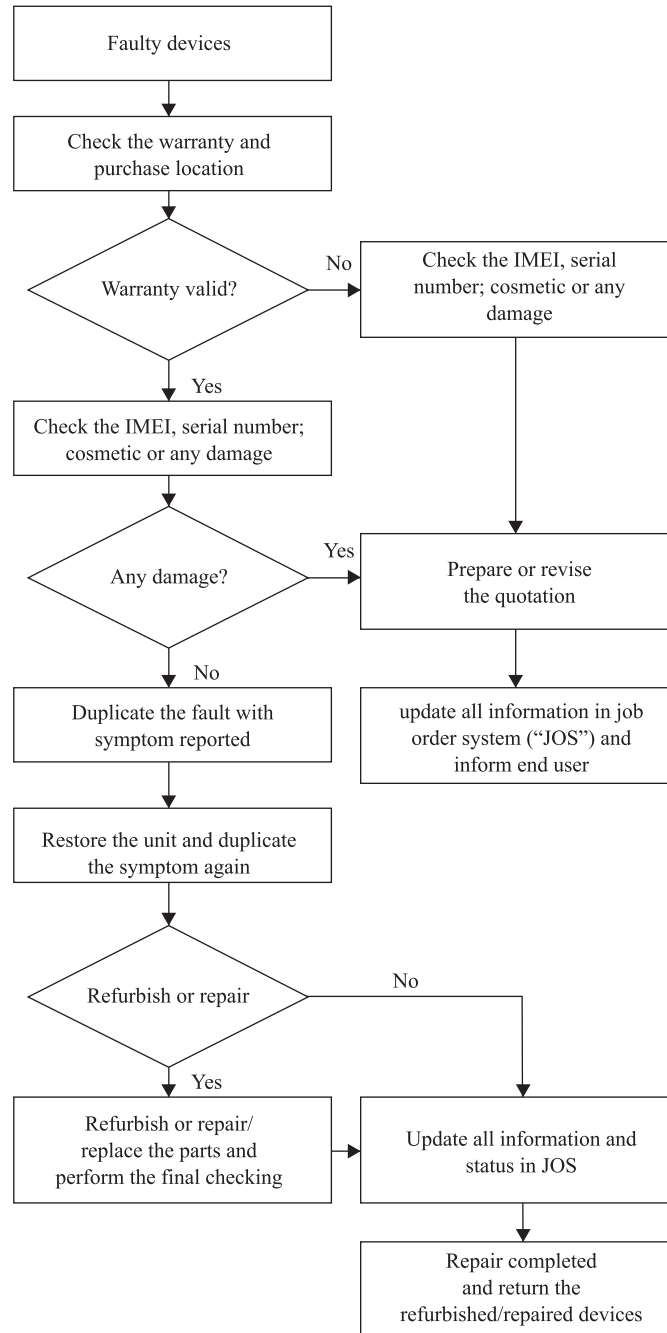
When the Group first receives the faulty devices, it will check whether the warranty applies or not. Generally, the warranty offered by the manufactures of the relevant personal electronic products does not apply to damages caused by abuse or improper use, or by services (such as programme upgrade) previously not provided by products' original manufacturers nor its authorised suppliers. If the function, load or parts of the device has been changed by the end user himself without the prior consent of the original manufacturer, or the product serial number on the device has been removed, the warranty will also usually not apply.

The repair and refurbishment works performed by the Group generally include the followings:

- Screening and inspection
- Exchange of accessories or exchange for buffer units
- Cosmetic refurbishment
- Setting re-configuration
- Software upgrade
- Replacement of electronic components or modules

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The following chart sets out the general repair and refurbishment work flow at the back end of the customer service centres and in the central repair and refurbishment centre:



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The repair and refurbishment services provided by the Group cover various types of electronic products, which include mobile phones, data modem, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles. Approximately 69.8%, 76.5% and 74.4% of the repair service fees received by the Group were attributable to repair and refurbishment of mobile phones for the two financial years ended 31 March 2012 and the ten months ended 31 January 2013 respectively.

Customer Services

As the authorised service provider of some corporate customers, TSO is required to set up service centres which end users can visit and leave the faulty products to be repaired by the Group or collect the repaired products. Less complicated repair works which can be completed within a couple of hours are completed at such services centres. The Group entered into tenancy agreements to lease the properties for use as services centres. A number of its employees including technicians and customer service staff work at the service centres. As at the Latest Practicable Date, the Group operates seven service centres in Hong Kong and one service centre in Taipei. There are 65 customer service staff servicing at the service centres which have an approximate aggregate area of 19,585 square feet. Moreover the Group has established a customer service booth at a shop of TDD in Causeway Bay for collecting the defective video game consoles and handheld game consoles for a corporate customer (namely Customer D) .

The operation of the service centres shall comply with the operation procedures and policies prescribed by the relevant corporate customers. Such procedures and policies deal with accepting, repairing and handling the products requiring repair and refurbishment. In addition, product consultancy and demonstration services are also provided at customer service centres. The Group also sources accessories such as phone cases, screen protectors, chargers, batteries, etc. for sale in the customer service centres operated by the Group.

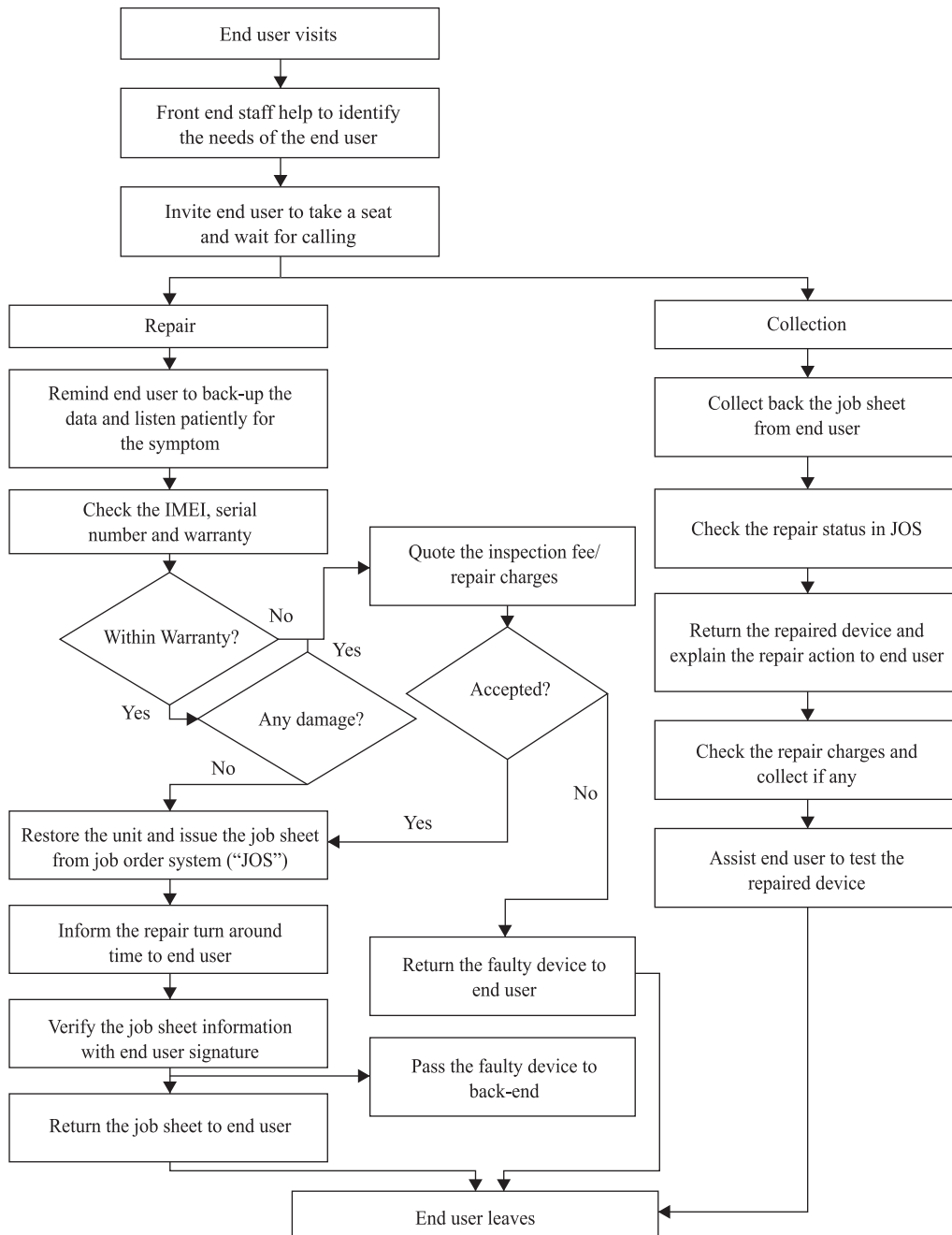
The Group is required to provide initial and ongoing training to the front line staff so that the front line staff can provide quality service to the end users visiting the customer services centres. In this regard, the staff are trained to have product and service knowledge, problem resolution, the policy and practices of the corporate customers, and knowledge in handling enquiry, complaints and claims.

The Group's front line staff at the customer service centres are responsible to respond to general questions regarding products and services, and also provide basic technical support to the end users for general trouble-shooting such as installation, feature description, initial set-up and configuration, specifications, problem resolution and escalation and feedback to the Group's technicians in respect of request for higher technical support. Moreover the front line staff are required to be able to monitor and communicate the status of a request and communicate policies of the corporate customers to the end users.

Five corporate customers requested the Group to establish a total of eight customer service centres. Among which, one of them (namely Customer J), for which the Group manages two service centres, pays the Group service centre management income, mainly consisting of (i) a management fee of a fixed sum; and (ii) operating expenses subject to mark-up percentage as a surcharge. The customer also pays TSO reimbursement of operating expenses (such as rentals) based on actual spending without mark-up. The Group is responsible for all the operating expenses of the other six customer service centres for which the relevant corporate customers do not pay any management fee nor reimbursement. In addition,

another corporate customer (namely Customer C), which does not request the Group to operate any service centre, requests the Group to handle the staff payroll of that corporate customer's own service centre on behalf of such corporate customer, and pays management fee to TSO for its above work.

The following chart sets out the general customer service work flow at the service centres:



Service Agreements

TSO, the operating subsidiary of the Company, has entered into service agreements with its corporate customers including manufacturers of mobile phones and other personal electronic products, telecommunication service providers and global services companies, whereby it is appointed as authorised service provider to provide repair and refurbishment services on mobile phones and other personal electronic products such as pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles.

The following sets out the general major terms and conditions of the service agreements entered into by the Group as authorised service providers of its corporate customers.

Term

The terms of the existing service agreements entered into by the Group with its corporate customers may be fixed or not. The Group and its corporate customers entered into a total of ten service agreements, eight of which are fixed term agreements and the remaining two are agreements without fixed term. Six of such fixed term agreements have an one-year term, one has a two-year term and one has a three-year term. The initial term has expired for three of the service agreements having one-year term, and such three agreements become agreements which automatically continues year to year until terminated. For the two service agreements the terms of which are not fixed, such agreements are valid until terminated in accordance with their respective provisions.

In general, TSO or the Group's corporate customers may terminate the service agreements when the other party is in breach of its obligations under the relevant agreement without any reasonable cause and fails to remedy such breach (if remediable); or the other party becomes insolvent or is adjudicated bankrupt; or by prior 30 to 180 days' (depending on the specific service agreements) written notice to the other party.

The following table summarises the term of the ten existing service agreements entered into by the Group with its corporate customers:

	Corporate customer	Details on current term of service agreement	Termination
(i)	Customer A (namely TDD)	The agreement continues without fixed term.	Either party can terminate by a 1-month notice.
(ii)	Customer B	One year term from June 2012 to May 2013.	Either party can terminate by a 3-month notice.
(iii)	Customer C	The initial one year term (commenced from July 2010) expired and the agreement was automatically renewed for indefinite term until terminated.	Either party can terminate by a 60-day notice.
(iv)	Customer D	The initial term (from October 2011 to March 2012) expired and the agreement automatically continues year to year until terminated.	Either party can terminate by a 90-day notice.

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	Corporate customer	Details on current term of service agreement	Termination
(v)	Customer E	One year term from January 2013 to December 2013.	TSO may terminate by a 30-day notice if Customer E is in breach of its payment obligations for undisputed invoices exceeding 30 days without any reasonable cause.
(vi)	Customer F	The initial term (from 6 December 2011 to 31 December 2011) expired and the agreement automatically continues year to year until terminated.	Either party can terminate by a 30-day notice.
(vii)	Customer G	Originally a term of three years from May 2011 and subsequently extended to August 2015.	Either party can terminate by a 3-month notice.
(viii)	Customer H	No fixed term.	Either party can terminate by a 6-month notice.
(ix)	Customer I	Two-year term from February 2013 to February 2015. After the initial two-year term (from February 2013 to February 2015), the agreement will be automatically extended for successive one-year terms.	Either party can terminate by a 90-day notice.
(x)	Customer J	January 2013 to January 2014. After the expiry of the initial one-year term (from January 2013 to January 2014), the agreement will be automatically renewed for undefined term.	Either party can terminate by a 90-day notice.

Non-exclusivity

The corporate customers appointed TSO as their non-exclusive authorised service provider and such corporate customers have the right to appoint other authorised service providers.

Scope of service

The general scope of services to be provided by TSO is set out in the following list (which list is not an exhaustive list and the actual scope of services set out in one service agreement may be different from the scope of services in another agreement):

- to provide services for repair and refurbishment of products under warranty and out of warranty;
- to collect faulty products from, and deliver repaired products to, the collection points designated by the corporate customers;

- (in some cases, depending on request from corporate customers) to provide repair and refurbishment service at customer service centres.

Warranty

If the repaired products are returned to TSO for further repair services due to the same cause within a period of time (ranging from 30 days to 90 days depending on the specific service agreements) after the preceding repair, or the further repair due to the default or workmanship of TSO arises within 90 days after completion of the previous repair, no further service fees and/or related costs of parts used for such further repair services will be payable by the corporate customers to TSO.

Obligations of the corporate customers

The general obligations of the corporate customers are set out in the following list (which list is not an exhaustive list and the obligations of a corporate customer may be different from those in another service agreement or set out below):

- to pay fees to TSO for its services to repair and refurbish the products under warranty;
- to provide parts to TSO at prices determined by the corporate customer from time to time;
- to provide trainings to the technicians or other employees of TSO as the corporate customer considers appropriate;
- to, based on the actual need, provide TSO free of charge with repair and refurbishment manuals, technical data and teaching materials of the corporate customer's products which have been released to or will soon be released to the market.

Other Obligations of TSO

The general obligations of TSO are set out in the following list (which list is not an exhaustive list and the obligations of TSO in a service agreement may be different from those in another service agreement or set out below):

- to comply with the procedures in accepting, repairing and handling the faulty devices;
- to recruit competent staff to provide the repair and refurbishment services and to provide trainings in accordance with the requirements of the corporate customer;
- to upload the requisite information of the services provided (including but not limited to product serial number, name and contact details of end users, service event status, service diagnosis, parts used, etc.) to the system set up by the corporate customer;
- to manage the inventories of parts in an effective manner which is reasonable sufficient to meet the obligation of TSO under the service agreement, and to place order for the parts, and settle the payment of the parts;

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- to report to the customer in writing forthwith if (i) similar faults are found on the same product in a large scale at the time, or suspected product defect or safety issue is noticed when TSO carries out the repair and refurbishment services, (ii) it comes to the attention of TSO that certain knowhow or experience gained from repairing and refurbishing of a product of the corporate customer is beneficial to the repairing and refurbishing of the other similar products of such corporate customer, or (iii) if any significant event has occurred to TSO which affects its normal operation to provide services;
- if parts are required to be replaced during repair, to return to the corporate customer the replaced parts;
- to perform tracking and reports on the consumption of spare parts and all the replacement transaction reports;
- not to alter the manufacturing standards, performance and function of the corporate customer's products;
- not to utilise new, used, remanufactured or refurbished products obtained from unauthorised sources to perform repair and refurbishment service;
- not to do anything that may damage or adversely affect the image, name or reputation of the corporate customer.

Purchase of parts

Under certain service agreements, TSO is required to purchase from the corporate customers any parts which are required to be used for repair and refurbishment. If any parts are used in the repair of products out of warranty, the price of the used parts is determined by reference to the price list provided by the corporate customer and agreed between the corporate customer and TSO, and end users are responsible to pay such price of the parts used.

If the parts purchased from the corporate customer are found to be defective or faulty, TSO is required to inform the corporate customer and may exchange for new replacement or other parts. TSO is required to settle the payment for the parts in full by way of cheque or telegraphic transfer.

Under certain service agreements, within ten days after expiration or termination of the service agreements, the corporate customer has the first right to purchase the parts or components remaining in the inventory of TSO. If the corporate customer purchases such parts or components, it will issue a credit note to TSO in the amount of the purchase of the corporate customer to offset any amount due to such corporate customer from TSO, or if there is no such amount due to the corporate customer from TSO, the corporate customer will pay TSO. If the corporate customer does not purchase the parts or components remaining in the inventory of TSO, TSO may sell such parts or components solely to an authorised service provider of the corporate customer.

Under the service agreement with one corporate customer (namely Customer C), TSO may request the corporate customer to buy back 25% to 75% of the parts purchased by TSO within a period of 90 days of the invoice date of the purchase.

Fees

- Repair Service Income

The corporate customer is required to pay to TSO the service fees for the repair and refurbishment services provided by TSO. The service fees are calculated in accordance with the rates and charges agreed between the corporate customer and TSO after negotiation and TSO used to take account of the estimated direct labour costs for technicians determined by the time expected to be required to complete the various repair and refurbishment works, the other operating expenses (if required, including but not limited to the expenses for operating customer service centres) and the expected number of job orders.

The agreed service charge is represented by a fixed sum per unit in respect of each type of repair and refurbishment works. For service fees to be paid by a corporate customer to TSO, all the accounts payable to TSO are required to be verified by the corporate customer and then TSO issues invoices to the corporate customer.

For out-of-warranty repairs, under the arrangements with the corporate customers (other than TDD) TSO collects payment directly from the end users according to the repair price set by the corporate customers. Four corporate customers (namely Customers D, G, I and J) require the Group to receive repair labour fees from them and credit back to them the repair fees paid by the end users. For TDD, the Group receives fee from it in respect of out-of-warranty works.

Regarding the five corporate customers which require the Group to operate service centres for them, the repair fees in respect of certain but not all types of repair and refurbishment works paid by the four corporate customers which do not pay any management fee nor reimbursement of expenses are higher than the relevant repair fees paid by the corporate customer which pays management fee and reimbursement of expenses. Moreover the repair fees in respect of certain but not all types of repair and refurbishment works paid by the corporate customers which do not require the Group to operate customer service centres for them are lower than the relevant repair fees paid by the corporate customers which require the Group to operate customer service centres for them.

- Service centre management income and reimbursement of expenses for service centre

Pursuant to the relevant customer service agreements, a customer (namely Customer J), for which the Group manages two service centres, pays the Group service centre management income, mainly consisting of (i) a management fee of a fixed sum; and (ii) operating expenses subject to mark-up percentage as a surcharge. The customer also pays TSO reimbursement of operating expenses (such as rentals) based on actual spending without mark-up. The Group is responsible for all the operating expenses of the other six customer service centres for which four relevant corporate customers (namely Customers F, G, H and I) do not pay any management fee or reimbursement. In addition, another corporate customer (namely Customer C), which does not request the Group to operate any service centre, requests the Group to handle the staff payroll of that corporate customer's own service centre on that corporate customer's behalf, and pays management fee to TSO for its above work.

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During each of the two financial years ended 31 March 2012 and for the ten months ended 31 January 2013, the service centre management income received by the Group amounted to approximately HK\$2.8 million, HK\$2.8 million and HK\$2.4 million, respectively, and the reimbursement of expenses for service centres received by the Group amounted to approximately HK\$2.7 million, HK\$3.3 million and HK\$3.1 million, respectively.

Customer service centres

Under certain service agreements, TSO is required to provide the repair and refurbishment services at customer service centres. In such case, the customer service centre is furnished at the costs of TSO.

Under the terms of the service agreement with a corporate customer (namely Customer J), such corporate customer pays TSO a management fee and reimburses other expenses of the customer service centre such as rental, utility charges, property management fee, etc.

Additional obligations in relation to operating a customer service centre as required under the service agreements include:

- to ensure that all its employees, agents, servants and contractors shall comply with the rules and regulations imposed by the corporate customer when they are engaged in the provision of repair and refurbishment services inside the customer service centre; and
- to be responsible for customer service in connection with the provision of repair services by TSO.

SALE OF ACCESSORIES

The Group sources a wide range of accessories for mobile phones and other personal electronic products such as mobile phone cases, screen protectors, chargers, batteries, etc. from an Independent Third Party for sale. It has sold such accessories in the customer service centres operated by it since 2009.

In addition, in order to avoid any competition with the Group by the Controlling Shareholders, TDM, which is wholly owned by the Cheung Brothers, has ceased to engage in the sale of accessories for mobile phones and other personal electronic products and allowed the Group to sell such accessories at the retail shops of TDM on a consignment basis since December 2012. TDM has also ceased to engage in the sale of mobile phone accessories to New World Mobility Limited, which would give such accessories to its customers as gifts or premium. To facilitate the supply of mobile phone accessories to New World Mobility Limited, TSO entered into an agreement with New World in May 2013, pursuant to which TSO has agreed to sell mobile phone accessories to New World Mobility Limited at cost plus a certain percentage of mark up. Further details on the above transactions are set forth under the subparagraphs headed “2. Consignment of accessories for mobile phones and personal electronic products of certain brands to TDM” and “3. Sale of mobile phone accessories to New World Mobility Limited” in the paragraph headed “A. Exempt Continuing Connected Transactions” of the section headed “Continuing Connected Transactions” in this prospectus.

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Furthermore the Company is actively expanding the scale of accessories business. It has targeted to sell mobile phones accessories to corporate customers such as mobile phone manufacturers, which give such accessories as gifts or premium to their customers purchasing their products. In December 2012 and January 2013, an existing corporate customer of the Group (namely Customer E) placed two purchase orders with TSO for external batteries, and in January 2013, another existing corporate customer of the Group (namely Customer H) confirmed a purchase order for chargers. The above two existing corporate customers of the Group are mobile phone manufacturers. As at the Latest Practicable Date, other than the agreement entered into between TSO and New World Mobility Limited (being a connected person of the Company upon Listing) in May 2013 pursuant to which TSO has agreed to sell mobile phone accessories to New World Mobility Limited, the Group has not entered into any long term supply contract with any customer for supply of accessories. The Group plans to leverage its established business relationship with its corporate customers and explore further business opportunities to sell to them accessories of mobile phones and other personal electronic products for their continuous needs. It will also identify more types of quality accessories, and offer to sell such new accessories identified at the customer service centres of the Group and the retail shops of TDM. With an aim to further develop the accessories business through retail sales at service centres and retail shops and bulk sales to corporate customers, sales of accessories are expected to contribute a more substantial portion of the Group's total revenue in future.

For each of the years ended 31 March 2011 and 2012, the Group's total revenue as a result of sale of accessories, which were sales in service centres, was approximately HK\$1.5 million and HK\$1.2 million, respectively. For the ten months ended 31 January 2013, the Group's total revenue as a result of sale of accessories was approximately HK\$1.5 million, among which HK\$0.7 million were sales in its service centres, HK\$0.5 million were sales in TDM's retail shops and HK\$0.3 million were bulk sales to corporate customers. The revenue and gross profit for the Group's sale of accessories business during the Track Record Period are as follows:

	Ten months ended		
	Year ended 31 March		31 January
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,531	1,175	1,515
Gross Profit	909	302	602
Gross Profit Margin	<u>59.4%</u>	<u>25.7%</u>	<u>39.7%</u>

CUSTOMERS

Since the personal electronic products within warranty period entitle the end users who have purchased those products to the warranty programme of the manufacturers or, as the case may be, the telecommunication service providers for free repair servicing, those manufacturers and service providers or the global services companies appointed by them have entered into service agreements with the Group, pursuant to which, the Group is appointed as their authorised service providers and receives the service fees for provision of the repair and refurbishment services. In addition, the Group is also required to perform repair services to end users for the products which are out of warranty. Therefore

the customers of the Group comprise (i) manufacturers of mobile phones and other personal electronic products, telecommunication service providers and global services companies, and (ii) end users (together with dealers or distributors of the corporate customers) of those products.

For each of the financial years ended 31 March 2011 and 2012 and for the ten months ended 31 January 2013, the amount of the repair fees received by the Group from its corporate customers comprising manufacturers, telecommunication service providers and global services companies represented approximately 69.0%, 76.0% and 75.3% of the revenue of the Group, respectively.

The service fee for each type of repair and refurbishment work is primarily determined by the corporate customers and TSO after negotiation and TSO used to take account of the estimated direct labour costs for technicians determined by the time expected to be required to complete the work, the other operating expenses (if required, including but not limited to the expenses for operating customer service centres) and the expected number of job orders.

Under the service agreements between the Group and its corporate customers, there is no price adjustment mechanism which allows the Group to unilaterally adjust the fees for the Group's repair and refurbishment services. In one or two months before the expiry of the current term of a service agreement with a corporate customer, the Group reviews the operating results of the provision of repair and refurbishment services to such corporate customer and, if after the review, it finds that there is a need to adjust the repair fees for the renewal term due to anticipated increase in labour cost or other operating expenses such as rentals of the relevant service centre, it will negotiate with such corporate customer on an increase in the repair fees. Any agreement on an increase in the repair fees is targeted to be arrived at within one month and be effected in the renewal term. During the Track Record Period, the services fees in respect of provision of repair and refurbishment services for six corporate customers have been adjusted after negotiation with such corporate customers. The Group is also in the process of negotiation with one corporate customer in respect of adjustment of service fees. For the other three corporate customers, since rates of the service fees were determined upon the entering into of the services agreements at the end of 2011 and 2012 and at the beginning of 2013, the Directors consider that such rates will continue to be applied without immediate need for adjustment.

The Group recognises the revenue for repair and refurbishment services when the services are rendered. It uploads the information in respect of the services provided to the IT system to which the corporate customers have access. Information uploaded includes model and serial number of the device repaired, the name and contact details of the end-user and the description of the defects of the device and the status of the repair or refurbishment.

In respect of repair and refurbishment of products under the warranty, the Group prepares summary report to the corporate customers on the services provided on a weekly or monthly basis. The amount of service fees to be received by the Group is verified by the corporate customers within the month immediately following the receipt of the service report and settled by the corporate customers within the subsequent month or 30 to 60 days from the date of invoice issued by the Group. Under the service agreements with certain corporate customers (namely Customers D, G, I and J), after the Group receives the repair fees directly from the end users, it is required to give such amounts to the corporate customers and in turn receives labour fees from the corporate customers, and under such circumstances, the Group recognises the labours fee received from the corporate customers as revenue and the amounts received from the end users as payables to the corporate customers, and reduces such amounts from the payables when the said amounts are paid to the corporate customers.

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Some distributors or dealers of certain corporate customers also deliver faulty devices returned from the end users to the Group for repair and refurbishment. When the repair and refurbishment service is not covered by the warranty policy, the distributors or dealers are responsible for the payment of the service fees, which are normally required to be settled by them within 30 days from the date of invoice issued by the Group.

On the other hand, end users may also seek the repair and refurbishment services from the Group for the products out of the warranty as the Group is the authorised service provider of the relevant manufacturers. In such cases, the end users pay the service fee to the Group.

The service fees payable to the Group by the corporate customers which are manufacturers of personal electronic products, telecommunication service providers and global services companies are settled by cheque or telegraphic transfer. End users pay the service fees by cash or credit cards.

For the Track Record Period, the Group has not experienced any bad debts in respect of the trade receivables.

Details of the duration of the business relationships with the Group's top five customers for the year ended 31 March 2012 are set out in the table below.

		Percentage of revenue contributed by the repair and refurbishment fees received from the customer for the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013	Approximate duration of business relationship up to the Latest Practicable Date
Background of the customer			
Largest customer (namely Customer F)	<ul style="list-style-type: none"> This customer is the Hong Kong operation of a global enterprise which designs, manufactures, and markets mobile communication and media devices, personal computers, and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications. The global enterprise sells its products worldwide through its retail stores, online stores, and direct sales force, as well as through third-party cellular network carriers, wholesalers, retailers and value-added resellers. The global enterprise is listed on NASDAQ Stock Market and its net sales for the financial year ended 29 September 2012 amounted to approximately US\$156.5 billion. 	19.9% (FY2010/2011)	4 years
		25.8% (FY2011/2012)	
		14.1% (Ten months ended 31 January 2013)	

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		Percentage of revenue contributed by the repair and refurbishment fees received from the customer for the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013	Approximate duration of business relationship up to the Latest Practicable Date
	Background of the customer		
Second largest customer	<ul style="list-style-type: none"> TDD, a connected person of the Company which is engaged in provision of real time financial price quotes and information services via the Internet as well as mobile data, paging, information broadcasting and IDD services. 	22.5% (FY2010/2011) 13.8% (FY2011/2012) 12.3% (Ten months ended 31 January 2013)	7 years
Third largest customer (namely Customer C)	<ul style="list-style-type: none"> This company was incorporated in Taiwan and is engaged in the design, manufacture and sale of smart handheld devices. It is listed on the Taiwan Stock Exchange and its revenue for the year 2012 amounted to approximately NT\$289 billion. 	10.9% (FY2010/2011) 8.8% (FY2011/2012) 11.5% (Ten months ended 31 January 2013)	2 years
Fourth largest customer (namely Customer H)	<ul style="list-style-type: none"> This customer 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 the production of audio, video, game, communications, key device and information technology products for both the consumer and professional markets. The smart phones sold by the global enterprise for the three months ended 31 December 2012 amounted to 8.7 million units, which was substantially the same as the one for the three months ended 30 September 2012. The global enterprise recorded sales of 300.4 billion yen and 318.8 billion yen on mobile products and communications (including mobile phones and personal computers) for the three months ended 30 September and 31 December 2012, respectively. 	3.8% (FY2010/2011) 8.7% (FY2011/2012) 12.3% (Ten months ended 31 January 2013)	2 years
Fifth largest customer (namely Customer G)	<ul style="list-style-type: none"> This customer is a subsidiary of a company listed on the Main Board of the Stock Exchange and engaged in mobile telecommunications business in Hong Kong and Macau and fixed-line telecommunications business in Hong Kong. The holding company of this customer had a turnover of approximately HK\$15.5 billion for the year 2012. 	3.4% (FY2010/2011) 8.5% (FY2011/2012) 13.1% (Ten months ended 31 January 2013)	2 years

For each of the years ended 31 March 2011 and 2012 and for the ten months ended 31 January 2013, the aggregate revenue attributable to the five largest customers of the Group amounted to approximately HK\$23.1 million, HK\$45.6 million and HK\$40.2 million, respectively, representing approximately 60.9%, 65.6% and 63.3% of its total revenue, respectively. For each of the same periods,

the revenue attributable to the largest customer of the Group amounted to approximately HK\$8.5 million, HK\$18.0 million and HK\$8.9 million, respectively, representing approximately 22.5%, 25.8% and 14.0% of its total revenue, respectively.

For the two financial years ended 31 March 2012 and the ten months ended 31 January 2013, TDD, which is beneficially owned by the Cheung Brothers, was one of the five largest customers of the Group. TDD has only appointed TSO to provide the repair and refurbishment services for pagers and two-way mobile data communication devices during the Track Record Period. The service fee paid by TDD to the Group for the provision of repair and refurbishment services represented 22.5%, 13.8% and 12.3% of the Group's revenue for the two financial years ended 31 March 2012 and the ten months ended 31 January 2013. As at 31 March 2011, there was no trade receivable due from TDD to the Group; and as at 31 March 2012, the trade receivables due from TDD to the Group amounted to HK\$2,899,000 and were fully subsequently settled on 31 July 2012. As at 31 January 2013, the trade receivables due from TDD to the Group amounted to approximately HK\$1,304,000 and were fully settled on 28 February 2013.

Based on the information available at the Latest Practicable Date, the analysis of the Directors, and the expected aggregate service fees paid and payable by TDD for the year ended 31 March 2013 and each of the two years ending 31 March 2015 (the details of which have been set out in the subparagraph headed "1. Provision of repair and refurbishment services to TDD" in the paragraph headed "Non-exempt Continuing Connected Transactions" in the section headed "Continuing Connected Transactions" in this prospectus), the Directors expect that the percentage contribution of the repair and refurbishment service fees received and to be received by the Group from TDD to the total revenue of the Group for the year ended 31 March 2013 and each of the two years ending 31 March 2015 respectively did not and will not be higher than 13.8%, being the percentage contribution of the repair and refurbishment service fees received by the Group from TDD to the total revenue of the Group for the financial year ended 31 March 2012.

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

Reorganisation plan of corporate customers of the Group

In mid-August 2012, the holding company of two corporate customers of the Group (the "**Relevant Customers**") published that there would be reorganisation plan on the group of companies comprising, among others, the Relevant Customers (the "**Relevant Customer Group**"). The Relevant Customer Group is a global technology enterprise the portfolio of which includes converged mobile devices such as smart phones and tablets; wireless accessories; end-to-end video and data delivery; and management solutions, including set-tops and data-access devices. The Relevant Customers appointed only the Group as non-exclusive authorised service provider to provide repair and refurbishment services in Hong Kong and Taiwan respectively and operate solely for each of them a customer service centre in Hong Kong and Taiwan respectively, and were the sixth and seventh largest customers of the Group for the year ended 31 March 2012, contributing approximately 3.9% and 3.6% of the total revenue of the Group for the year ended 31 March 2012, respectively. Under the reorganisation plan, the Relevant

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Customer Group would reduce approximately one-fifth of its employees and close or consolidate one-third of its facilities, as well as simplify its mobile product portfolio by shifting the emphasis from feature phones to more innovative and profitable devices.

The two service agreements between TSO and the Relevant Customers were terminated in January 2013. Under the said service agreements, the Relevant Customers (and only the Relevant Customers) were required to reimburse the Group certain operating expenses (such as rentals) of the customer service centres operated by the Group solely for them based on actual spending without mark-up and pay the Group certain other operating expenses of the customer service centres subject to mark-up percentage as a surcharge. As at 31 January 2013, the total trade and other receivables due from the Relevant Customers amounted to approximately HK\$1.05 million, approximately HK\$0.78 million of which have been settled as at the Latest Practicable Date.

The Relevant Customer Group subsequently appointed a global services company (namely Customer J) to manage the repair network of the Relevant Customer Group in Asia Pacific Region including Hong Kong and Taiwan. The Group entered into an agreement with the global services company (namely Customer J) in January 2013 whereby the Group continues to provide repair and refurbishment services to the global services company for the mobile phones of the Relevant Customer Group in Hong Kong and Taiwan. Similar to the previous arrangement with the Relevant Customers, the Group receives repair fees for the repair and refurbishment services provided, management fees in relation to the operation of the relevant customer service centres and counters and reimbursement of direct operating expense of the customer service centres and counters.

The primary difference between the two business arrangements is that under the previous arrangement with the Relevant Customers, the Relevant Customers supplied spare parts to the Group without any charges for both in-warranty and out-of-warranty works, whereas under the arrangement with the global services company, spare parts are supplied by the relevant supplier to the Group without any charges for in-warranty works undertaken in Hong Kong and Taiwan and out-of-warranty works undertaken in Hong Kong, but the Group is required to purchase the spare parts for out-of-warranty works undertaken in Taiwan and bear the inventory risk (and under such arrangement, the Group claims the individual customers for the costs of the parts used for such out-of warranty works).

The Directors considered that the revenue of the Group has been affected by the reorganisation plan of the Relevant Customer Group.

SUPPLIERS OF THE GROUP

The Group is required by its corporate customers to only use the spare parts and components provided or procured to be provided by them in the repair and refurbishment undertaken by the Group. Under the service agreements entered into between the Group and its corporate customers, which are manufacturers of mobile phones and other personal electronic products, telecommunication service providers and the global services companies, the corporate customers provide or procure to provide the parts and components required for the repair and refurbishment of the products. They may require the Group to purchase from them or the designated suppliers the required parts and components at prices determined by them and the Group is subsequently reimbursed by the corporate customers when those parts and components are used. Some corporate customers supply spare parts to the Group under the service agreements without any charges, but may require the Group to deposit a sum as security to secure the Group's performance and obligations under the service agreements, including any of its

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payment obligations under the service agreements. Such deposit will be released when the relevant service agreements expire or are terminated if the relevant corporate customers are not entitled to claim any of the deposits at that time. Such deposits amounted to HK\$0.8 million, HK\$2.3 million and HK\$4.6 million as at 31 March 2011 and 2012 and 31 January 2013 respectively.

Under the existing service agreements between the Group and its corporate customers,

- five corporate customers (namely TDD and Customers C, D, E and H) require the Group to purchase from them or their designated suppliers the spare parts, of which
 - three corporate customers (namely Customers C, E and H) reimburse the Group when those parts and components are used for in-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works); and
 - two corporate customers (namely TDD and Customer D), reimburse the Group when those parts and components are used for both in-warranty and out-of-warranty works;
- two corporate customers (namely Customers G and I) supply spare parts to the Group without any charges for both in-warranty and out-of-warranty works;
- two corporate customers (namely Customers B and F) supply spare parts to the Group without any charges for in-warranty works and require the Group to purchase from them or their designated suppliers the spare parts for out-of-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works); and
- one corporate customer (namely Customer J) procures supply of spare parts to the Group without any charges for in-warranty works undertaken in Hong Kong and Taiwan and out-of-warranty works undertaken in Hong Kong, and requires the Group to purchase parts for out-of-warranty works undertaken in Taiwan (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works).

The prices of the parts and components only affect the service fees charged to end-users but not the profit of the Group, because either the parts and components are supplied without any charges, or the Group is reimbursed for the costs of the parts and components used for the repair and refurbishment works, or the individual customers pay for the parts and components. Therefore if the price of the parts and components increases, the operating cost of the Group will increase as the Group will pay more to purchase the parts and components for the out-of-warranty works. Moreover the repair fees paid by the individual customers for out-of-warranty repairs, which include the cost of the parts and components used, will also increase. Both the revenue and cost of sales of the Group increase without affecting the amount of profit, but leading to a decrease in the gross profit margin of the Group.

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Other than the Group's corporate customers supplying parts and components to the Group, the Group also source certain accessories for mobile phones and other personal electronic products such as phone cases, screen protectors, chargers, batteries, etc. from an Independent Third Party and sell such accessories to corporate customers such as mobile phone manufacturers or in the customer service centres operated by the Group and the retail shops of TDM.

The credit terms of the purchases of the Group were generally 30 days during the Track Record Period. The operation and service managers and the General Manager of TSO review the procurement needs based on the parts order summary report prepared by the inventory management staff, the repair pending cases summary and the inventory level before placing orders for parts and accessories. The Group normally maintains a level of stock which is reasonably sufficient to support it for provision of service for three to six weeks. The Group's information technology system on procurement enables the Group to share and exchange data with the suppliers of the parts and components in relation to the procurement of the parts and components used for repair and refurbishment.

If the parts provided by the suppliers become obsolete, the Group may return the obsolete parts to them in most cases and maintain a minimum amount for contingency repairs of devices of obsolete models. Under some other service agreements, TSO may request the corporate customer to buy back 25% to 75% of the parts sold to TSO within a period of 90 days of the invoice date of the purchase. If the parts purchased from a corporate customer are found to be defective or faulty, TSO is required to inform the corporate customer and may exchange for new replacement or other parts. For the two financial years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013, the Group returned faulty or obsolete parts amounting to approximately HK\$2.0 million, HK\$2.1 million and HK\$3.5 million to the suppliers, respectively. During the Track Record Period and up to the Latest Practicable Date, the Group did not encounter any material disruption of provision of services due to shortages of supplies of spare parts and components. The management of the Group reviews an ageing analysis at the end of the financial year 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 2011 and 2012 and 31 January 2013, the carrying amounts of inventories were approximately HK\$4.6 million, HK\$4.1 million and HK\$5.4 million respectively, net of allowance for inventories of approximately HK\$48,000, HK\$474,000 and HK\$605,000 respectively.

For each of the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013, the aggregate cost of materials attributable to the five largest suppliers of the Group amounted to approximately HK\$7.4 million, HK\$9.2 million and HK\$10.1 million, respectively, representing approximately 86.7%, 94.7% and 91.1% of its total cost of materials, respectively. For each of the same periods, the cost of materials attributable to the largest supplier of the Group amounted to approximately HK\$6.0 million, HK\$7.6 million and HK\$7.8 million, respectively, representing approximately 70.1%, 78.5% and 70.4% of its total cost of materials, respectively. The largest four suppliers of the Group during the financial year ended 31 March 2011 or their associates and the largest five suppliers of the Group during the financial year ended 31 March 2012 or their associates are also the corporate customers of the Group. The fifth largest supplier of the Group during the financial year ended 31 March 2011 supplied accessories for mobile phones and other personal electronic products to the Group while the other largest suppliers of the Group during the Track Record Period supplied parts and components. The percentage contribution of the repair and refurbishment service fees received by the

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Group from its top five suppliers or their associates to the total revenue of the Group were 57.3%, 50.6% and 51.6% during each of the years ended 31 March 2011 and 2012 and for the ten months ended 31 January 2013, respectively. The percentage contribution of the repair and refurbishment service fees received by the Group from its largest supplier to the total revenue of the Group were 19.9%, 25.8% and 14.1% during each of the years ended 31 March 2011 and 2012 and for the ten months ended 31 January 2013, respectively.

For the financial years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013, Radiotex International Limited, which is beneficially owned by the Cheung Brothers, was one of the five largest suppliers of the Group and the purchase of parts and accessories by the Group from Radiotex International Limited amounted to HK\$1.0 million, HK\$0.7 million and HK\$1.1 million, representing approximately 12.2%, 6.9% and 9.8% of the Group's cost of materials for such periods years, respectively. Save as the above, to the Directors' best knowledge, none of the Directors or their associates, or any Shareholders who own more than 5% of the Company's issued share capital, had any interest in any of the five largest suppliers of the Group during the Track Record Period.

MARKETING

The marketing strategy of the Group includes meetings with existing corporate customers and potential customers which are manufacturers and distributors of mobile phones and other personal electronic products, telecommunication service providers and global services companies, as well as visiting trade fairs and exhibitions for personal electronic products. The Group's executive Director is responsible for exploring and developing new business opportunities and fostering business relationships with the Group's existing and potential customers.

STAFF AND TRAINING

As at the Latest Practicable Date, the Group has a total of 195 staff which include, among others, 80 technicians and 65 customer service staff. In respect of each brand of products for which the Group provides repair and refurbishment services, a specific team of technicians is designated.

The corporate customers of the Group which are manufacturers of the personal electronic products provide technical training to the technicians of the Group so as to ensure that the Group can meet their requirement and enhance the standard of its repair and refurbishment services. Moreover they will also provide to the Group the repair and refurbishment manuals, technical data and training materials in respect of the products under the Group's service.

The Group also 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 of the customers, problem resolution, the policy and practices of the customers, the professionalism in respect of handling inquiry, compliant and claims handling, and new product launch training.

QUALITY CONTROL

The corporate customers of the Group meet regularly with the Group to evaluate the quality of the Group's service. Certain performance indicators are used by the corporate customers to measure the quality of the Group's service:

- **Turnaround time**

Inspection, refurbishment and repair works are required to be completed within the specific periods of time. Customers are also required to be notified for picking up the repaired or refurbished devices within the specific period of time.

The turnaround time normally required by the corporate customers of the Group is set out in the table below:

Type of personal electronic products	Normal turnaround time required by corporate customers
Mobile phones	
— left by end-users visiting the Group's customer service centres	Two to four hours
— delivered to the Group's central repair and refurbishment centre	One working day to seven working days
Portable media players, tablet computers and personal computers	Three working days
Video game consoles and portable game consoles	Four working days
Pagers and two-way mobile data communication devices	Two hours to seven working days

- **Bounce rate**

Bounce rate is set to measure how often repeat repairs, which are as a result of return of repaired devices within a certain period of time from the date of last return due to the same defect, occur.

For mobile phones, the maximum bounce rate normally accepted by the corporate customers of the Group is 2% and for video game consoles and portable game consoles, the maximum bounce rate normally accepted by the corporate customers of the Group is 1% to 7% within three months.

- **Customer satisfaction**

Surveys are made with end users on the quality of services provided by the Group.

Customer complaints

The Group recognises the importance of providing quality repair and refurbishment services as well as customer services and has thus put in place procedures to ensure that complaints from end-users visiting its customer service centres and receiving the Group's services are handled in a timely and appropriate manner.

The Group may receive complaints from end-users at the Group's customer service centres. Such complaints are firstly handled by the frontline customer service staff and if a complaint cannot be solved by the frontline customer service staff, it will be reported to the duty supervisor for follow-up action. Supervisor handles the complaint with customer and if he considers necessary, he will report the complaint in writing to the customer service officer of the Group's relevant corporate customer.

End-users may report their complaints by calling the customer service hotline. The representative of customer service hotline will send e-mail to the customer service office of the corporate customer and the supervisor or operation manager of the Group for follow-up action. The Group's supervisor handles the complaint with the end-user and reports the case details and result to the relevant corporate customer.

When the customer complaint is escalated to the relevant corporate customer of the Group for advice, the corporate customer will feedback the analysis result and the follow-up arrangement afterwards. The operation supervisor of the Group then updates it to the handling staff. If the relevant end-user accepts the arrangement, the handling staff prepares the discharge letter for the end-user and closes case. In the event that the end-user does not accept the arrangement, the faulty devices, if they are in the Group's possession, will be returned to the end-user.

For the Track Record Period, the Group recorded an aggregate of 798 complaints made by the end-users, among which, 62 complaints were made to the Consumer Council by the complainants and then informed to the Group by the Consumer Council.

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In respect of the 798 complaints recorded by the Group, the customer service teams of the Group's corporate customers resolved 707 of them and the Group resolved the remaining. In respect of the 62 complaints informed by the Consumer Council, the customer service teams of the Group's corporate customers resolved 61 of them and the Group resolved the remaining one complaint. The nature of the complaints recorded and resolved by the Group is set out in the table below:

Nature of complaints	Number of complaints recorded by the Group	Number of complaints resolved by the Group	Number of complaints informed by Consumer Council	Number of complaints informed by Consumer Council and resolved by the Group
Repair policy/procedure	143	1	5	—
Repair time	246	10	5	1
Software/hardware issue	205	—	25	—
Repair status update	75	75	1	—
Service quality issue	45	2	4	—
Quotation issue	31	3	6	—
Warranty issue	30	—	16	—
Miscellaneous	23	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>798</u>	<u>91</u>	<u>62</u>	<u>1</u>

In respect of most of the complaints resolved by the Group, the end-users usually complained about the length of time which would be necessary for repairing their mobile phones or personal electronic products or about the unavailability of updated repair status such as the time needed for the repair. The customer service staff of the Group communicated with such end-users and explained to them the causes of any incidents leading to their complaints and the work of the Group to solve their complaints. In order to provide quality customer services and minimise the number of complaints from end-users, the Group focuses on the ongoing trainings provided to front end staff on product and service knowledge of the corporate customers, problem resolution, the policy and practices of the corporate customers, and the professionalism in respect of handling inquiry.

As the Group principally provides repair and refurbishment services, it is not appropriate for it to handle complaint issues in relation to certain software and hardware issues, quotation issues and warranty issues. In addition, the Group's corporate customers have their own customer service teams to handle, resolve and analyse customer enquiries and complaints in relation to their products and services, and they recognise the Group's repair services as part of their post-sale services. Therefore most of the customer complaints recorded and initially handled by the Group are finally passed to and resolved by the corporate customers. Among the complaints resolved by the Group, the Group incurred approximately HK\$8,000 to settle five of such complaints which related to causation of damages to the personal electronic products of the end-users during repair and/or delivery by the Group. Since the corporate customers used to apply performance indicators such as

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turnaround time and bounce rate to measure the quality of the Group's service, the Directors consider that the number of customer complaints received by the Group during the Track Record Period did not adversely affect the Group's ability to renew its service agreements with the corporate customers.

COMPETITION

The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. It is a non-exclusive service provider of its corporate customers, which comprise six global manufacturers of mobile phones and other personal electronic products, two domestic telecommunication service providers and two global services companies, and three out of such six global manufacturers of mobile phones and other personal electronic products and all such two domestic telecommunication service providers and two global services companies appoint only the Group as their authorised service provider in Hong Kong to provide repair and refurbishment services. Moreover two of the Group's corporate customers (namely Customers C and F) are among the largest five mobile phone vendors (in terms of unit shipment in 2011) in Hong Kong and together have an aggregate market share of 55.8% in Hong Kong in 2011. The Directors believe that players within this market compete in areas such as track record, quality and range of the services provided, business relationship and prices.

The Directors consider that the market of repair and refurbishment services for mobile phones and other personal electronic products in Hong Kong is highly fragmented and competitive. Repair and refurbishment service providers, including (i) business-to-business service providers and authorised service providers (such as the Group); and (ii) business-to-customers service providers operating their repair shops in shopping centres, compete with each other through brand recognition and reputation, pricing and customer service quality. To the best knowledge of the Directors, there is no recognised profession association in the industry of repair and refurbishment services for personal electronic goods or market research report on the industry, and there are numerous business-to-customers service providers. As such, the Group is unable to quantify the number of repaired units of personal electronic goods in the market, and hence the corresponding market shares.

As at the Latest Practicable Date, there are five mobile network operators in Hong Kong. Such mobile network operators provide a wide range of public mobile services and they or their affiliated companies also sells mobile phones. The websites of such mobile network operators or their affiliated companies provide the addresses of the repair service centres for certain brands of mobile phones. Pursuant to the information available as such, there are approximately 30 brands of mobile phones. The Group provides repair and refurbishment services for mobile phones of eight brands.

The 30 brands of mobile phones have approximately 37 repair service centres. The Group operates seven service centres in Hong Kong for providing repair and refurbishment services for mobile phones of five brands. Moreover the Group also provides repair and refurbishment services for mobile phones of three brands in respect of which the Group is not required to operate service centres.

The Group's primary competitors are other authorised service providers appointed by manufacturers of mobile phones and other personal electronic products to provide repair and refurbishment services for mobile phones and other personal electronic products which the Group currently repairs and refurbishes. Such competitors include service providers which principally provide repair and refurbishment services for mobile phones and other electronic products, and the distributors

of personal electronic products which have the capabilities to provide repair and refurbishment services. To the best knowledge of the Directors, the following two companies are also authorised service providers appointed by manufacturers of mobile phones to provide repair and refurbishment services for mobile phones:

- A global manufacturer of mobile phones, which is not a customer of the Group, has appointed a company incorporated in Hong Kong (“**Competitor A**”) as a distributor to distribute its mobile phones and to manage a customer service centre and provide repair services. Competitor A, through its subsidiaries, is also engaged in distribution of other electronic products, operation of retail shops and customer service centres for other electronic products it distributes, and development and operation of middle-ware for mobile networks, as well as messaging services.
- A global manufacturer of mobile phones, which is a corporate customer of the Group (namely Customer F), has appointed a company incorporated in Hong Kong (“**Competitor B**”) as an authorised service provider to provide repair and refurbishment services for its mobile phones, media players, tablet computers and personal computers. Competitor B is principally engaged in sales of different kinds of electronic products including personal and notebook computers, projectors, printers and servers as well as provision of repair and refurbishment services for such products. It also operates customer service centres as authorised service providers of the manufacturers of such electronic products.

As the Hong Kong mobile phones market is dominated by a few mobile phone manufacturers, it is not uncommon for service providers to have a limited number of major mobile phone manufacturers as customers.

The Directors consider that competitive strengths of the Group, including but not limited to, the Group being an authorised service provider of prominent brands, its established relationships with its corporate customers, its experience in the provision of repair and refurbishment services for mobile phones and its commitment to providing value-added and quality services, have contributed to its success to date. For detailed information about the competitive strengths of the Group, please refer to the paragraph headed “Competitive Strengths” in this section of the prospectus.

When competing with other service providers, the Directors believe that the Group is able to provide quality service. The Group may also compete with new entrants of this industry. The Directors, however, believe that there are following entry barriers in this industry:

- **Track record:** Major manufacturers of mobile phones and other personal electronic products usually exercise great care in selecting repair and refurbishment service providers. Historical performance may be perceived as an important and reliable indicator of service quality and capabilities of any given market player. Companies with longer operating history have a competitive advantage as they generally have stronger reputation in this industry.
- **Technological expertise:** The technology and components used on mobile phones and other personal electronic products are ever-changing. Market players are expected to possess both practical experience and technological expertise. They need to spend a substantial amount of time on acquiring the required technology experience and expertise so as to ensure stable and quality services.

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INSURANCE

The Group maintains insurance policies covering losses or damages of the Group's assets, such as the desktop computers, facilities and technology infrastructures and personal injuries insurance for its staff against any personal injuries caused by accidents. The Directors are of the view that the Group's insurance coverage is adequate for its operation. During the Track Record Period and up to the Latest Practicable Date, the Group had not received any material third party liability claim relating to the Group's business.

PROPERTY

Owned property

As at the Latest Practicable Date, the Group did not own any property.

Leased and licensed property

According to the due diligence report issued by Jones Lang LaSalle, an independent property valuer, as at the Latest Practicable Date, the Group has leased properties in Hong Kong and Taiwan for use as head office, service centres and warehouse, an overview of which is set out as below:

No.	Usage	Address	Saleable Area (sq.ft.)	Rent	Term	Continuing Connected transaction
1.	Head Office and Repair Centre	Units 1805 & Portion B of 1806, 18/F, Riley House, No. 88 Lei Muk Road, Kwaichung, New Territories, Hong Kong	9,590	HK\$76,888 per month exclusive of government rent, rates and management fee	From 1 February 2012 to 31 March 2015	Yes
2.	Head Office, Repair Centre and Warehouse	Unit 1807, 18/F, Riley House, No. 88 Lei Muk Road, Kwaichung, New Territories, Hong Kong	5,511	HK\$50,540 per month exclusive of government rent, rates and management fee	From 1 February 2012 to 31 March 2015	Yes
3.	Service Centre	Portion of Units 1202 & 1203, Units 1205-06, 12/F Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	2,017	HK\$79,296 per month inclusive of government rent and rates but exclusive of management fee	1 April 2013 to 31 March 2015	Yes
4.	Service Centre	Units 1601-06, 16/F, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	3,103	HK\$130,710 per month inclusive of government rent, but exclusive of rates and management fee	From 1 September 2010 to 30 June 2013	No
5.	Service Centre	Units 2001-06, 20/F Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	3,103	HK\$139,424 per month inclusive of government rent, but exclusive of rates and management fee	From 1 February 2013 to 31 January 2015	No

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No.	Usage	Address	Saleable Area (sq.ft.)	Rent	Term	Continuing Connected transaction
6.	Service Centre	Units 1106–08, 11/F, Park-In Commercial Centre, 56 Dundas Street, Mongkok, Kowloon, Hong Kong	4,846	HK\$149,325 per month inclusive of government rent, but exclusive of rates and management fee	From 7 May 2012 to 6 May 2015	No
7.	Service Centre	Units 3001–02, 30/F Soundwill Plaza, No. 38 Russell Street, Causeway Bay, Hong Kong	1,277	HK\$88,812 (from 15 March 2010 to 14 March 2013) and HK\$118,416 (from 15 March 2013 to 14 June 2013) per month inclusive of government rent, but exclusive of rates and management fee	From 15 March 2010 to 14 June 2013	No
8.	Service Centre (forming a service centre together with 9)	Unit A, 23/F, Kyoto Plaza, Nos. 491–499 Lockhart Road, Wanchai, Hong Kong	968	HK\$40,990 per month exclusive of government rent, rates and management fee	From 1 April 2012 to 31 March 2015	Yes
9.	Service Centre (forming a service centre together with 8)	Unit B, 23/F, Kyoto Plaza, Nos. 491–499 Lockhart Road, Wanchai, Hong Kong	815	HK\$34,925 per month exclusive of government rent, rates and management fee	From 1 April 2012 to 31 March 2015	Yes
10.	Service Centre	Unit A, 11/F, Wanbang Commercial Building (萬邦商業大樓), No. 230, Section 4, Zhongxiao East Road, Daan District, Taipei City, Taiwan	1,951	NT\$142,000 (approximately HK\$37,000) per month exclusive of management fee	From 1 June 2012 to 31 May 2014	No
11.	Service Centre	Units 1808–1810, 18th Floor, Tower 2, Metroplaza, No. 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong	1,505	HK\$63,700 (inclusive of government rent, but exclusive of rates and management fee)	From 1 November 2012 to 31 March 2015	No

The rents payable under the above leases are not linked to business results of the Group, such as profit or turnover. Save for the premises of property nos. 1, 2, 3, 8 and 9, all the above leases were entered into with lessors who are Independent Third Parties. For each of the years ended 31 March 2011 and 2012 and for the ten months ended 31 January 2013, the total amount of rentals in connection with the head office and service centres paid by the Group were approximately HK\$2.8 million, HK\$5.7 million and HK\$7.2 million respectively.

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In respect of the tenancy agreements which will expire within one year, the Group currently intends to negotiate with the relevant landlords on renewal of the relevant tenancies three months before the expiry thereof. However, if the tenancies cannot be renewed, the 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 service centres to the alternative premises. The Directors anticipate that there will not be any significant practical difficulties in terms of timing and costs in relocating the service centres to alternative or comparable premises which are also acceptable to the relevant corporate customers for whom the Group operates the customer service centres.

In respect of the service centre of the Group at Soundwill Plaza in Causeway Bay, the last date of the term of the relevant tenancy agreement has been changed from 14 March 2013 to 14 June 2013 after the preliminary negotiation between the Group and the landlord, which is an Independent Third Party. The Group is going to further negotiate with the relevant landlord within the extended term of the tenancy agreement on renewal of the relevant tenancy on terms that are acceptable to the Group. However, if the tenancy cannot be renewed, the Group will, as mentioned above, identify suitable location, enter into a tenancy agreement on terms similar to the original agreement and at market rate, and relocate the relevant service centre to the alternative premises. The Directors anticipate that there will not be any significant practical difficulties in terms of timing and costs in relocating the service centre to alternative or comparable premises which are also acceptable to the relevant corporate customer. If the Group relocates such customer service centre, it will take one month to renovate and prepare for the operation of the new centre and the relocation expenses (including renovation costs) will cost approximately HK\$500,000.

In addition, the Group had also leased the following properties in Hong Kong and Taiwan as its customer service centres during the Track Record Period.

No.	Usage	Address	Landlord	Rent	Term
1.	Service Centre	Flat 1201, 12/F Ginza Plaza, No. 2A Sai Yeung Choi Street South, Kowloon, HK	Oceanic Rich Limited, a connected person	HK\$19,388 per month inclusive of government rent and rates but exclusive of management fee	1 April 2010 to 31 August 2012
2.	Service Centre	Flat 1202-06, 12/F Ginza Plaza, No. 2A Sai Yeung Choi Street South, Kowloon, HK	Oceanic Rich Limited, a connected person	HK\$80,000 (from 1 April 2010 to 31 August 2010), HK\$98,196 (from 1 September 2010 to 31 March 2012) per month inclusive of government rent and rates but exclusive of management fee	1 April 2010 to 31 March 2012
3.	Service Centre	Unit A, on 23/F Kyoto Plaza, No. 491-499 Lockhart Road, Wanchai, HK	Glossy Enterprises Ltd, a connected person	HK\$34,661 per month inclusive of government rent and rates but exclusive of management fee	1 May 2011 to 31 March 2012
4.	Service Centre	Unit B, on 23/F Kyoto Plaza, No. 491-499 Lockhart Road, Wanchai, HK	Oceanic Rich Limited, a connected person	HK\$29,532 per month inclusive of government rent and rates but exclusive of management fee	1 May 2011 to 31 March 2012

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No.	Usage	Address	Landlord	Rent	Term
5.	Service Centre	6/F, No. 158, Section 1 Zhonghua Road, Taipei City, Taiwan (台灣台北市中華路一段158號 6樓)	Independent Third Party	NT\$48,000 (from 8 April 2009 to 22 May 2011) and NT\$50,000 (23 May 2011 to 22 May 2012) exclusive of management fee	8 April 2009 to 22 May 2012
6.	Service Centre	6-7/F, No. 4, Chengdu Road, Taipei City, Taiwan (台灣台北市成都路4號6-7樓)	Independent Third Party	NT\$138,000 (from 23 May 2009 to 22 May 2011) and NT\$180,000 (from 23 May 2011 to 22 May 2012)	23 May 2009 to 22 May 2012
7.	Service Centre	Units 2001-06, 20/F Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	Independent Third Party	HK\$130,710 per month inclusive of government rent, but exclusive of rates and management fee	1 February 2011 to 31 January 2013
8.	Service centre	Units 1202-06, 12/F, Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	Oceanic Rich Limited, a connected person	HK\$98,196 per month exclusive of government rent, rates and management fee	From 1 April 2012 to 31 March 2013

As at the Latest Practicable Date, TSO has entered into a license agreement with Telecom Digital Services Limited for the right to use certain premises by the Group as customer service booth. The table below sets out the relevant information in relation to the license agreement including the address, the floor area, license fee and the term of the license.

Usage	Address	Licensed area (sq.ft.)	License fee	Term	Continuing connected transactions
Customer service booth	Portion of Suite 1713-14, 17/F, Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong	55	Monthly license fee of HK\$2,016 (inclusive of management fee, rates and government rent and utilities charges)	1 April 2012 to 31 March 2015	Yes

The Group does not have any property interest that forms part of property activities as defined under Rule 8.01(2) of the GEM Listing Rules and section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice as at the Latest Practicable Date. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus has complied with the conditions specified in section 6(3) of the said notice and is therefore 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 require a valuation report with respect to the Group's interest in the Group's leased properties, for the reason that as of 31 January 2013, each of the Group's leased and licensed properties has a carrying amount of less than 15% of the Group's consolidated total assets. The Directors confirm that none of the Group's leased and licensed properties is individually material to the Group in terms of revenue contribution and/or rental expense. An overview of the properties leased or licensed and occupied by the Group is set out in the above tables under this paragraph in this prospectus.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Group has registered one domain name, namely www.tso.cc, in Hong Kong. The Group had also registered the trademarks bearing “TSO” in Hong Kong.

Information relating the intellectual property rights of the Company is set out in the paragraph headed “B. Further Information about the Business — 2. Intellectual property rights” in Appendix V to this prospectus.

As at the Latest Practicable Date, the Group had not received any claim against it for infringement of any trademark nor was it aware of any pending or threatened claims in relation to such infringement.

As at the Latest Practicable Date, the 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 the Group. During the Track Record Period, there had not been any pending or threatened claims against the Group, nor has any claim been made by the Group against third parties, with respect to the infringement of intellectual property rights owned by the Group or third parties.

LEGAL COMPLIANCE AND PROCEEDINGS

The Group confirms that during the Track Record Period and as at the Latest Practicable Date, the 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 the Group, that would have a material adverse effect on its operation results or financial condition. Further, the Group has obtained all licenses, permits, approvals and certificates necessary to conduct its business operations and has complied with all applicable laws, rules and regulations in all material respects.

CONTINUING CONNECTED TRANSACTIONS

A. EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following transactions, each of which will, upon Listing, constitute a continuing connected transaction for the Company which is exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules:

1. Provision of logistic services to the Group by Telecom Service Network Limited

Since 2009, TSO has been engaging Telecom Service Network Limited (“TSN”) for the provision of logistic services for delivery of goods between the office, service centres and collection points of the Group. On 13 May 2013, TSO and TSN entered into an agreement in relation to such provision of services from the Listing Date to 31 March 2015. 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. The Directors consider that the agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

TSN is a wholly-owned subsidiary of East-Asia, a Shareholder which holds more than 30% interest in the Company. East-Asia is indirectly wholly-owned by the Cheung Family Trust, the discretionary objects of which include the Cheung Brothers (the significant shareholders of the Company and Directors). TSN is an associate of East-Asia and will be a connected person of the Company upon Listing.

The fees paid by TSO for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 were approximately HK\$125,000, HK\$417,000 and HK\$660,000 respectively. Such fees charged by TSN to the Group during the Track Record Period were also on a “per delivery” basis and determined by TSO and TSN with reference to the then market rate of similar services provided by Independent Third Parties. With reference to the historical amount, the nature of delivery required (i.e. normal or urgent basis) and the estimated number of delivery required (in view of the business growth), the annual fees paid and payable by TSO to TSN for the year ended 31 March 2013 and each of the two years ending 31 March 2015 are expected to be less than HK\$1,000,000, and the highest of the applicable percentage ratios calculated with reference to such annual service fees is less than 5%. Accordingly, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31(2) of the GEM Listing Rules.

2. Consignment of accessories for mobile phones and personal electronic products of certain brands to TDM

TSO has been selling accessories for mobile phones and personal electronic products of certain brands (the “Accessories”) at its service centres. TDM was also engaged in the sale of the Accessories at its retail shops. TDM is principally engaged in the sale of handsets and mobile voice and data plans at such retail shops, whereas the sales volume of the Accessories at such retail shops was immaterial. Under the Deed of Non-competition (details of which are set out in the paragraph headed “Deed of Non-competition” in the section headed “Relationship with Controlling Shareholders and Telecom Digital Group”), the Cheung Brothers shall procure their respective associates (including TDM) not to engage in any business which is or likely to be in

CONTINUING CONNECTED TRANSACTIONS

competition with the business of the Group. As a result, TDM has ceased to engage in the sale of the Accessories. Since December 2012, TDM has allowed TSO to sell the Accessories at the retail shops of TDM on a consignment basis in consideration of a consignment fee. TSO and TDM entered into a consignment agreement on 13 May 2013, pursuant to which TDM has agreed to allow TSO to sell the Accessories at the retail shops of TDM on a consignment basis. A 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 is 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. The Directors consider that the agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

The consignment agreement has a term from 1 December 2012 to 31 March 2015, subject to an option to renew exercisable by TSO to extend for a further term of 3 years.

TDM is a wholly-owned subsidiary of Sun Asia Pacific Limited (“**SAP**”), which is wholly-owned by the Cheung Brothers, the significant shareholders of the Company and Directors. TDM is an associate of the Cheung Brothers and will be a connected person of the Company upon Listing.

There was no consignment arrangement between TSO and TDM for the sale of the Accessories at the retail shops of TDM for the two years ended 31 March 2012. For the ten months ended 31 January 2013, the consignment fee paid by the Group to TDM amounted to approximately HK\$158,000. With reference to the historical amount of Accessories sold by TDM at its retail shops and the expected increase in demand and price of such Accessories, the annual consignment fees paid and payable by TSO to TDM for the year ended 31 March 2013 and each of the two years ending 31 March 2015 are expected to be less than HK\$1,000,000, and the highest of the applicable percentage ratios calculated with reference to such annual consignment fees is less than 5%. Accordingly, this transaction is exempt from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 20.31(2) of the GEM Listing Rules.

3. Sale of mobile phone accessories to New World Mobility Limited

Prior to the Listing Date, TDM was engaged in the sale of mobile phone accessories to New World Mobility Limited (“**New World**”), which would give such accessories to its customers as gifts or premium. Under the Deed of Non-competition (details of which are set out in the paragraph headed “Deed of Non-competition” in the section headed “Relationship with Controlling Shareholders and Telecom Digital Group”), the Cheung Brothers shall procure their respective associates (including TDM) not to engage in any business which is or likely to be in competition with the business of the Group. As a result, TDM has ceased to engage in the sale of mobile phone accessories to New World since 31 January 2013. Thereafter, New World has started to source mobile phone accessories from TSO. To facilitate the supply of mobile phone accessories to New World, TSO entered into an agreement with New World on 6 May 2013, pursuant to which TSO has agreed to sell mobile phone accessories to New World from the Listing Date to 31 March 2015 at cost plus a certain percentage of markup. The price of such mobile phone accessories is determined by TSO and New World with reference to the current market rate of similar products. The terms offered to TSO under the agreement are no less favourable than those offered to other

CONTINUING CONNECTED TRANSACTIONS

Independent Third Parties in the ordinary course of business. The Directors consider that the agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

New World is owned by TDM as to 40% interest. TDM is a wholly-owned subsidiary of SAP, which is wholly-owned by the Cheung Brothers, the significant shareholders of the Company and Directors. New World is an associate of the Cheung Brothers and will be a connected person of the Company upon Listing.

There was no sale arrangement between TSO and New World for the two years ended 31 March 2012 and the ten months ended 31 January 2013. With reference to the historical amount of mobile phone accessories sold by TDM to New World and the expected increase in demand and price of such accessories, the amount of mobile phone accessories purchased and to be purchased by New World from TSO for the year ended 31 March 2013 and each of the two years ending 31 March 2015 are expected to be less than HK\$1,000,000, and the highest of the applicable percentage ratios calculated with reference to such amount of mobile phone accessories to be purchased is less than 5%. Accordingly, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31(2) of the GEM Listing Rules.

4. Licencing arrangement with Telecom Digital Services Limited for the use of premises by TSO

TSO has entered into the following licence agreements with Telecom Digital Services Limited ("TDS") for the right to use certain premises by the Group as service booths:

- (i) licence agreement dated 8 July 2012 for portion of Suite 1713–14, 17/F, Hang Lung Centre, 2–20 Paterson Street, Causeway Bay, Hong Kong for a term of three years from 1 April 2012 to 31 March 2015 at a monthly licence fee of HK\$2,016 (inclusive of management fee, rates and government rent and utilities charges); and
- (ii) licence agreement dated 8 July 2012 for portion of Units 701–3, 7/F, Ginza Plaza, 2A–2H Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong for a term of three years from 1 April 2012 to 31 March 2015 at a monthly licence fee of HK\$1,650 (inclusive of management fee, rates and government rent and utilities charges). Such licence agreement was mutually terminated in April 2013 as the Group moved the service booth to one of its service centres in Mongkok.

TDS is a wholly-owned subsidiary of SAP, which is wholly-owned by the Cheung Brothers, the significant shareholders of the Company and Directors. TDS is an associate of the Cheung Brothers and will be a connected person of the Company upon Listing.

As the above licence agreements were for a term of three years commenced from 1 April 2012, no licence fees were paid by TSO to TDS under the licence agreements for the two years ended 31 March 2012. For the ten months ended 31 January 2013, the aggregate licence fees paid by the Group under the above licence agreements were approximately HK\$37,000. Jones Lang LaSalle, an independent property valuer, has confirmed that the licence fees payable under each of the above licence agreements reflect the prevailing market rates. The Directors consider that the

CONTINUING CONNECTED TRANSACTIONS

licence fees were arrived at after due and careful consideration and the above licence agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

The aggregate annual licence fees paid and payable by TSO under the above licence agreements for the year ended 31 March 2013 and each of the two years ending 31 March 2015 is expected to be less than HK\$1,000,000, and the highest of the applicable percentage ratios calculated with reference to such licence fees is less than 5%. Accordingly, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31(2) of the GEM Listing Rules.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following transactions, each of which will, upon Listing, constitute a non-exempt continuing connected transaction for the Company subject to reporting, announcement and/or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules (the “**Non-exempt Continuing Connected Transactions**”):

1. Provision of repair and refurbishment services to TDD

Since 2006, TSO has been providing repair and refurbishment services for pagers and two-way mobile data communication devices to TDD, which has only appointed TSO to provide the repair and refurbishment services for its pagers and two-way mobile data communication devices. On 13 May 2013, TSO entered into an agreement with TDD in relation to the provision of such services from the Listing Date to 31 March 2015. 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 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 agreement.

TDD is a wholly-owned subsidiary of SAP, which is wholly owned by the Cheung Brothers, the significant shareholders of the Company and the Directors. TDD is an associate of the Cheung Brothers and will be a connected person of the Company upon Listing.

The service fees paid by TDD to TSO for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 were approximately HK\$8,537,000, HK\$9,606,000 and HK\$7,787,000 respectively. The gross profit margins of this transaction were approximately 51.7%, 60.1% and 53.3% for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 respectively. As at 31 March 2011, there was no trade receivable due from TDD to the Group. As at 31 March 2012, the trade receivables due from TDD to the Group amounted to approximately HK\$2,899,000, which were fully subsequently settled on 31 July 2012. As at 31 January 2013, the trade receivables due from TDD to the Group amounted to approximately HK\$1,304,000, which were fully settled on 28 February 2013. With reference to the historical amount of service fees, the projected demand of services and fees adjustment, it is

CONTINUING CONNECTED TRANSACTIONS

expected that the aggregate service fees paid and payable by TDD for the year ended 31 March 2013 and each of the two years ending 31 March 2015 did not and will not exceed HK\$10,000,000, HK\$10,000,000 and HK\$10,000,000 respectively. For the purposes of compliance with the GEM Listing Rules, the above estimated aggregate service fees are treated as the annual caps of this transaction. The Directors consider that the amounts were arrived at after due and careful consideration and the agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group. The unaudited service fee paid by TDD to TSO for the year ended 31 March 2013 was approximately HK\$9,999,000.

As the highest of the applicable percentage ratios calculated with reference to such service fees is more than 25%, this transaction is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

2. Leasing of premises by the Group from certain subsidiaries of East-Asia

TSO has been leasing properties in Hong Kong from certain wholly-owned subsidiaries of East-Asia for the use by the Group as office premises and service centres and it is expected that TSO will continue to do so after the Listing. East-Asia is a Shareholder which holds more than 30% interest in the Company. East-Asia is indirectly wholly-owned by the Cheung Family Trust, the discretionary objects of which include the Cheung Brothers (the significant shareholders of the Company and Directors). Each of the wholly-owned subsidiaries mentioned below, namely Oceanic Rich Limited (“**Oceanic Rich**”), Glossy Investment Limited (“**Glossy Investment**”), and Glossy Enterprises Limited (“**Glossy Enterprises**”) is an associate of East-Asia and will be a connected person of the Company upon Listing. Each of these tenancy agreements will become a continuing connected transaction for the Company upon Listing.

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and saleable area (sq. ft.)
(i)	Unit 1807, 18/F, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	Oceanic Rich	5 June 2012	two years and two months from 1 February 2012 to 31 March 2014	HK\$50,540 (exclusive of government rates, government rent and management fee)	head office, repair centre and warehouse 5,511 sq. ft.
			9 August 2012	one year from 1 April 2014 to 31 March 2015	ditto	ditto
(ii)	Unit B, 23/F, Kyoto Plaza, Nos. 491–499 Lockhart Road, Wanchai, Hong Kong	Oceanic Rich	15 June 2012	one year from 1 April 2012 to 31 March 2013	HK\$34,925 (exclusive of management fee, air-conditioning charges, government rates and government rent)	repair centre 815 sq. ft.
			13 August 2012	two years from 1 April 2013 to 31 March 2015	ditto	ditto

CONTINUING CONNECTED TRANSACTIONS

	Address	Landlord	Date of tenancy agreement	Term	Monthly rent	Usage and saleable area (sq. ft.)
(iii)	Portion of Units 1202 & 1203, Units 1205-06, 12/F Ginza Plaza, No. 2A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong (Note 1)	Oceanic Rich	29 November 2012	two years from 1 April 2013 to 31 March 2015	HK\$79,296 (exclusive of management fee and air-conditioning charges but inclusive of government rates and government rent)	repair centre 2,017 sq. ft.
(iv)	Units 1808-1810, 18/F, Tower 2, Metroplaza, No. 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong (Note 2)	Oceanic Rich	30 October 2012	two years and five months from 1 November 2012 to 31 March 2015	HK\$63,700 (exclusive of government rates and management fee but inclusive of government rent)	repair centre 1,505 sq. ft.
(v)	Unit 1805 & Portion B of Unit 1806, 18/F, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	Glossy Investment	5 June 2012	two years and two months from 1 February 2012 to 31 March 2014	HK\$76,888 (exclusive of government rates, government rent and management fee)	head office and repair centre 9,590 sq. ft.
			9 August 2012	one year from 1 April 2014 to 31 March 2015	ditto	ditto
(vi)	Unit A, 23/F, Kyoto Plaza, Nos. 491-499 Lockhart Road, Wanchai, Hong Kong	Glossy Enterprises	15 June 2012	one year from 1 April 2012 to 31 March 2013	HK\$40,990 (exclusive of management fee, air-conditioning charges, government rates and government rent)	repair centre 968 sq. ft.
			13 August 2012	two years from 1 April 2013 to 31 March 2015	ditto	ditto

Notes:

- The Group currently leases units on three different floors at Ginza Plaza in Mongkok pursuant to three tenancy agreements with Oceanic Rich and two Independent Third Parties respectively, and is operating a service centre on each of such three floors at Ginza Plaza.
- As informed by Oceanic Rich, Oceanic Rich entered into a provisional sale and purchase agreement with an Independent Third Party to dispose of the premises (together with the tenancy) on 5 November 2012. Such disposal was completed on 5 February 2013 and as such, the rights and obligations of Oceanic Rich under the tenancy had been assigned to such Independent Third Party, who is now the landlord of the tenancy, and the tenancy no longer constitutes a continuing connected transaction for the Company.

Each of Oceanic Rich, Glossy Investment and Glossy Enterprises is a wholly-owned subsidiary of East-Asia, a Shareholder which holds more than 30% interest in the Company. East-Asia is indirectly wholly-owned by the Cheung Family Trust, the discretionary objects of which include the Cheung Brothers (the significant shareholders of the Company and Directors). Each of Oceanic Rich, Glossy Investment and Glossy Enterprises is an associate of East-Asia and will be a connected person of the Company upon Listing.

CONTINUING CONNECTED TRANSACTIONS

The aggregate annual rentals paid by TSO for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 in respect of the above leased properties to the above connected persons were approximately HK\$1,320,000, HK\$1,989,000 and HK\$3,113,000 respectively. It is expected that the aggregate annual rentals paid and payable by TSO under the above tenancy agreements for the year ended 31 March 2013 and each of the two years ending 31 March 2015 did not and will not exceed HK\$3,716,000, HK\$3,234,000 and HK\$3,392,000 respectively. For the purposes of compliance with the GEM Listing Rules, the above aggregate annual rentals are treated as the annual caps of this transaction. Jones Lang LaSalle, an independent property valuer, has confirmed that the rentals paid by the Group to the connected persons of the Company during the Track Record Period reflected the then prevailing market rates, and the rentals payable under each of the above tenancy agreements reflect the prevailing market rates. The Directors consider that the rental amounts were arrived at after due and careful consideration and the above tenancies have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

As the highest of the aggregate annual rentals under the above tenancy agreements is less than HK\$10,000,000 and the highest of the applicable percentage ratios calculated with reference to such aggregate annual rentals is less than 25%, this transaction is subject to reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Rule 20.34 of the GEM Listing Rules.

3. Purchase of parts and components from SAP (and its subsidiaries)

Since 2006, TSO has been purchasing parts and components such as parts for repairing pagers and two-way mobile data communication devices and mobile phone accessories from SAP and its subsidiaries (the "SAP Group"). On 13 May 2013, SAP and TSO entered into an agreement in relation to such purchase of parts and components from the Listing Date to 31 March 2015. The price of the parts and components purchased from the SAP Group is at cost plus certain percentage of the value of the orders. The prices of the parts and components are determined by TSO and SAP with reference to the current market rate of similar products. 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.

SAP is wholly-owned by the Cheung Brothers, the significant shareholders of the Company and Directors. Each of SAP and its subsidiaries is an associate of the Cheung Brothers and will be a connected person of the Company upon Listing.

The amount of parts and components purchased from the SAP Group for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 were approximately HK\$1,071,000, HK\$759,000 and HK\$1,104,000 respectively. The amount of parts and components purchased from the SAP Group increased in the ten months ended 31 January 2013 primarily because more parts and components in the pagers and two-way mobile data communication devices became defective due to normal wear and tear, which resulted in consumption of more parts and components for replacement. The prices of the parts and components charged by the SAP Group during the Track Record Period were also at cost plus certain percentage of the value of the orders and determined by TSO and SAP with reference to the then market rate of similar products. With reference to the historical amount of parts and components purchased and the projected increase in

CONTINUING CONNECTED TRANSACTIONS

the purchase price, and taking into account that more parts and components in the pagers and two-way mobile data communication devices may become defective due to normal wear and tear, which results in consumption of more parts and components for replacement, it is expected that the amount of parts and components purchased and to be purchased from the SAP Group for the year ended 31 March 2013 and each of the two years ending 31 March 2015 did not and will not exceed HK\$1,250,000, HK\$1,380,000 and HK\$1,520,000 respectively. For the purposes of compliance with the GEM Listing Rules, the above estimated aggregate amount of parts and components to be purchased are treated as the annual caps of this transaction. The Directors consider that the amounts were arrived at after due and careful consideration and the agreement has been entered into on normal commercial terms and in the ordinary course of business of the Group.

As the highest of the aggregate amount of parts and components to be purchased under the agreement is less than HK\$10,000,000 and the highest of the applicable percentage ratios calculated with reference to such amount is less than 25%, this transaction is subject to reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Rule 20.34 of the GEM Listing Rules.

C. 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, the Directors (including the independent non-executive Directors) are of the view that:

- (a) the Non-exempt Continuing Connected Transactions have been and will be entered into in the ordinary and usual course of business of the Group on normal commercial terms; and
- (b) the terms of the Non-exempt Continuing Connected Transactions and their respective annual caps for the year ended 31 March 2013 and each of the two years ending 31 March 2015 are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Based on its review of the relevant documentation and historical figures provided by the Company, the Sole Sponsor is of the view that the Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the Non-exempt Continuing Connected Transactions and the respective annual caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules for the Non-exempt Continuing Connected Transactions. The 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.

D. PROVISION OF REPAIR AND REFURBISHMENT SERVICES TO TDD DURING THE TRACK RECORD PERIOD

Terms of service agreements between TSO and TDD during Track Record Period

- Term

During the Track Record Period, TSO and TDD entered into two services agreements in respect of provision of repair and refurbishment services from TSO to TDD. The first service agreement was entered into on 1 April 2010, which commenced from 1 April 2010. It was subsequently superseded by the second service agreement dated 1 April 2011, which commenced from 1 April 2011 and shall continue until terminated.

- Scope of service

The scope of repair and refurbishment services provided by TSO to TDD included:

- providing refurbish on housings
- conducting logic testing/full specification measurement
- re-programing or upgrading software for products
- troubleshooting components
- replacing faulty component
- providing screening service on device

- Service fee

The service fees charged by TSO on TDD are comparable to the service fees for repair and refurbishment services provided to other corporate customers in terms of, among others, profit margin.

- Reimbursement of costs of spare parts consumed

Costs of spare parts consumed for repair and refurbishment services were reimbursed by TDD.

- Issue of invoice

TSO issued invoices to TDD at the end of each month setting out the details of the service charges.

- Termination

Pursuant to the termination clause in the service agreements, both parties had the right to terminate the service agreement by serving one month prior written notice to the other; and TDD would be entitled to terminate the service agreement if TSO failed to comply with any provision of the agreement or defaults in the performance of any obligation or duty thereunder.

CONTINUING CONNECTED TRANSACTIONS

Receivables from TDD

As at 31 March 2011, there was no trade receivable due from TDD to the Group. As at 31 March 2012, the trade receivables due from TDD to the Group amounted to approximately HK\$2,899,000, which were fully settled on 31 July 2012. As at 31 January 2013, the trade receivables due from TDD to the Group amounted to approximately HK\$1,304,000, which were fully settled on 28 February 2013.

Cashflow requirement under Rule 11.12A(1) of the GEM Listing Rules

The Group, after deducting the repair and refurbishment service fees paid by TDD to the Group during the Track Record Period, would not fulfill the listing requirements under Rule 11.12A(1) of the GEM Listing Rules of having a positive cash flow generated from operating activities in the ordinary and usual course of business before changes in working capital and taxes paid of at least HK\$20,000,000 in aggregate for the two financial years ended 31 March 2012.

The Directors and the Sole Sponsor consider that the operating cash flow from transactions with TDD shall not be disregarded in assessing the Group's compliance with the operating cash flow requirement under Rule 11.12A(1) of the GEM Listing Rules for the following reasons:

- (i) Such cash flow was generated by the Group in the provision of repair and refurbishment services to TDD, which was conducted in the ordinary and usual course of business of the Group and on normal commercial terms.
- (ii) There are no rules under the GEM Listing Rules that profits from transactions with connected persons or closely related parties must be disregarded in assessing the compliance with the operating cash flow requirement.
- (iii) The transactions with TDD are not excessive or substantial to the Group, and will become less and less important to the Group's business.

The service fee paid by TDD to the Group for the provision of repair and refurbishment services represented approximately 22.5%, 13.8% and 12.3% of the Group's revenue for the two financial years ended 31 March 2012 and the ten months ended 31 January 2013 respectively. The Directors expect that the percentage contribution of the repair and refurbishment service fees received and to be received by the Group from TDD to the total revenue of the Group for the year ended 31 March 2013 and each of the two financial years ending 31 March 2015 respectively did not and will not be higher than 13.8%, being the percentage contribution of the repair and refurbishment service fees received by the Group from TDD to the total revenue of the Group for the financial year ended 31 March 2012.

- (iv) The Group can carry on business independently without any reliance on TDD.

The business model, process and associated risks of provision of repair and refurbishment services to TDD are substantially the same as those of transactions with certain independent corporate customers of the Group. Should there be any decline in sales to TDD, the resources could be allocated to the business with Independent Third Parties. As such, the Group can carry on business without any reliance on the transactions with TDD.

CONTINUING CONNECTED TRANSACTIONS

- (v) The transactions with TDD are not designed to enable the Group to meet the operating cash flow requirement.

TDD, as a major pager and two-way paging service provider in Hong Kong, is the same as other manufacturers of personal electronic products and telecommunication service providers and has a concrete business need to appoint a service provider to provide repair services for its customers and repair pagers and wireless data devices.

The provision of repair and refurbishment services to TDD by the Group has been carried out continuously since 2006. The connected transactions are carried out due to the normal commercial need of TDD and the principal business of the Group, but not in any way designed to enable the Group to meet the operating cash flow requirement under the GEM Listing Rules for the purpose of the proposed Listing.

Sole Sponsor's due diligence works

In relation to the provision of repair and refurbishment services by TSO to TDD during the Track Record Period, the Sole Sponsor has performed the following due diligence works for the purpose of satisfying itself that the relevant transactions were conducted in accordance with the relevant service agreements during the Track Record Period and therefore on normal commercial terms:

- (i) compared the service contracts entered into between TSO and TDD during the Track Record Period and those with other customers which were Independent Third Parties and found that the principal terms including the term of services, scope of services, service fee, reimbursement of costs of spare parts consumed, issue of invoice, termination clause, were similar and comparable. However, prior to 1 August 2012, since there were account payables and receivables among TSO and its related companies (including TDD), which are all controlled by the Cheung Brothers, from time to time, it was agreed by TSO and TDD after arm's length negotiation that settlements were not carried out and various account balances were set off within three months after the end of each financial year. Although such setting off arrangement was not under the service agreements between TSO and its other corporate customers, it was a result of arm's length negotiation between TSO and TDD and shall not be considered to affect the terms offered to TSO being normal commercial terms, given that all the major terms of the service agreements between TSO and TDD were normal commercial terms as mentioned above;
- (ii) obtained and reviewed the relevant documents under the walk-through due diligence (including service contracts entered into between TSO and TDD during the Track Record Period, samples of transaction documents, invoices issued by TSO to TDD in respect of the services performed and the corresponding settlement records) whereby no material deviation from the service contracts was identified;
- (iii) discussed with the management about the business arrangement between TSO and TDD;

CONTINUING CONNECTED TRANSACTIONS

- (iv) discussed with and understood from the reporting accountants of the Company the due diligence works performed by them in respect of the transactions between the Group and TDD and obtained from them the primary documentation received by them pursuant to their due diligence works;
- (v) discussed with the internal control consultant of the Company the works performed by it in relation to the internal control of the Company and obtained from the internal control consultant the primary documentation received by it pursuant to its works; and
- (vi) compared the transactions between the Group and TDD with selected samples of transactions between the Group and those corporate customers of the Group which had substantially the same business arrangements as those with TDD, and noted that the service fees charged by TSO on TDD are comparable to the service fees for repair and refurbishment services provided to other corporate customers in terms of, among others, profit margin.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The Board is responsible and has general powers for the management and conduct of the Group's business. The following table sets forth information regarding the current Directors:

Members of the Board

The following table sets out certain information in respect of the Directors:

Name	Age	Position	Date of appointment	Roles and responsibilities	Relationship with other Director(s)
Mr. Cheung King Shek	61	Chairman and non-executive Director	3 August 2012	advising on overall strategic planning and management	elder brother of Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny
Mr. Cheung King Fung Sunny	45	Executive Director	3 August 2012	managing customer relationship and explore new business opportunities	younger brother of Mr. Cheung King Shek, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby
Mr. Cheung King Shan	54	Non-executive Director	3 August 2012	advising on marketing and sales strategies	younger brother of Mr. Cheung King Shek and the elder brother of Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny
Mr. Cheung King Chuen Bobby	54	Non-executive Director	3 August 2012	advising on administrative operation	younger brother of Mr. Cheung King Shek and Mr. Cheung King Shan, and the elder brother of Mr. Cheung King Fung Sunny
Mr. Hui Ying Bun	66	Independent non-executive Director	30 April 2013	providing independent advice to the Board	nil
Mr. Fong Ping	62	Independent non-executive Director	30 April 2013	providing independent advice to the Board	nil
Mr. Chu Kin Wang, Peleus	48	Independent non-executive Director	30 April 2013	providing independent advice to the Board	nil
Ms. Kwok Yuen Man, Marisa	58	Independent non-executive Director	30 April 2013	providing independent advice to the Board	nil

Chairman and non-executive Director

Mr. Cheung King Shek (張敬石), aged 61, was appointed as a Director in August 2012 and appointed as Chairman and re-designated as non-executive Director in April 2013 and is responsible for advising on overall strategic planning and management of the Group. Mr. Cheung has been a director of TSO since April 1987. He has been an executive director of Telecom Digital Group since September 1982 and is the Chairman of Telecom Digital Group. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of Telecom Digital Group. Mr. Cheung brings to Telecom Digital Group more than 30 years of

DIRECTORS, SENIOR MANAGEMENT AND STAFF

experience in the telecommunications industry and has achieved a solid track record of achievements. Under his leadership and stewardship, Telecom Digital Group has grown to be a versatile service provider in the telecommunications industry, providing services in mobile communications, 2-way data, paging and information broadcasting. 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 a committee member of Chinese People Political Consultative Conference of Guangdong Province, and an honorary citizen of Swatow City. He is the elder brother of Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby, the non-executive Directors, and Mr. Cheung King Fung Sunny, the executive Director.

Executive Director

Mr. Cheung King Fung Sunny (張敬峯), aged 45, was appointed as a Director in August 2012 and re-designated as executive Director in April 2013 and is primarily responsible for managing the Group's relationship with the customers and exploring new business opportunities for the Group. Mr. Cheung has been a director of TSO since June 1999. Mr. Sunny Cheung joined Telecom Digital Group in 1991 and is an executive director of Telecom Digital Group, responsible for overseeing the areas of finance and operation, management information system and technical support of Telecom Digital Group. Mr. Sunny 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 Chinese People Political Consultative Conference of Guangdong Province. Mr. Sunny Cheung is the younger brother of Mr. Cheung King Shek, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby, the non-executive Directors.

Non-executive Directors

Mr. Cheung King Shan (張敬山), aged 54, was appointed as a Director in August 2012 and re-designated as non-executive Director in April 2013 and is advising on marketing and sales strategies. Mr. Cheung has been a director of TSO since June 1999. He joined Telecom Digital Group in 1983 and is an executive director of Telecom Digital Group, responsible for the overall planning and formulation of the its marketing and sales strategies in line with its sales and corporate targets, and plays a major role in the growth of the sales volume and customer base. 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 Chinese People Political Consultative Conference of Dongguan City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, the Chairman and non-executive Director, and the elder brother of Mr. Cheung King Chuen Bobby, the non-executive Director, and Mr. Cheung King Fung Sunny, the executive Director.

Mr. Cheung King Chuen Bobby (張敬川), aged 54, was appointed as a Director in August 2012 and re-designated as non-executive Director in April 2013 and is advising on administrative operation. Mr. Cheung has been a director of TSO since April 1987. He joined Telecom Digital Group in 1984 and is an executive director 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. 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.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Cheung is a committee member of Chinese People Political Consultative Conference of Swatow, and an honorary citizen of Swatow City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, the Chairman, and Mr. Cheung King Shan, a non-executive Director, and the elder brother of Mr. Cheung King Fung Sunny, the executive Director.

Independent non-executive Directors

Mr. Hui Ying Bun (許應斌), aged 66, was appointed as an independent non-executive Director in April 2013. Mr. Hui has been a non-executive director of Dah Chong Hong Holdings Limited (“DCH Holdings”), a company listed on the Main Board of the Stock Exchange with stock code of 1828, since January 2012. He has also been the chairman of DCH Holdings since July 2007 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 since January 2003. Mr. Hui has more than 40 years experience in motor vehicle businesses and corporate management.

Mr. Fong Ping (方平), aged 62, was appointed as an independent non-executive Director in April 2013. Mr. Fong has over 26 years of experience in garment and jewelry industries. Mr. Fong is the chairman of Kwai Tsing District Council, an observer of Independent Police Complaints Council. Mr. Fong is also a committee member of Chinese People Political Consultative Conference of Guangdong Province and a standing committee member of Chinese People Political Consultative Conference of Swatow City. Since 15 June 2012, he has been an independent non-executive director of TC Orient Lighting Holdings Limited (stock code: 515), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Chu Kin Wang, Peleus (朱健宏), aged 48, was appointed as an independent non-executive Director in April 2013. Mr. Chu has over 20 years of experience in corporate finance, auditing, accounting and taxation. Since 1 December 2008, he has been the executive director of Chinese People Holdings Limited (stock code: 681), a company listed on the Main Board of the Stock Exchange. During the period from September 2005 to March 2007, Mr. Chu was an executive director of Mastermind Capital Limited (stock code: 905), a company listed on the Main Board of the Stock Exchange and known as Haywood Investments Limited during the relevant period. He was the company secretary of Hong Long Holdings Limited (stock code: 1383), a company listed on the Main Board of the Stock Exchange, responsible for corporate finance, financial reporting and compliance and company secretarial matters from 2007 to 2010. Mr. Chu has been or was an independent non-executive director of the following companies listed on the Main Board or GEM of the Stock Exchange:

- EDS Wellness Holdings Limited (stock code: 8176) since 5 March 2012
- China Vehicle Components Technology Holdings Limited (stock code: 1269) since 19 October 2011
- Flyke International Holdings Ltd. (stock code: 1998) since 24 February 2010
- Huayu Expressway Group Ltd. (stock code: 1823) since 21 May 2009
- EYANG Holdings (Group) Co., Limited (stock code: 117) since 16 April 2007

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- Sustainable Forest Holding Limited (stock code: 723) from 31 January 2008 to 31 August 2010

Mr. Chu graduated from the University of Hong Kong with a master's degree in business administration. Mr. Chu is a fellow practicing member of Hong Kong Institute of Certified Public Accountants, fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Ms. Kwok Yuen Man, Marisa (郭婉雯), aged 58 was appointed as an independent non-executive Director in April 2013. She has over 10 years of experience in holding senior managerial roles in telecommunication industry. She joined Cable & Wireless HKT Limited in April 1982 and left the company in February 2000 when she was the director of corporate market. In 2001, she joined Hong Kong CSL Limited as director, marketing and operations and left the company in June 2004. She later joined PCCW-HKT Limited as managing director, commercial group from June 2004 to February 2006. From June 2006 to March 2007, she was the managing director of Boyden China Limited, a global executive search firm. From March 2007 to March 2011, Ms. Kwok was the general manager, marketing unit HK & Macau, of Sony Ericsson Mobile Communications International AB. Currently, Ms. Kwok is a director of Rich Gain Worldwide Limited, which is principally engaged in retail of apparel, leather goods & accessories. She holds a bachelor of arts honours degree in business administration from the University of Western Ontario.

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 GEM Listing Rules.

SENIOR MANAGEMENT

Ms. Lee Wing Tsz (李詠慈), aged 44, was appointed as the Chief Financial Officer of the Group in August 2012 and is primarily responsible for the financial management of the Group. Ms. Lee worked for Telecom Digital Services Limited as its group financial controller from September 2009 to August 2012. Since August 2012, Ms. Lee has been under the Group's employment but not the other businesses of the Controlling Shareholders. Ms. Lee also worked for SHINEWING Tax and Business Advisory Ltd as tax manager from May 2006 to August 2009. Ms. Lee had worked for The Law Debenture Corporation (H.K.) Ltd as assistant trust manager from November 2002 to September 2005. She was a tax manager of Ernst & Young Tax Service Ltd 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.

Ms. Fong Kit Sze (方潔絲), aged 38, has been the General Manager of TSO since October 2008 and is primarily responsible for client management and supervision of the daily operation of TSO. She joined TSO in May 2004 as business development manager. Ms. Fong was the business development manager of Telecom Digital Services Limited from October 2003 to April 2004 and was primarily responsible for the development of IDD business. Since May 2004, Ms. Fong has been under the Group's employment but not the other businesses of the Controlling Shareholders. Ms. Fong also worked for Wharf T&T Limited and New World Telephone Limited as account manager from June 2003 to September 2003 and from February 2002 to June 2003 respectively. Ms. Fong received her bachelor's degree in social science in East Asian studies from the City University of Hong Kong in November 1998.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE OFFICER

Mr. Cheung King Fung Sunny, aged 45, is the compliance officer of the Company. For details of his qualifications and experience, please refer to the sub-paragraph headed “Executive Director” in this section.

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva (林婉玲), aged 46, is a director of BMI Corporate Services Limited with over 19 years of experience in company secretarial services and commercial solutions. Ms. Lam obtained a Higher Certificate in Company Secretaryship and Administration from Hong Kong Polytechnic (now renamed the Hong Kong Polytechnic University) in 1993. Ms. Lam is an associate of The Hong Kong Institute of Chartered Secretaries and also an associate of The Institute of Chartered Secretaries and Administrators. Ms. Lam currently holds the following positions in companies listed on the Stock Exchange:

- joint company secretary of China Suntien Green Energy Corporation Limited (stock code: 956)
- company secretary of China Bio-Med Regeneration Technology Limited (stock code: 8158)
- company secretary of Vision Fame International Holding Limited (stock code: 1315)

REMUNERATION POLICY

The executive Director, the independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

After the Listing, the Directors and senior management may also receive options to be granted under the Share Option Scheme.

STAFF OF THE GROUP

As at the Latest Practicable Date, the Group had a total of 195 staff. The following table shows a breakdown of the staff by functions as at the Latest Practicable Date:

Functions	Number of staff
Office administration and accounting	7
Customer service	65
Inventory management and operation administration	33
Operation management	10
Technical	80
Total	195

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF RELATIONS

The Group recognises the importance of a good relationship with the employees. The Group has not experienced any significant problems with its employees or disruption to the operations due to labour disputes, nor has the Group experienced any difficulties in the recruitment and retention of staff.

The Group believes that the employee relations are satisfactory in general. The 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

The Group has 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.

The Group has also participated in the labour pension prescribed by the Labour Pension Act in Taiwan. 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

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 May 2013 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 Corporate Governance Code 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 monitor integrity of the Company's financial statements and reports and accounts, and review significant financial reporting judgements contained in them; to oversee the financial reporting system and internal control procedures of the Company; and to review arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters. At present, the audit committee of the Company consists of four members, namely Mr. Hui Ying Bun, Mr. Fong Ping, Mr. Chu Kin Wang, Peleus and Ms. Kwok Yuen Man, Marisa. Mr. Chu is the chairman of the audit committee.

Remuneration committee

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 2 May 2013 with written terms of reference in compliance with paragraph B1.2 of the Corporate Governance Code 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 remuneration policy and structure relating to all Directors and senior management of the Group and to ensure that none of the Directors determines his own remuneration. The remuneration committee consists of four members, namely Mr. Hui Ying Bun, Mr. Fong Ping, Mr. Chu Kin Wang, Peleus and Ms. Kwok Yuen Man, Marisa. Mr. Fong is the chairman of the remuneration committee.

Nomination committee

The Company established a nomination committee pursuant to a resolution of the Directors passed on 2 May 2013 with written terms of reference in compliance with paragraph A5.2 of the Corporate Governance Code 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 succession planning for directors of the Company. The nomination committee consists of four members, namely Mr. Hui Ying Bun, Mr. Fong Ping, Mr. Chu Kin Wang, Peleus and Ms. Kwok Yuen Man, Marisa. The chairman of the nomination committee is Mr. Hui Ying Bun.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company will appoint China Everbright Capital to be the compliance adviser which will have access to all relevant records and information relating to the Group that it may reasonably require to properly perform its duties. The Company expects to enter into a compliance advisor agreement with China Everbright Capital prior to Listing. The compliance adviser will advise the Group on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. The material terms of the compliance adviser's agreement to be entered into between the Company and its compliance adviser include the following:

- (i) the compliance adviser shall be appointed for a period commencing on the Listing Date and ending on the date on which the 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 agreement is terminated, whichever is earlier;
- (ii) pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise the Company in the following circumstances:
 - (a) before the publication of any regulatory announcement, circular or financial report;
 - (b) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated including share issues and share repurchases;
 - (c) where the Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and
 - (d) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (iii) the appointment may be terminated by the Company if China Everbright Capital's work as the compliance adviser is of an unacceptable standard or if China Everbright Capital is no longer able to perform its role as compliance adviser of the Company or if there is a material dispute (which cannot be resolved within 30 days) over fees payable by the Company to China Everbright Capital as permitted under Rule 6A.26 of the GEM Listing Rules and upon written notice of not less than three months;
- (iv) the appointment may be terminated by China Everbright Capital by giving at least one month's notice in writing to the Company if:
 - the Company has committed a material breach of its obligations under the compliance advisor agreement (which the Company has failed to rectify within a period of 30 days (or such longer period as may be mutually agreed by the Company and China Everbright Capital) after a written notice has been given by China Everbright Capital to the Company notifying the Company of such breach);
 - the Company goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), or if a receiver is appointed for the whole or any substantial part of the assets or undertaking of the Company or an administrator is appointed or if the Company convenes a meeting of creditors or makes or proposes to make any arrangement or composition with or assignment for the benefit of its creditors or ceases or threatens to cease to carry on its business; or
 - the Company persistently fails to take into account the reasonable advice or recommendation of China Everbright Capital or in relation to any matter which China Everbright Capital considers in its reasonable opinion to be material.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 2 May 2013 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.

CONTROLLING, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware and save as disclosed below, 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 Offer Size Adjustment Option and options that may be granted under the Share Option Scheme), there are no persons/entities which will have any interest or short position in the Shares or underlying Shares that will be required to be disclosed to the 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 the Group (other than a member of the Group):

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholder after the Placing and the Capitalisation Issue	
East-Asia	Beneficial owner	66,000,000		55%
Amazing Gain ⁽¹⁾	Interest in a controlled corporation	66,000,000		55%
Sarasin Trust Company (Singapore) Limited ⁽¹⁾	Trustee (other than a bare trustee)	66,000,000		55%
Mr. Cheung King Shek	(a) Beneficial owner	(a) 6,000,000	(a)	5%
	(b) Beneficiary of a trust ⁽¹⁾	(b) 66,000,000	(b)	55%
Mr. Cheung King Shan	(a) Beneficial owner	(a) 6,000,000	(a)	5%
	(b) Beneficiary of a trust ⁽¹⁾	(b) 66,000,000	(b)	55%
Mr. Cheung King Chuen Bobby	(a) Beneficial owner	(a) 6,000,000	(a)	5%
	(b) Beneficiary of a trust ⁽¹⁾	(b) 66,000,000	(b)	55%
Mr. Cheung King Fung Sunny	(a) Beneficial owner	(a) 6,000,000	(a)	5%
	(b) Beneficiary of a trust ⁽¹⁾	(b) 66,000,000	(b)	55%
Ms. Law Lai Ying Ida ⁽²⁾	Interest of spouse	72,000,000		60%
Ms. Tang Fung Yin Anita ⁽²⁾	Interest of spouse	72,000,000		60%
Ms. Yeung Ho Ki ⁽²⁾	Interest of spouse	72,000,000		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 Offer Size Adjustment Option and options that may be granted under the Share Option Scheme), East-Asia will hold 66,000,000 Shares, representing 55% of the share capital of the Company. East-Asia 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 Sarasin Trust Company (Singapore) Limited (the “Trustee”), the trustee of 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 in the Company and the associated corporations held by the Cheung Family Trust under the SFO.
- (2) Ms. Law Lai Ying Ida is the wife of Mr. Cheung King Shek. Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Under the SFO, each of Ms. Law Lai Ying Ida, Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in the Shares which are interested by their respective husbands.

For further information on the Directors’ interests which have to be notified to the 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 Directors and Substantial Shareholders - 1. Directors” in Appendix V to this prospectus.

CONTROLLING, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

CONTROLLING SHAREHOLDERS

So far as the Directors are aware, 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 Offer Size Adjustment Option or options which may be granted under the Share Option Scheme), the Company will be owned as to 55% by East-Asia and as to 5% by each of Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny. East-Asia 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 Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny, the Directors of the Company. In view of the above, East-Asia, Amazing Gain, the Cheung Brothers and the Cheung Family Trust are considered as the Controlling Shareholders of the Company in this prospectus.

SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, save for those persons disclosed under the paragraphs headed “Substantial Shareholders” and “Controlling Shareholders” in this section and the paragraph headed “C. Further Information about Directors and Substantial Shareholders – 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 Offer Size Adjustment 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 meetings of the Company and are therefore regarded as significant Shareholders under the GEM Listing Rules.

CONTROLLING SHAREHOLDERS

The Group has been established, owned and managed by the Cheung Brothers since its incorporation. 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 Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the Company will be owned as to 55% by East-Asia and as to 5% by each of Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny. East-Asia 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 Cheung Family Trust is a discretionary trust, which is constituted by a trust deed. The discretionary objects of the Cheung Family Trust include Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny, the Directors of the Company. Under the trust deed, the trustee of the Cheung Family Trust has full discretion to manage and control the assets of the Cheung Family Trust. Hence, after the Cheung Family Trust has been established, no persons (including the late Mr. Cheung Kung Wing) has any power to direct the trustee to take any action in respect of the trust assets, which are held directly or indirectly by Amazing Gain. In this prospectus, East-Asia, Amazing Gain, the Cheung Brothers and the Cheung Family Trust are considered as the Controlling Shareholders of the Company.

TELECOM DIGITAL GROUP

Telecom Digital Group, which are wholly owned by the Cheung Brothers, are engaged in the business of providing paging and information broadcasting services; mobile and IDD services; and interactive mobile data services over the network in Hong Kong, Macau and the Pearl River Delta. The principal operating members of Telecom Digital Group include the following companies.

Telecom Digital Securities Limited is a brokerage firm licenced 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. Customers of the firm may execute their trade through telephone, the Internet or mobile data devices. Mango is the brand name for Telecom Digital Group's interactive mobile data service which, by utilising the Mobitex technology, includes mobile stock trading, mobile betting and mobile messaging and email services.

TDM is the service provider of New World Mobility Limited, a mobile virtual network operator formed jointly by CSL Limited and TDM in 2008 for the provision of mobile services in Hong Kong. New World Mobility Limited is owned by CSL Limited and TDM as to 60% and 40%, respectively.

TDD is a provider of real time financial price quotes and information services via the Internet as well as mobile data, paging, information broadcasting and IDD services.

Telecom (Macau) Limited is a paging operator in Macau.

Since the businesses of the Group and of Telecom Digital Group are clearly distinguished, the Directors are of the view that there is no competition between the Group and Telecom Digital Group.

The Directors, to the best of their knowledge, information and belief, have confirmed that, none of the Controlling Shareholders, the substantial shareholders of the Company, the Directors and their respective associates is interested in any business which competes, or may compete, directly or indirectly, with the business of the Company.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors believe that the Group can carry on its business independent of and without financial reliance on the Controlling Shareholders and its associates following the Listing.

Management independence

The Board comprises one executive Director, three non-executive Directors and four independent non-executive Directors. The senior management of the Group consists of two members. The executive Director and the non-executive Directors are the Cheung Brothers.

The daily operational decisions of the Group are made by the executive Director and senior management of the Group. After the completion of the Placing, Mr. Cheung King Fung Sunny, the executive Director, will continue to be involved in the overall corporate direction, strategic development, and major decisions in respect of the Group. The day-to-day operations of the Group will be managed by the senior management of the Group. Mr. Cheung King Shek, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby, being the non-executive Directors, participate in advising on overall strategic planning and management, marketing and sales strategies and administrative operation. Other than the Cheung Brothers, the other Directors and senior management of the Group are not involved in other businesses of the Controlling Shareholders and their associates.

In the event that there is a potential conflict of interests arising out of any transaction to be entered into between the Group and the 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 the Group and the Cheung Brothers or their associates, the Cheung Brothers will not be counted in the quorum and will abstain from voting on such matters.

Whether a Director has a conflict of interest with Group depends on the relevant circumstances. The fact that a Director also holds directorship in other companies will not necessarily create a conflict of interest between such Director and the Company unless the interest of the Director or such other companies in which he holds directorship as well as the interest of the Group are involved at the same time. Following the Listing, the Company is required to comply with the GEM Listing Rules under which connected transactions are required to be reviewed by independent non-executive Directors, and where appropriate, subject to independent Shareholders' approval.

Moreover, the senior management of the Group are also independent of the Controlling Shareholders and their respective associates. Based on all the above, the Directors are of the view that the management of the Group is effectively independent of the Controlling Shareholders.

In the event of conflict of interest, for example, when considering the renewal, amendment or termination of the continuing connected transactions between the Group and the Controlling Shareholders set out in the section headed “Continuing Connected Transactions” in this prospectus, or the remuneration of the executive and non-executive Directors, which requires the Cheung Brothers to abstain from voting, the four independent non-executive Directors will be responsible to consider and approve the transactions of the Group. In such case, when the independent non-executive Directors consider transactions that require relevant industry experience, they may take reference to an opinion from the senior management of the Group.

Directors abstaining from voting shall not be considered to affect the proper management of the Group as the independent non-executive Directors, who are an integral part of the Board and thus have been carefully selected by the Board to address the concern of management independence, are required to have and do have the same duties of care and skill and fiduciary duties as the executive Director. In this regard, the independent non-executive Directors have the following experiences:

- Mr. Hui Ying Bun has over five years of experience in acting as a director (among which, four years as an executive director and chairman and one year as non-executive director) of Dah Chong Hong Holdings Limited, a company listed on the Stock Exchange, and more than 40 years of experience with Dah Chong Hong in corporate management;
- Mr. Fong Ping has various experience in public services and management;
- Mr. Chu Kin Wang, Peleus, has over 7 years of experience in acting as a director (among which, 4 years as executive director) of listed companies and over 20 years of experience in the financial field;
- Ms. Kwok Yuen Man, Marisa has over 10 years of experience in holding senior managerial roles in telecommunication industry.

The independent non-executive Directors provide valuable contribution in ensuring the proper management of the Company in case that there is conflict of interest between the executive Director and the Group. Moreover the independent non-executive Directors, if they consider necessary and appropriate, may, at the Group’s expense, obtain external independent professional advice and invite the attendance of external parties with relevant experience and expertise, including but not limited to, an independent property valuer and independent financial adviser. The Board also aims to enable the independent non-executive Directors to possess substantial understanding on the business and operation of the Group through the prospective participation of the regular meetings of the Board and the audit committee. Furthermore the senior management comprises two members who are also responsible for the daily operations of the Group and participate in the management of the Group. Thus, with the due performance by the independent non-executive Directors of their duties and active involvement of the senior management, the Group can still be properly managed and operated in the event that the executive Director has potential conflict of interest.

Operational independence

Save as the continuing connected transactions entered into between the Group and the relevant connected persons of the Company detailed in the section headed “Continuing Connected Transactions” in this prospectus, the operations of the Group have been independent of and not connected with the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND TELECOM DIGITAL GROUP

Controlling Shareholders during the Track Record Period. The Group holds all relevant licences necessary to carry on businesses and has sufficient capital, equipment and employees to operate its businesses independently.

The Group has entered into the following continuing connected transactions with its connected persons:

- (a) provision of logistic services to the Group by Telecom Service Network Limited;
- (b) consignment of accessories for mobile phones and personal electronic products of certain brands to TDM;
- (c) sale of mobile phone accessories to New World Mobility Limited;
- (d) licencing arrangement with Telecom Digital Services Limited for the use of premises by TSO;
- (e) provision of repair and refurbishment services to TDD. The service fees paid by TDD to TSO for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 were approximately HK\$8,537,000, HK\$9,606,000 and HK\$7,787,000 respectively, and it is expected that the aggregate service fees paid and payable by TDD for the year ended 31 March 2013 and each of the two years ending 31 March 2015 did not and will not exceed HK\$10,000,000 per year;
- (f) leasing of premises by the Group from certain subsidiaries of East-Asia. The aggregate annual rentals paid by TSO for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 were approximately HK\$1,320,000, HK\$1,989,000 and HK\$3,113,000 respectively. It is expected that the aggregate annual rentals paid and payable by TSO for the year ended 31 March 2013 and each of the two years ending 31 March 2015 did not and will not exceed HK\$3,716,000, HK\$3,234,000 and HK\$3,392,000 respectively; and
- (g) purchase of parts and components from Sun Asia Pacific Limited and its subsidiaries (the “SAP Group”). The amount of parts and components purchased from the SAP Group for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 were approximately HK\$1,071,000, HK\$759,000 and HK\$1,104,000 respectively. It is expected that the aggregate amount of parts and components purchased and to be purchased from the SAP Group by the Group for the year ended 31 March 2013 and each of the two years ending 31 March 2015 did not and will not exceed HK\$1,250,000, HK\$1,380,000 and HK\$1,520,000 respectively.

The transaction value involved under each of the transactions under items (a) to (d) above for the year ended 31 March 2013 and each of the two years ending 31 March 2015 is expected to be less than HK\$1,000,000.

For further information on the above continuing connected transactions, please refer to the section headed “Continuing Connected Transactions” in this prospectus.

The Directors, including the independent non-executive Directors, consider, and the Sole Sponsor concurs, that despite such continuing connected transactions relate to certain aspects of the Group's operations, they do not affect the operational independence of the Group for the following reasons:

- (a) the following continuing connected transactions are not relevant to the operational independence of the Group:
 - (i) *Purchase of parts and components from SAP (and its subsidiaries)*: It is the industry practice that the parts and components for repairing the personal electronic devices of a corporate customer are provided by such customer or its designated suppliers.
 - (ii) *Consignment of accessories for mobile phones and personal electronic products of certain brands to TDM*: In order to avoid any competition with TSO, which has been selling accessories for mobile phones and personal electronic products of certain brands at its service centres, TDM has ceased to engage in the sale of the accessories and agreed to allow TSO to sell the accessories at the retail shops of TDM on a consignment basis. The purpose of this continuing connected transaction is to avoid competition between the Group and the Controlling Shareholders (and their associates).
 - (iii) *Sale of mobile phone accessories to New World*: In order to avoid competition with TSO, which has been selling accessories for mobile phones and personal electronic products of certain brands at its service centres, TDM has ceased to engage in the sale of mobile phone accessories to New World. The purposes of this continuing connected transaction are to avoid competition between the Group and the Controlling Shareholders (and their associates) and to facilitate the continuous supply of mobile phone accessories to New World.
 - (iv) *Provision of repair and refurbishment services to TDD*: The operation of the Group is not dependent on the provision of repair and refurbishment services by the Group to TDD. The business model, process and associated risks of provision of repair and refurbishment services to TDD are substantially the same as those of transactions with certain independent corporate customers of the Group. Should there be any decline in sales to TDD, the resources could be allocated to the business with Independent Third Parties. As such, the Group can carry on business without reliance on the transactions with TDD.

TDD is only one of the corporate customers of the Group and currently is not the largest customer of the Group. The service fee paid by TDD to the Group for the provision of repair and refurbishment services represented 22.5%, 13.8% and 12.3% of the Group's revenue for the two financial years ended 31 March 2012 and the ten months ended 31 January 2013. The Directors expect that the percentage contribution of the repair and refurbishment service fees received and to be received by the Group from TDD to the total revenue of the Group for the year ended 31 March 2013 and each of the two financial years ending 31 March 2015 respectively did not and will not be higher than 13.8%, being the percentage contribution of the repair and refurbishment service fees received by the Group from TDD to the total revenue of the Group for the financial year ended 31 March 2012.

Under the agreement between TSO and TDD in relation to the provision of repair and refurbishment services (details of which are set out in the section headed “Continuing Connected Transactions” in this prospectus), the service fees chargeable by TSO 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 agreement. The Group has the following procedures in place to effect the review, and if necessary, the adjustment mentioned above: (i) the General Manager of TSO is responsible for monitoring the relationship and the terms of business with corporate customers of the Group, including TDD; (ii) the terms of business with TDD, including the service fees payable by TDD, will be reviewed by the General Manager annually and when there is a change in the market rates; (iii) if the General Manager considers the service fees chargeable by TSO to TDD are less favourable than those chargeable by TSO to Independent Third Parties for similar services, he or she will submit a proposal on the change to the service fees to the Board for its consideration; (iv) in order to enable the Board to evaluate the proposed change, the General Manager will provide to the Board all information in respect of the rates of services fees chargeable by TSO respectively to TDD and the relevant Independent Third Parties for similar services; and (v) once the Board decides to effect a change, the General Manager will notify TDD of such change in the service fees.

- (b) the Group can conduct similar transactions with Independent Third Parties on similar terms to replace the remaining continuing connected transactions, which include the provision of logistic services to the Group by TSN, the licencing arrangement with Telecom Digital Services Limited for the use of premises by TSO, and the leasing of premises by the Group from certain subsidiaries of East-Asia.

Moreover, the Directors consider that the leasing of premises by the Group from certain subsidiaries of East-Asia on normal commercial terms shall not be considered or deemed as the Group’s undue reliance on the Controlling Shareholders because of the following:

- (i) there will not be any significant difficulties in terms of timing and costs in identifying alternative or comparable premises, which are owned by Independent Third Parties, for relocation of its service centres operated at premises owned by the connected persons;
- (ii) the cost for the relocation is not significant because, other than the potential leasehold improvements to be incurred, there will not be any significant additional costs on equipment and furniture due to the relocation as the Group can simply relocate the equipments and furniture to the new premises;
- (iii) the time required for the relocation will not cause any significant interruption to the business of the Group as there will not be any significant difficulties in relocating the relevant equipment, furniture and fixtures; and
- (iv) the increase of the rentals paid to the subsidiaries of East-Asia during the Track Record Period was primarily because of (I) the leasing of properties for a new service centre in Wanchai and the central repair centre in Kwai Chung opened by the Group during the Track

Record Period; and (II) the increases in the monthly rental rates of the leased properties, in respect of which Jones Lang LaSalle advised that such rental rates reflected the then prevailing market rates during the Track Record Period.

In addition, on the basis of the following reasons, the Directors consider that the Company will continue to be operationally independent from the Controlling Shareholders and its associates after the Listing:

- the Company is not reliant on the expertise and technology of the Controlling Shareholders and its associates;
- the Company has its own administrative and corporate governance infrastructure (including its own accounting, administration and human resources functions); and
- the management team is also independent from the Controlling Shareholders and their respective associates.

Financial independence

The Group has an independent financial system and makes financial decisions according to its own business needs. The Group entered into finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of approximately HK\$3,988,000. The Group's obligation under the finance lease were guaranteed by Mr. Cheung King Fung Sunny, the executive Director. Such personal guarantee was released upon termination of the finance lease as a result of the disposal of the vehicle. TSO entered into a revolving facility agreement with a bank in Hong Kong in September 2012 and entered into an invoice discounting facility agreement of HK\$15 million with the same bank in November 2012. As at the Latest Practicable Date, TSO has drawn down HK\$5 million and loan facilities amounting to HK\$25 million was available. The obligation of TSO under the above facilities was guaranteed by the Cheung Brothers. Such personal guarantees will be released upon the Listing.

During the Track Record Period, the Group provided and received financial assistance to and from related companies, of which the Cheung Brothers are the ultimate beneficial owners or which are under the Cheung Family Trust. As at 31 March 2011 and 2012 and 31 January 2013, the Group had an aggregate balance due from the related companies amounting to HK\$3.0 million, HK\$3.5 million and HK\$16.4 million, respectively, and an aggregate balance due to the related companies and the immediate holding company amounting to HK\$13.3 million, HK\$3.9 million and HK\$0.1 million, respectively. The Group's non-trade balances due to and from the related companies and the immediately holding company were settled in February 2013; and there has been no non-trade balances with the related parties of the Company since then.

Save as above, the Directors confirm that as at the Latest Practicable Date, the Controlling Shareholders have not provided any guarantee or loan to the Group, nor any other party has provided any guarantee in favour of the Group. On this basis, the Directors believe that the Group is financially independent from the Controlling Shareholders.

DEED OF NON-COMPETITION

East-Asia, Amazing Gain, the Cheung Brothers and Sarasin Trust Company (Singapore) Limited (as trustee of the Cheung Family Trust) (collectively the “**Covenantors**”) have entered into the Deed of Non-competition in favour of the Company, pursuant to which each of the Covenantors has undertaken with the Company (for itself and for the benefit of each of the members of the Group) that with effect from the date of Listing and for as long as the Shares remain so listed on GEM and the Covenantors are collectively with any of their respective associates interested directly or indirectly in not less than 30% of the issued ordinary share capital of the Company:

- (a) each of the Covenantors shall not, and shall procure their respective associates (other than any member of the Group) not to,
 - (i) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing and future business of the Group (the “**Business**”); and
 - (ii) directly or indirectly solicit or entice any of the customers, suppliers or personnel of any member of the Group.

Such non-competition undertaking does not apply to holding shares of a company whose shares are listed on a recognised stock exchange and any part of whose business is in competition with or likely to be in competition with the Business (the “**Restricted Business**”) provided that:

- (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of its consolidated turnover or consolidated assets, as shown in its latest audited accounts; or
 - (ii) the total number of the shares held by the Covenantors and/or their respective associates in aggregate does not exceed 10% of the issued shares of that class of the company in question, and neither the Covenantors and/or their respective associates are collectively entitled to appoint a majority of the directors of that company, and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantors and their respective associates in aggregate.
- (b) if any opportunity in carrying out or investing in any business which forms part of the Business is made available to any of the Covenantors or their respective associates (other than any member of the Group), and such business opportunity competes or may compete with the Business (the “**Competing Business Opportunity**”):
 - (i) they shall direct to the Group any such Competing Business Opportunity;

- (ii) they shall provide to the Company all information and documents possessed by them in respect of the Competing Business Opportunity to enable the Company to evaluate the merit of the Competing Business Opportunity and all reasonable assistance as requested by the Company to enable the Group to secure the Competing Business Opportunity; and
- (iii) they shall not pursue the Competing Business Opportunity unless and until the Company gives written notice to them that the Group will not pursue such Competing Business Opportunity.

CORPORATE GOVERNANCE MEASURES

The Company has adopted the following measures to avoid potential conflict of interests and safeguard the interests of the Shareholders:

- (a) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with the 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;
- (b) 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;
- (c) the Company is committed that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). The Board consists of four independent non-executive Directors, details of which are set out in the section headed "Directors, Senior Management and Staff" in this prospectus. The Directors believe that the independent non-executive Directors possess sufficient experience and will be able to provide an impartial and external opinion to protect the interests of the public Shareholders;
- (d) the Company will establish a committee comprising only the independent non-executive Directors to decide on matters relating to any Competing Business Opportunity directed to the Group under the Deed of Non-competition. The Company shall only exercise the right of first refusal under the Deed of Non-competition to decline the Competing Business Opportunity upon approval of the independence committee. All necessary financial information and documents relating to the Competing Business Opportunity will be provided to the independence committee for review. The independence committee will, where necessary, be provided with the access to independent professional advisers for advice at the cost and expense of the Group; and
- (e) the Company will on or before the Listing appoint China Everbright Capital as the compliance adviser who shall provide the Company with professional advice and guidance in respect of compliance with principally the GEM Listing Rules.

Further, any transaction between the Group and the Controlling Shareholders (and their associates) will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, reporting, annual review, announcement and independent shareholders' approval requirements.

UNDERTAKINGS

Each of the Controlling Shareholders (the “**Obligors**”) has undertaken to the Stock Exchange 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 the 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 the 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 the 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 the 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.

Sarasin Trust Company (Singapore) Limited, the trustee of the Cheung Family Trust, has confirmed to the 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.

SHARE CAPITAL

The authorised and issued share capital of the Company are as follows:

Number of Shares comprised in the authorised share capital:

HK\$

<u>1,000,000,000</u>	Shares	<u>100,000,000</u>
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Assuming the Offer Size Adjustment Option is not exercised, the share capital of the 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\$

600,000	Shares in issue as at the date of this prospectus	60,000
89,400,000	Shares to be issued pursuant to the Capitalisation Issue	8,940,000
<u>30,000,000</u>	Shares to be issued pursuant to the Placing ⁽¹⁾	<u>3,000,000</u>
<u>120,000,000</u>	Shares in total ⁽¹⁾	<u>12,000,000</u>

Note:

- (1) The issued share capital of the Company will be enlarged by up to an additional 4,500,000 Shares in the event that the Offer Size Adjustment Option is exercised in full.

ASSUMPTIONS

The above tables assume that the Placing becomes unconditional and does not take into account the exercise of the Offer Size Adjustment Option and any options to be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the 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 Offer Size Adjustment 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

The 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.

SHARE CAPITAL

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, the 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 the 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 Offer Size Adjustment Option); and
- (ii) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the Repurchase Mandate.

The 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 the 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 the Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisors of the 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 the Company.

The Issue Mandate will expire:

- at the conclusion of the Company’s next annual general meeting;
- upon the expiration of the period within which the 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 the Company — 3. Resolutions of the Shareholders passed on 2 May 2013” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE 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, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value of not more than 10% of the total nominal value of the share capital of

SHARE CAPITAL

the 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 Offer Size Adjustment Option).

The Repurchase Mandate relates only to repurchases made on GEM 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 the Company — 6. Repurchase by the Company of its own securities” in Appendix V to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of the Company’s next annual general meeting;
- upon the expiration of the period within which the 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 the Company — 3. Resolutions of the Shareholders passed on 2 May 2013” in Appendix V to this prospectus.

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You should read this section in conjunction with the Group's audited consolidated financial statements, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The Group's consolidated 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 the Group in light of the Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depend on a number of risks and uncertainties over which the Group does not have control. For further information, you should refer to the "Risk factors" section in this prospectus.

OVERVIEW

The Group is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. TSO, the operating subsidiary of the Company, 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.

The customers of the Group include (i) manufacturers of mobile phones and other personal electronic products, telecommunication service providers and global services companies, which appoint the Group as their authorised service providers and are the corporate customers of the Group, and (ii) end users (together with dealers or distributors of the corporate customers) of the personal electronic products. In respect of repair and refurbishment of products under the warranty, the service fees are settled by the corporate customers of the Group. For out-of-warranty works, the Group collects payment directly from the end users according to the repair price set by the relevant corporate customer of out-of-warranty repairs with the exception that four corporate customers (namely Customers D, G, I and J) require the Group to receive labour fees from them and credit back to them the repair fees paid by the end users for out-of-warranty repairs. In addition, the Group sources accessories for mobile phones and other personal electronic products such as mobile phone cases, screen protectors, chargers, batteries, etc. for sale to corporate customers such as mobile phone manufacturers or in the customer service centres operated by it and the retail shops of TDM.

For each of the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013, the Group's total revenue was approximately HK\$37.9 million, HK\$69.6 million and HK\$63.5 million, respectively; and for each of the same periods, the Group's profit after tax was approximately HK\$4.2 million, HK\$14.1 million and HK\$1.7 million, respectively.

The increase in revenue by 83.6% from approximately HK\$37.9 million for the year ended 31 March 2011 to approximately HK\$69.6 million for the year ended 31 March 2012 was primarily because (i) the largest corporate customer of the Group (namely Customer F) for the said period launched a new model of smart phone with different specifications during the period from June 2010 to October 2011,

FINANCIAL INFORMATION

and the popularity of such new smart phone had driven a significant growth in the demand for the Group's repair and refurbishment service for the largest corporate customer in the year ended 31 March 2012 and, the revenue contributed by the provision of repair and refurbishment service for electronic products of the largest corporate customer increased by approximately HK\$13.4 million; (ii) three new corporate customers (namely Customers C, G and H) appointed the Group to provide repair and refurbishment services in July, September and December 2010 respectively, and the Group received service fees pursuant to the appointments for the full year ended 31 March 2012 but not for the full year ended 31 March 2011. The revenue contributed by the provision of repair and refurbishment services to these corporate customers increased by approximately HK\$13.6 million over the corresponding periods; and (iii) two new corporate customers (namely Customers D and E) appointed the Group to provide repair and refurbishment services in October and December 2011 respectively, and the Group received total service fees of approximately HK\$1.5 million subsequent to the appointments in the said year.

Revenue in the ten months ended 31 January 2013 increased by 12.1% when comparing with that in the ten months ended 31 January 2012 primarily because of (i) the increase in the repair and refurbishment service income for provision of services for certain corporate customers (namely Customers C, D, E, G, H and I) and (ii) the increase in the revenue generated by sale of accessories, which was partially offset by (iii) the decrease in the repair and refurbishment service income for provision of services to the Group's certain other corporate customers (namely Customer F and two other then corporate customers of the Group).

The repair and refurbishment service income for the said corporate customers increased since:

- (1) a corporate customer of the Group (namely Customer H) actively launched new models of smart phones in the ten months ended 31 January 2013, and the increase in the models launched by this corporate customer had driven a growth in the demand for the Group's repair and refurbishment services for such corporate customer in the ten months ended 31 January 2013 and, the revenue contributed by the provision of repair and refurbishment service for electronic products of this corporate customer increased by approximately HK\$2.2 million;
- (2) a corporate customer (namely Customer C) requested the Group to perform repair and refurbishment services for the faulty mobile phones collected by this corporate customer outside Hong Kong in the ten months ended 31 January 2013. This led to a surge in job orders performed and the revenue contributed by the provision of repair and refurbishment services for electronic products of this corporate customer increased by approximately HK\$2.6 million;
- (3) a corporate customer of the Group (namely customer G) ceased the appointment of another authorised service provider and the Group has become the sole authorised service provider of such corporate customer since August 2012. The Group expanded the size of the service centre for this corporate customer and the service fees received increased by approximately HK\$3.4 million;

FINANCIAL INFORMATION

- (4) two new corporate customers (namely Customers D and E) appointed the Group to provide repair and refurbishment services in October and December 2011 respectively, and the Group received service fees pursuant to the appointments for the whole period of the ten months ended 31 January 2013 but not for the whole period of the ten months ended 31 January 2012. This led to an increase in service fees by approximately HK\$1.1 million; and
- (5) a new corporate customer (namely Customer I), which is the Hong Kong operation of a global services company, appointed the Group to provide repair and refurbishment services in November 2012, and the Group received service fees from it subsequent to the appointment in the said period and the revenue contributed in the said period amounted to approximately HK\$1.5 million.

The revenue from sale of accessories increased because the Group started to sell accessories at the retail shops of TDM on a consignment basis and to corporate customers since December 2012. As a result, the revenue from sale of accessories increased by approximately HK\$0.6 million.

On the other hand, the repair and refurbishment service income for the other said corporate customers decreased primarily because:

- (1) the largest corporate customer of the Group (namely Customer F) launched a new model of smart phone in September 2012, and the popularity of this new smart phone was not the same as its preceding models launched in 2010 and 2011 and had not driven the demand of the Group's repair and refurbishment services in similar extent when compared with the corresponding period ended 31 January 2012. The revenue contributed by the provision of repair and refurbishment service for electronic products of this corporate customer decreased by approximately HK\$3.6 million over the said periods; and
- (2) two corporate customers of the Group, due to the reorganisation plan of the group of companies to which they belong, launched fewer models of mobile phones in the ten months ended 31 January 2013 than in the ten months ended 31 January 2012, and the decrease in the models launched by such corporate customers had resulted in a decline of the Group's repair and refurbishment services for such corporate customers in the ten months ended 31 January 2013 and, consequently, the revenue contributed by the provision of repair and refurbishment service for electronic products of these customers decreased by approximately HK\$0.4 million.

RECENT DEVELOPMENT

Mobile phone manufacturers have experienced and may continue to experience ups and downs in their sales due to the feature of the mobile phone industry which is characterised by a rapid launch of new models, continuous technological advancement, changing customer needs and short product life. The close relationship between the Group's performance and its corporate customers' performance has been disclosed in the paragraph headed "Risk factors — The business and prospects of the Group are dependent on the business and financial performance of its corporate customers" in this Prospectus.

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Reorganisation plan of corporate customers of the Group

In mid-August 2012, the holding company of two corporate customers of the Group at that time (the “**Relevant Customers**”) published that there would be reorganisation plan on the group of companies comprising, among others, the Relevant Customers (the “**Relevant Customer Group**”). The Relevant Customers were the sixth and seventh largest customers of the Group for the year ended 31 March 2012, contributing approximately 3.9% and 3.6% of the total revenue of the Group for the year ended 31 March 2012, respectively. Under the reorganisation plan, the Relevant Customer Group would reduce approximately one-fifth of its employees, close or consolidate one-third of its facilities, as well as simplify its mobile product portfolio by shifting the emphasis from feature phones to more innovative and profitable devices. The two service agreements between TSO and the Relevant Customers were terminated in January 2013.

The Relevant Customer Group subsequently appointed a global services company (namely Customer J) to manage the repair network of the Relevant Customer Group in Asia Pacific Region including Hong Kong and Taiwan. The Group entered into an agreement with the global services company (namely Customer J) in January 2013 whereby the Group continues to provide repair and refurbishment services to the global services company for the mobile phones of the Relevant Customer Group in Hong Kong and Taiwan.

Further details on the former business relationship between the Group and the Relevant Customers and the business relationship between the Group and the global services company (namely Customer J) are set out under the paragraph headed “Business — Customers — Reorganisation plan of corporate customers of the Group” in this prospectus.

Business with the largest corporate customer of the Group

The largest corporate customer of the Group (namely Customer F) launched a new model of smart phone in September 2012, and the popularity of this new smart phone was not the same as its preceding models launched in 2010 and 2011 and had not driven the demand of the Group’s repair and refurbishment services for the ten months ended 31 January 2013 in similar extent when compared with the corresponding period ended 31 January 2012. The revenue contributed by the provision of repair and refurbishment service for electronic products of this corporate customer decreased by approximately HK\$3.6 million over the said periods, and may continue to decrease in the future. If the revenue contributed by the provision of repair and refurbishment service for electronic products of the Group’s largest corporate customer continues to decrease, the Group’s results of operation will be materially and adversely affected.

Three of the Group’s largest five corporate customers (namely Customers C, F and H), including the Group’s largest corporate customer (namely Customer F), during the financial year ended 31 March 2012 and the ten months ended 31 January 2013 are manufacturers of mobile phones. Their recently published operation performances are set out in the paragraph headed “Recent Development” in the section headed “Summary” in this prospectus.

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Business with the new corporate customer of the Group in the financial year ended 31 March 2013

The Group has continued to seek new business opportunities. The Group entered into a letter of intent in November 2012 and subsequently a formal agreement in February 2013 with the Hong Kong operation of a global services company (namely Customer I) in respect of provision of repair and refurbishment services by the Group for certain brands of handsets and accessories. The Group started to provide repair and refurbishment services to such new corporate customer at a customer service centre in Mongkok in March 2013. In addition, in November 2012, such new corporate customer also engaged the Group to provide screening and software upgrade services for mobile phones at the Group's repair centre in Kwai Chung. Without incurring much additional direct cost of sales, this new stream of revenue is expected to improve the gross profit and gross profit margin of the Group for the years ended 31 March 2013 and ending 31 March 2014.

Sale of Accessories

Furthermore, the Company is actively expanding the scale of accessories business. In December 2012 and January 2013, it received purchase orders from certain mobile phone manufacturers, which would give such accessories to its customers as gifts or premium. The Group plans to leverage its established business relationship with its corporate customers and explore further business opportunities to sell to them accessories of mobile phones and other personal electronic products for their continuous needs. In addition, in order to avoid any competition with the Group by the Controlling Shareholders, TDM, which is wholly owned by the Cheung Brothers, has ceased to engage in the sale of accessories for mobile phones and other personal electronic products and allowed the Group to sell such accessories at the retail shops of TDM on a consignment basis since December 2012. For the ten months ended 31 January 2013, the Group's total revenue as a result of sale of accessories was approximately HK\$1.5 million, among which HK\$0.7 million were sales in its service centres, HK\$0.5 million were sales in TDM's retail shops and HK\$0.3 million were bulk sales to corporate customers.

No material adverse change

The Directors confirm that (i) there has been no material adverse change in the general economic and market conditions or the industry and environment in which the Group operates that materially and adversely affected the Group's financial or operating position since 31 January 2013 and up to the date of this prospectus, (ii) there has been no material adverse change in the trading and financial positions or prospects of the Group since 31 January 2013 and up to the date of this prospectus, and (iii) no event has occurred since 31 January 2013 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The results of operations and financial condition of the 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 the Group.

The appointment as authorised service providers of manufacturers of mobile phones and other personal electronic products

The Group has been appointed as authorised service providers by its corporate customers including six manufacturers of mobile phones and personal electronic products, two global services companies, and a Hong Kong mobile network operator and TDD, to provide repair and refurbishment services. Such corporate customers of the Group accounted for approximately 69.0%, 76.0% and 75.3% of its revenue for each of the two years ended 31 March 2012 and the ten months ended 31 January 2013, respectively. Since the commencement of the Track Record Period, the Group's experience in repair and refurbishment of mobile phones enabled it to increase the number of its corporate customers from five to ten and expand the services to cover other kinds of personal electronic products such as personal computers, tablet computers, video game consoles and handheld game consoles. In light of the appointment of the Group as the authorised service providers, the end users are more confident on the quality of the parts and components, which are provided with by the manufacturers and used by the Group in the repair and refurbishment of the faulty products, as well as the Group's expertise and quality of services. End users may prefer to seek the repair services provided by authorised service providers, when the relevant faulty products are out of warranty.

Thus the Group's successful business operation relies on the continued cooperation relationship with these corporate customers. Although the Group has entered into written service agreements with its corporate customers, the service agreements usually have a term ranging from one year to three years subject to renewal and there is no guarantee that the service agreements with any of the corporate customers could be renewed. In addition, the corporate customers of the Group may choose to adjust their strategy in provision of after-sale services and establish their own large scale repair and refurbishment service units or co-operate with other service providers. Furthermore, in order to expand its business, it is essential for the Group to secure cooperation with new manufacturers of mobile phones and personal electronic products.

Demand for mobile phones in Hong Kong

The Group's business is sensitive to the consumer spending on mobile phones and personal electronic products, although the mobile phone industry and the industry of personal electronic products have been experiencing growth in recent years. The imports of mobile phones to Hong Kong grew at a CAGR of 36%, in term of shipment revenue, from HK\$13.2 billion in 2007 to HK\$45.8 billion in 2011, and, at a CAGR of 24%, in term of unit shipment, from 5.4 million units in 2007 to 12.6 million units in 2011. The revenue of the Group increased by 83.6% from approximately HK\$37.9 million for the financial year ended 31 March 2011 to approximately HK\$69.6 million for the financial year ended 31 March 2012 and it continued to increase by 12.1% from the ten months ended 31 January 2012 to the ten months ended 31 January 2013.

However the development of these industries could be negatively affected by factors such as changes of consumer preferences and a general slowdown in the economy which may decrease spending on mobile phones and personal electronic products. The close connection between the performance of the Group and the mobile phone industry as well as the industry of personal electronic products could render the Group susceptible to any fluctuations in these two industries.

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Business and financial performance of the Group's corporate customers

The business and prospects of the Group are dependent on the business and financial performance of the corporate customers of the Group, which are manufacturers of mobile phones and other personal electronic products, telecommunication service providers and global services companies. If such manufacturers of mobile phones and other personal electronic products are unable to keep abreast of the technological developments or market sentiments and consequently experience a slowdown due to any of these or other factors, it is likely that their products will become obsolete and, accordingly, demand for the Group's repair and refurbishment services for such products will decrease significantly. The Group is also dependent on the market acceptance and commercial success of such major customers' products and services which it cannot guarantee.

Direct labour costs

Direct labour costs represent a significant component of the Group's cost of sale. As at the Latest Practicable Date, the Group has 195 full-time employees. For each of the two financial years ended 31 March 2012 and for the ten months ended 31 January 2013, the direct labour costs of the Group amounted to approximately HK\$15.8 million, HK\$28.7 million and HK\$26.3 million, representing approximately 64.6%, 73.7% and 69.9% of the total cost of sales for such periods, respectively.

Service mix

The gross profit margins of the Group are also affected by its service mix, in particular, any changes in the proportion of repair and refurbishment services of higher profit margin versus services of lower margin. The Group performs various types of repair and refurbishment works to the customers which include screening and inspection, exchange of accessories or exchange for buffer units, cosmetic refurbishment, setting re-configuration, software upgrade and replacement of electronic components or modules. The service fees and cost of sales for different types of repair and refurbishment works are different, resulting in different gross profit margin. The combined gross profit margin of the Group will be affected by any change in the service mix.

BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 3 August 2012 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" in this prospectus. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in providing repair services for mobile phone and consumer electronic devices and sale of mobile phone accessories.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 29 October 2012. The 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 January 2013. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

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Accordingly, the financial statements of the Group have 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 below.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated 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 January 2013. The consolidated statements of financial position of the Group as at 31 March 2011 and 2012 and 31 January 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.

SIGNIFICANT ACCOUNTING POLICIES

The Group's consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated 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 except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The income and expenses of subsidiaries acquired or disposed of during the year/period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 intra-group transactions, balances, income and expenses are eliminated in full on combination.

Business combinations under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of 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 consolidated statements of 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 Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 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 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. Cost is 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 consolidated statements of financial position comprise cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

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Financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 financial asset 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, 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, 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 of financial assets

Financial assets are assessed for indicators of impairment at the end of the 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

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- 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 30 to 60 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, and amounts due from related companies, 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 a trade and other receivable, and amounts due from related companies are considered uncollectible, it is 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

Financial liabilities 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.

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

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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, amount due to intermediate holding company, amounts due to related companies, amount due to a director, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generation units, 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 to sell 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.

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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 a 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 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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 and sales related taxes.

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.

As soon as the Group completes the provision of repair service, the relevant repair fee is going to be captured in the corresponding financial period.

If revenue is recorded before the major customers complete their verification of service summary report, and variance is subsequently noted between the recorded revenue and verified amount, journal adjustment of the relevant sum will be put through to the appropriate financial period when the related service has been rendered.

Service income, handling income, logistic service income and management fee income 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.

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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 lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

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

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement benefit costs

Payments to defined contribution retirement scheme and Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

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Foreign currencies

In preparing the financial statements 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 on 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 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.

For the purposes of presenting the 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

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

All other borrowing costs 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/period. Taxable profit differs from profit as reported in the consolidated statements of 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.

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Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Related parties

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly-controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies as stated above, the directors of the Company are required to make judgements, 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of 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 of plant and equipment

The Group determines whether the plant and equipment are impaired, at least on an annual basis. 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 2011 and 2012 and 31 January 2013, the carrying values of plant and equipment were approximately HK\$5.6 million, HK\$13.2 million and HK\$9.2 million respectively. No impairment was provided during the Track Record Period.

Estimated allowance for inventories

The management of the Group 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. The Group states its inventories at the lower of cost or net realisable value and 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. Generally, allowance for inventories is made for slow-moving inventories (both mobile phone parts and accessories) without movement for more than one year taking into account of (i) the product life cycle of the mobile phones; (ii) the consumption pattern of the Hong Kong users; and (iii) the probability of buy back from the respective corporate suppliers for those slow-moving inventories as covered under the buy-back terms as set out in the purchase agreements. As at 31 March 2011 and 2012

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and 31 January 2013, the carrying amounts of inventories were approximately HK\$4.6 million, HK\$4.1 million and HK\$5.4 million respectively, net of allowance for inventories of approximately HK\$48,000, HK\$474,000 and HK\$605,000 respectively.

The Company is required to maintain certain level of inventories in performing out-of-warranty repair services for old mobile phone models. Accordingly, there was reversal of inventory provision noted during the Track Record Period upon the provision of out-of-warranty repair services for those customers using the old model of mobile phones.

Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2011 and 2012 and 31 January 2013, the carrying amounts of trade and other receivables were approximately HK\$9.9 million, HK\$13.8 million and HK\$25.1 million respectively. No impairment loss was recognised during the Track Record Period.

Provision for long service payment

The 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 the Group.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below set forth the Group's consolidated statements of comprehensive income during the Track Record Period:

	Year ended 31 March		Ten months ended 31 January	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Revenue	37,905	69,581	56,703	63,536
Cost of sales	<u>(24,390)</u>	<u>(38,941)</u>	<u>(32,502)</u>	<u>(37,643)</u>
Gross profit	13,515	30,640	24,201	25,893
Other income	679	936	713	2,296
Other operating expenses, net	(3,402)	(7,627)	(6,207)	(8,984)
Administrative expenses	(6,610)	(7,122)	(5,477)	(15,608)
Finance costs	<u>—</u>	<u>(106)</u>	<u>(87)</u>	<u>(320)</u>
Profit before tax	4,182	16,721	13,143	3,277
Income tax expense	<u>—</u>	<u>(2,645)</u>	<u>(2,074)</u>	<u>(1,618)</u>
Profit for the year/period	4,182	14,076	11,069	1,659
Exchange differences arising on translation of foreign operation and total other comprehensive income (expense) for the year/period	<u>394</u>	<u>(65)</u>	<u>(61)</u>	<u>28</u>
Total comprehensive income for the year/period	<u><u>4,576</u></u>	<u><u>14,011</u></u>	<u><u>11,008</u></u>	<u><u>1,687</u></u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below set forth the Group's consolidated statements of financial position during the Track Record Period:

	As at 31 March		As at 31
	2011	2012	January
	HK\$'000	HK\$'000	2013
			HK\$'000
Non-current asset			
Plant and equipment	<u>5,579</u>	<u>13,189</u>	<u>9,243</u>
Current assets			
Inventories	4,617	4,104	5,423
Trade and other receivables	9,858	13,812	25,112
Amounts due from related companies	2,999	3,520	16,432
Tax recoverable	149	104	104
Pledged bank deposits	—	—	4,101
Bank balances and cash	<u>1,099</u>	<u>2,562</u>	<u>5,117</u>
	<u>18,722</u>	<u>24,102</u>	<u>56,289</u>
Current liabilities			
Trade and other payables	2,814	5,753	6,425
Amount due to intermediate holding company	3,875	3,875	—
Amounts due to related companies	9,458	—	85
Amount due to a director	50	—	—
Tax payable	—	1,944	3,835
Obligations under finance leases — due within one year	—	762	—
Bank borrowings	<u>—</u>	<u>—</u>	<u>20,000</u>
	<u>16,197</u>	<u>12,334</u>	<u>30,345</u>
Net current assets	<u>2,525</u>	<u>11,768</u>	<u>25,944</u>
Total assets less current liabilities	<u>8,104</u>	<u>24,957</u>	<u>35,187</u>
Non-current liabilities			
Obligations under finance leases — due more than one year	—	2,184	—
Employee benefits	190	147	147
Deferred tax liabilities	<u>—</u>	<u>701</u>	<u>428</u>
	<u>190</u>	<u>3,032</u>	<u>575</u>
Net assets	<u>7,914</u>	<u>21,925</u>	<u>34,612</u>

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OVERVIEW OF THE GROUP'S CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

The revenue of the Group during the Track Record Period was primarily derived from (i) the provision of repair and refurbishment services for mobile phones and other personal electronic products and (ii) sale of accessories. The table below sets forth the Group's revenue for the periods indicated and its breakdown by source of revenue:

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Repairing service income	36,374	68,406	55,738	62,021
Sale of accessories	<u>1,531</u>	<u>1,175</u>	<u>965</u>	<u>1,515</u>
	<u>37,905</u>	<u>69,581</u>	<u>56,703</u>	<u>63,536</u>

As at the Latest Practicable Date, TSO, the major operating subsidiary of the Group, is appointed as authorised service providers by global manufacturers of mobile phones and global services companies to provide mobile phone repair and refurbishment services. The Group also provides repair and refurbishment services to a Hong Kong mobile network operator, and TDD, which is a paging operator and a connected person of the Company. In addition, it is also appointed to provide repair services for video game consoles and handheld game consoles.

In accordance with the characteristics of the contractual arrangements between the Group and its ten existing corporate customers, the corporate customers can be categorised into three classes, namely:

- (i) five corporate customers (namely TDD and Customers B, C, D and E) which do not require the Group to operate service centres;
- (ii) four corporate customers (namely Customers F, G, H (which, together with Customer D are under the same group of companies) and I) which require the Group to operate service centres and absorb the cost thereof so that such four corporate customers do not pay the Group any service centre management income nor reimburse the operating expenses of the service centres, but pay the repair and refurbishment service fees only and the Group is responsible for all the operating expenses of the relevant customer service centres; and
- (iii) one corporate customer (namely Customer J) which requires the Group to operate services centres and reimburses the expenses incurred.

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The Group's repair and refurbishment services primarily cover mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles. The repair and refurbishment works performed by the Group generally include the followings:

- Screening and inspection
- Exchange of accessories or exchange for buffer units
- Cosmetic refurbishment
- Setting re-configuration
- Software upgrade
- Replacement of electronic components or modules

In return for the provision of the aforementioned services, the Group:

- receives service fees from corporate customers for in-warranty repairs in accordance with the rates and charges agreed between the relevant corporate customers and the Group; or
- collects payment directly from the end users according to the repair price set by the relevant corporate customer for out-of-warranty repairs with the exception that (i) four corporate customers (namely Customers D, G, I and J) requires the Group to receive labour fees from them and credit back to them the repair fees paid by the end users for out-of-warranty repairs and (ii) the Group receives fee from TDD directly in respect of out-of-warranty works.

Service fees generated by the provision of repair and refurbishment services to all corporate customers or end users are recognised by the Group as revenue.

The Group's operations are located in Hong Kong and Taiwan with more than 90% of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong.

The Group's revenue increased by approximately HK\$31.7 million in the year ended 31 March 2012 when compared to that in the year ended 31 March 2011 and increased by approximately HK\$6.8 million in the ten months ended 31 January 2013 when compared to that in the ten months ended 31 January 2012. The respective amounts of revenue driven by organic growth and new customer growth in the corresponding periods are illustrated as follows:

	Between year ended 31 March 2012 and year ended 31 March 2011 HK\$' million	Between ten months ended 31 January 2013 and ten months ended 31 January 2012 HK\$' million
Organic growth	30.2	4.5
New customer growth	<u>1.5</u>	<u>2.3</u>
	<u><u>31.7</u></u>	<u><u>6.8</u></u>

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The average price per job order decreased over the Track Record Period because of the performance of repair jobs of different complexities for certain mobile phone manufacturers over the relevant periods (Year ended 31 March 2011: HK\$151; Year ended 31 March 2012: HK\$146; Ten months ended 31 January 2013: HK\$143).

Cost of sales

The Group's cost of sales primarily consists of direct labour costs, cost of materials and other direct costs and the following table sets out the breakdown of the Group's cost of sales during the Track Record Period.

	Year ended 31 March				Ten months ended 31 January			
	2011		2012		2012		2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Direct labour costs	15,753	64.6	28,716	73.7	24,296	74.8	26,304	69.9
Cost of materials	8,532	35.0	10,146	26.1	8,135	25.0	11,138	29.6
Other direct costs	105	0.4	79	0.2	71	0.2	201	0.5
	<u>24,390</u>	<u>100.0</u>	<u>38,941</u>	<u>100.0</u>	<u>32,502</u>	<u>100.0</u>	<u>37,643</u>	<u>100.0</u>

Direct labour costs

Direct labour costs represent the costs of labour incurred for the provision of repair and refurbishment services, mainly including salaries for customer service and technical staffs, and is the Group's major costs component. Direct labour costs accounted for 64.6%, 73.7% and 69.9% of costs of sales for the years ended 31 March 2011 and 31 March 2012 and the ten months ended 31 January 2013 respectively.

Cost of materials

The Group is required by its corporate customers to use only the spare parts and components provided or procured to be provided by them in the repair and refurbishment undertaken by the Group. Under the existing service agreements between the Group and its corporate customers,

- five corporate customers (namely TDD and Customers C, D, E and H) require the Group to purchase from them or their designated suppliers the spare parts, of which
 1. three corporate customers (namely Customers C, E and H) reimburse the Group when those parts and components are used for in-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works); and
 2. two corporate customers (namely TDD and Customer D) reimburse the Group when those parts and components are used for both in-warranty and out-of-warranty works;
- two corporate customers (namely Customers G and I) supply spare parts to the Group without any charges for both in-warranty and out-of-warranty works;

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- two corporate customers (namely Customers B and F) supply spare parts to the Group without any charges for in-warranty works and require the Group to purchase from them or their designated suppliers the spare parts for out-of-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and components used for out-of-warranty works); and
- one corporate customer (namely Customer J) provides supply of spare parts to the Group without any charges for in-warranty works undertaken in Hong Kong and Taiwan and out-of-warranty works undertaken in Hong Kong, and requires the Group to purchase parts for out-of-warranty works undertaken in Taiwan (and under such arrangement, the Group claims the individual customers for the costs of parts and components used for such out-of-warranty works).

As a result of the above, costs of materials of the Group mainly represent costs of spare parts consumed in the course of the provision of repair and refurbishment services in relation to out-of-warranty works, where the Group is not reimbursed for these costs of spare parts or the Group is not provided with the required spare parts without charges.

Other than the Group's corporate customers supplying parts and components to the Group, the Group also sources certain accessories for mobile phones and other personal electronic products like phone cases, screen protectors, chargers, batteries, etc. and sell such accessories to corporate customers such as mobile phone manufacturers or in the customer service centres operated by the Group and the retail shops of TDM.

Cost of materials accounted for 35.0%, 26.1% and 29.6% of costs of sales for the years ended 31 March 2011 and 31 March 2012 and the ten months ended 31 January 2013 respectively. Furthermore, cost of material represents 22.5%, 14.6% and 17.5% of revenue for the years ended 31 March 2011 and 31 March 2012 and the ten months ended 31 January 2013 respectively as a result of the changes in service mix for repairs depending on whether the cost of materials incurred is reimbursed by the relevant corporate customers or not in corresponding periods.

Other direct costs

Other direct costs mainly represent depreciation of the Group's machineries. Other direct costs accounted for 0.4%, 0.2% and 0.5% of costs of sales for the years ended 31 March 2011 and 31 March 2012 and the ten months ended 31 January 2013 respectively.

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Gross profit and gross profit margin

The following table sets out the Group's gross profit and gross profit margin during the Track Record Period:

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	37,905	69,581	56,703	63,536
Cost of sales	<u>(24,390)</u>	<u>(38,941)</u>	<u>(32,502)</u>	<u>(37,643)</u>
Gross profit	<u>13,515</u>	<u>30,640</u>	<u>24,201</u>	<u>25,893</u>
Gross profit margin	<u>35.7%</u>	<u>44.0%</u>	<u>42.7%</u>	<u>40.8%</u>

The Group's gross profit margin increased from 35.7% for the year ended 31 March 2011 to 44.0% for the year ended 31 March 2012 and it subsequently decreased from 44.0% for year ended 31 March 2012 to 40.8% for ten months ended 31 January 2013.

The increase in gross profit margin for the year ended 31 March 2012 when compared with that for the year ended 31 March 2011 was mainly attributable to the facts that: (i) the Group is required to purchase from certain corporate customers or their designated suppliers the required parts and components and the Group is subsequently reimbursed by these corporate customers when those parts and components are utilised for providing in-warranty repair services. For the two years ended 31 March 2011 and 2012, approximately 71.9% and 77.3% of the Group's repair service incomes were generated from the repair and refurbishment services provided in respect of which the Group was not required to be responsible for the costs of parts and components. With such reimbursement arrangement, the increase in the Group's costs of materials purchased was not comparable to and was substantially lower than the increase in the Group's revenue during the two years ended 31 March 2012 due to the surge in the number of jobs performed; and (ii) the direct labour costs incurred for new service centres and the technicians before the commencement of the provision of repair and refurbishment services to the corporate customers which newly engaged the Group as their authorised service providers in the year ended 31 March 2011. Much less expenses of such kind were incurred in the year ended 31 March 2012.

The Group's gross profit margin decreased from 44.0% for the year ended 31 March 2012 to 40.8% for the ten months ended 31 January 2013 primarily due to the fact that the Group's gross profit margin in respect of repair and refurbishment services provided for out-of-warranty products of certain mobile phone manufacturers decreased in the corresponding period as a result of the increased price of parts required. At the same time, as a result of the growth in revenue driven by (i) the organic growth due to the surge in the number of repair and refurbishment job orders for the then existing corporate customers and the end-users using electronic products of these corporate customers and (ii) the growth due to the new customer engaged the Group as its authorised service providers, the Group's gross profit in monetary term remained stable despite the decrease in gross profit margin over the corresponding periods due to the aforesaid reasons.

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The repair and refurbishment fees received by the Group from the corporate customers and end-users (together with dealers or distributors of the corporate customers) during the Track Record Period are set out in the table below:

	Year ended 31 March				Ten months ended	
	2011		2012		31 January	
	HK\$'000		HK\$'000		2013	
					HK\$'000	
Service fees received from corporate customers principally for in-warranty services and out-of-warranty services in respect of which the Group receives service fees	26,151	71.9%	52,853	77.3%	47,826	77.1%
Gross profit	10,133	80.4%	24,407	80.5%	21,512	85.1%
Gross profit margin (%)	38.7%		46.2%		45.0%	
Service fees received from end-users (together with dealers or distributors of the corporate customers) principally for out-of-warranty services in respect of which the Group receives service fees	10,223	28.1%	15,553	22.7%	14,195	22.9%
Gross profit	2,473	19.6%	5,931	19.5%	3,779	14.9%
Gross profit margin (%)	24.2%		38.1%		26.6%	

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Other income

The Group's other income mainly consists of management fee income from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong, consignment goods handling income and sales of scrapped materials during the Track Record Period. The following table sets out the breakdown of the Group's other income during the Track Record Period:

	Year ended 31 March		Ten months ended 31 January	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Gain on disposal of plant and equipment (Note 1)	—	—	—	1,325
Management fee income (Note 2)	139	455	353	143
Consignment goods handling income (Note 3)	11	239	210	333
Sales of scrapped material (Note 4)	504	—	—	—
Bank interest income	1	1	1	4
Exchange gain, net	5	—	—	31
Others	19	241	149	460
	<u>679</u>	<u>936</u>	<u>713</u>	<u>2,296</u>

Notes:

- (1) Represents gain on disposal of business vehicles to a related company and an Independent Third Party respectively in November and December 2012. The disposal prices were determined with reference to the market values of second hand vehicles of the same brands and of the same years of manufacture. The gain arose represents the differences between the disposal prices and the net carrying values of the respective business vehicles. The Directors confirm that the disposals of business vehicles (including that to a related company in November 2012) were carried out on arm's length basis.
- (2) Represents management fee income from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong.
- (3) Represents fee income received for handling consignment goods for a manufacturer of mobile phones at the Group's service centres.
- (4) In the year ended 31 March 2011, the Group repaired and sold certain electronic components, which are required for the manufacturing of two-way mobile data communication devices, to Radiotex International Limited, a related party whose principal operation is the manufacturing and sales of two-way mobile data communication devices. This balance represents the one-off sales income arose.

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Other operating expenses, net

The following table sets out the breakdown of the Group's other operating expenses, net during the Track Record Period:

	Year ended 31 March				Ten months ended 31 January			
	2011	% as	2012	% as	2012	% as	2013	% as
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
					(unaudited)			
Service centre management income (Note 1)	2,768	7.2	2,836	4.0	2,359	4.1	2,363	3.7
Reimbursement of expenses for service centre (Note 2)	2,730	7.2	3,310	4.8	2,730	4.8	3,104	4.9
Logistic service income	13	0.1	80	0.1	12	0.1	222	0.3
Miscellaneous income charges	—	—	81	0.1	12	0.1	90	0.2
	<u>5,511</u>	<u>14.5</u>	<u>6,307</u>	<u>9.0</u>	<u>5,113</u>	<u>9.1</u>	<u>5,779</u>	<u>9.1</u>
Other operating expenses of service centres (Note 3)	<u>(8,913)</u>	<u>(23.5)</u>	<u>(13,934)</u>	<u>(20.0)</u>	<u>(11,320)</u>	<u>(20.0)</u>	<u>(14,763)</u>	<u>(23.2)</u>
Other operating expenses, net	<u>(3,402)</u>	<u>(9.0)</u>	<u>(7,627)</u>	<u>(11.0)</u>	<u>(6,207)</u>	<u>(10.9)</u>	<u>(8,984)</u>	<u>(14.1)</u>

Notes:

- (1) Two corporate customers required the Group to operate service centres according to the terms of the service agreements between the Group and these customers. The two corporate customers paid the Group management income in return.
- (2) The balance mainly represents the reimbursement of expenses for service centres operated by the Group on behalf of certain corporate customers under their respective service agreements.

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- (3) The balance represents other operating expenses of service centres such as rent, rate and management fee, staff costs, depreciation, etc and it is further detailed as follows:

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Rent, rate and management fee	(4,281)	(7,547)	(6,251)	(8,135)
Staff costs	(2,827)	(3,098)	(2,487)	(2,892)
Depreciation	(371)	(1,061)	(871)	(1,499)
Others	<u>(1,434)</u>	<u>(2,228)</u>	<u>(1,711)</u>	<u>(2,237)</u>
	<u>(8,913)</u>	<u>(13,934)</u>	<u>(11,320)</u>	<u>(14,763)</u>

Rent, rate and management fee

The Group was appointed as the authorised service providers by two global manufacturers of mobile phones and a telecommunication service provider in mid and late 2010 and the Group was required to operate service centres on behalf of one of these global manufacturers of mobile phones and the telecommunication service provider. Rent, rate and management fee and depreciation of leasehold improvement in relation to these service centres were only incurred from mid and late 2010 for the year ended 31 March 2011, while the comparative expenses incurred for the year ended 31 March 2012 were in full swing. As a result, rent, rate and management fee and depreciation increased significantly over the two years ended 31 March 2012.

Additional rent, rate and management fee and depreciation of leasehold improvement were incurred for the new service centre for a corporate customer of the Group starting from August 2012 and this led to an increase in other operating expenses of service centres by 30.4% from HK\$11.3 million for the ten months ended 31 January 2012 to HK\$14.8 million for the ten months ended 31 January 2013.

As disclosed in the paragraph headed “Reasons for the Placing and use of proceeds” under the section headed “Future plans and use of proceeds” in this prospectus, the Group estimates that the annual operating expenses of the Group will decrease by HK\$173,000 to HK\$246,000 per annum assuming the units at Ginza Plaza having a gross floor area of 1,800 to 2,500 square feet are purchased at the prevailing market price, and taking account of the rental to be saved (based on the current market rate) and the depreciation charges in respect of the purchased property to be incurred.

Staff costs

Staff costs included in the balance represent salaries and benefits for staff of the service centres operated by the Group under the names of its customers and on their behalf. These balances were fully reimbursed by the relevant corporate customers to the Group while other staff costs borne by the Group are either included as direct labour costs in cost of sales or as staff costs in administrative expenses depending on the staff's functions. No material fluctuation was noted in respect of staff costs as there was no significant movement in number of staff at such centres.

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Administrative expenses

The following table sets out the breakdown of the Group's administrative expenses during the Track Record Period:

	Year ended 31 March		2012		Ten months ended 31 January		2013	
	2011	% as	2012	% as	2012	% as	2013	% as
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Directors' remuneration (Note 1)	2,004	5.3	1,704	2.4	1,480	2.6	621	1.0
Staff costs	1,203	3.2	1,356	1.9	1,140	2.0	1,732	2.7
Depreciation	1,376	3.6	1,596	2.3	1,241	2.2	2,200	3.5
Rent and rate	187	0.5	181	0.3	133	0.2	1,391	2.2
Professional fee (Note 2)	213	0.5	231	0.3	170	0.3	7,024	11.1
Transportation, communication and utility	306	0.8	554	0.8	441	0.8	798	1.3
Miscellaneous (Note 3)	1,321	3.5	1,500	2.2	872	1.6	1,842	2.8
	<u>6,610</u>	<u>17.4</u>	<u>7,122</u>	<u>10.2</u>	<u>5,477</u>	<u>9.7</u>	<u>15,608</u>	<u>24.6</u>

Notes:

- (1) The three non-executive directors received a total of HK\$1.7 million, HK\$1.4 million and HK\$0.3 million respectively in the year ended 31 March 2011, 2012 and the ten months ended 31 January 2013. Directors' remuneration decreased by approximately HK\$0.9 million in the ten months ended 31 January 2013 when compared with that in the ten months ended 31 January 2012 because the three non-executive directors did not receive directors' emoluments starting from August 2012 as a result of the fact that the non-executive directors were only responsible for strategic planning and advising the Group on marketing, sales and administrative operations but not involved in day-to-day operation of the Group since then.
- (2) The professional fees included in the balance for the ten months ended 31 January 2013 were mainly the legal and professional fees in relation to the Listing.
- (3) The miscellaneous administrative expenses mainly represent office maintenance, office supplies, insurance, motor vehicle expenses and sundry expenses. The balance of miscellaneous administrative expenses increased significantly over the ten months ended 31 January 2013 as a result of (i) a new software maintenance contract entered into in the ten months ended 31 January 2013; and (ii) increase in office supplies and motor vehicle maintenance expenses in the corresponding period.

The Group's administrative expenses were approximately HK\$6.6 million, HK\$7.1 million and HK\$15.6 million for the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 respectively, which accounted for approximately 17.4%, 10.2% and 24.6% of the Group's revenue in the corresponding periods.

The total professional fees incurred for the ten months ended 31 January 2013 included the legal and professional fees of approximately HK\$6.7 million in relation to the Listing. There were no such expenses in relation to the Listing incurred for the two years ended 31 March 2012.

The estimated commission and expenses in relation to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing fees) are approximately HK\$15.4 million, of which approximately HK\$5.4 million is directly attributable to the issue of the Placing Shares under the Placing and is expected to be accounted for as a deduction from equity. The remaining expenses in

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relation to the Placing and Listing of approximately HK\$10.0 million are expected to be recognised upon the Listing in the profit and loss account of the Group. An aggregate amount of approximately HK\$8.9 million, of which approximately HK\$6.7 million has been expensed, has been incurred for the period from 1 April 2012 to 31 January 2013 in relation to the Placing and Listing. The remaining balance of approximately HK\$6.5 million, of which approximately HK\$3.3 million will be expensed, is expected to be incurred in the period from February 2013 to the Listing.

Income tax expense

For the year ended 31 March 2011, no provision for Hong Kong profits tax had been made as the Group's Hong Kong subsidiary has unused tax losses available to offset against assessable profits.

For the year ended 31 March 2012, Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year of assessment 2011/12.

According to the document issued by National Taxation Bureau of Taipei, Ministry of Finance, the applicable income tax rate in Taiwan was changed from 25% to 17% effective from 1 January 2011 onwards.

REVIEW OF HISTORICAL OPERATING RESULTS

Comparison of the Group's results for the ten months ended 31 January 2013 with the ten months ended 31 January 2012

Revenue

As set out in the paragraph headed "Overview of the Group's consolidated statements of comprehensive income items — Revenue" in this section, the revenue of the Group was primarily derived from the provision of repair and refurbishment services for mobile phones and other personal electronic products. TSO, the major operating subsidiary of the Group, is appointed as authorised service providers by global manufacturers of mobile phones and global services companies to provide mobile phone repair and refurbishment services. The Group also provides repair and refurbishment services to a Hong Kong mobile network operator, and TDD, which is a paging operator and a connected person of the Company. In addition, it is also appointed to provide repair services for the gaming products including video game consoles and handheld game consoles.

The Group's repair and refurbishment services covers mobile phones, pagers, two-way mobile data communication devices, personal computers, tablet computers, portable media players, video game consoles and handheld game consoles and the repair and refurbishment works performed by the Group generally include screening and inspection, exchange of accessories or exchange for buffer units, cosmetic refurbishment, setting re-configuration, software upgrade, replacement of electronic components or modules, etc.

Revenue in the ten months ended 31 January 2013 increased by 12.1% when comparing with that in the ten months ended 31 January 2012 because of (i) the increase in the repair and refurbishment service income for provision of services for certain corporate customers (namely Customers C, D, E, G, H and I) and (ii) the increase in the revenue generated by sale of accessories, which was partially offset

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by (iii) the decrease in the repair and refurbishment service income for provision of services to the Group's certain other corporate customers (namely Customer F and two other then corporate customers of the Group).

The repair and refurbishment service income for the said corporate customers increased since:

- (1) a corporate customer of the Group (namely Customer H) actively launched new models of smart phones in the ten months ended 31 January 2013, and the increase in the models launched by this corporate customer had driven a growth in the demand for the Group's repair and refurbishment services for such corporate customer in the ten months ended 31 January 2013 and, the revenue contributed by the provision of repair and refurbishment service for electronic products of this corporate customer increased by approximately HK\$2.2 million;
- (2) a corporate customer (namely Customer C) requested the Group to perform repair and refurbishment services for the faulty mobile phones collected by this corporate customer outside Hong Kong in the ten months ended 31 January 2013. This led to a surge in job orders performed and the revenue contributed by the provision of repair and refurbishment services for electronic products of this corporate customer increased by approximately HK\$2.6 million;
- (3) a corporate customer of the Group (namely Customer G) ceased the appointment of another authorised service provider and the Group has become the sole authorised service provider of such corporate customer since August 2012. The Group expanded the size of the service centre for this corporate customer and the service fees received increased by approximately HK\$3.4 million;
- (4) two new corporate customers (namely Customers D and E) appointed the Group to provide repair and refurbishment services in October and December 2011 respectively, and the Group received service fees pursuant to the appointments for the whole period of the ten months ended 31 January 2013 but not for the whole period of the ten months ended 31 January 2012. This led to an increase in service fees by approximately HK\$1.1 million; and
- (5) a new corporate customer (namely Customer I) , which is the Hong Kong operation of a global services company, appointed the Group to provide repair and refurbishment services in November 2012, and the Group received service fees from it subsequent to the appointment in the said period and the revenue contributed in the said period amounted to approximately HK\$1.5 million.

The revenue from sale of accessories increased because the Group started to sell accessories at the retail shops of TDM on a consignment basis and to corporate customers since December 2012. As a result, the revenue from sale of accessories increased by approximately HK\$0.6 million.

On the other hand, the repair and refurbishment service income for the other said corporate customers decreased primarily because:

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- (1) the largest corporate customer of the Group (namely Customer F) launched a new model of smart phone in September 2012, and the popularity of this new smart phone was not the same as its preceding models launched in 2010 and 2011 and had not driven the demand of the Group's repair and refurbishment services in similar extent when compared with the corresponding period ended 31 January 2012. The revenue contributed by the provision of repair and refurbishment service for electronic products of this corporate customer decreased by approximately HK\$3.6 million over the said periods; and
- (2) two corporate customers of the Group, due to the reorganisation plan of the group of companies to which they belong, launched fewer models of mobile phones in the ten months ended 31 January 2013 than in the ten months ended 31 January 2012, and the decrease in the models launched by such corporate customers had resulted in a decline of the Group's repair and refurbishment services for such corporate customers in the ten months ended 31 January 2013 and, consequently, the revenue contributed by the provision of repair and refurbishment service for electronic products of these customers decreased by approximately HK\$0.4 million.

Cost of sales

The Group's cost of sales primarily consists of direct labour costs and cost of materials, which comprised spare parts required by the Group's corporate customers to consume in the course of the provision of repair and refurbishment services. Under the existing service agreements between the Group and its corporate customers,

- five corporate customers (namely TDD and Customers C, D, E and H) require the Group to purchase from them or their designated suppliers the spare parts, of which
 1. three corporate customers (namely Customers C, E and H) reimburse the Group when those parts and components are used for in-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and correspondents used for out-of-warranty works); and
 2. two corporate customers (namely TDD and Customer D) reimburse the Group when those parts and components are used for both in-warranty and out-of-warranty works;
- two corporate customers (namely Customers G and I) supply spare parts to the Group without any charges for both in-warranty and out-of-warranty works;
- two corporate customers (namely Customers B and F) supply spare parts to the Group without any charges for in-warranty works and require the Group to purchase from them or their designated suppliers the spare parts for out-of-warranty works (and under such arrangement, the Group claims the individual customers for the costs of the parts and correspondents used for out-of-warranty works); and
- one corporate customer (namely Customer J) provides supply of spare parts to the Group without any charges for in-warranty works undertaken in Hong Kong and Taiwan and out-of-warranty works undertaken in Hong Kong, and requires the Group to purchase parts for out-

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of-warranty works undertaken in Taiwan (and under such arrangement, the Group claims the individual customers for the costs of parts and components used for such out-of-warranty works).

The Group's cost of sales increased by 15.8% from approximately HK\$32.5 million for the ten months ended 31 January 2012 to approximately HK\$37.6 million for the ten months ended 31 January 2013. The increase in overall cost of sales was primarily due to the increase in the price of parts required for the provision of out-of-warranty repair and refurbishment services for the mobile phones produced by certain global manufacturers which require the Group to purchase from them or their designated suppliers the spare parts for out-of-warranty works.

Gross profit and gross profit margin

The prices of parts applied only affect the service fees (i.e. revenue) charged to end-users but not the gross profit for out-of-warranty repair and refurbishment services because the changes in prices of parts required for such services will in turn be reflected on the fee charged to the end-users. As a result, an increase in parts price leads to a decrease in gross profit margin due to the fact that it does not boost the gross profit while lifting the revenue in monetary terms.

For the ten months ended 31 January 2012 and 2013, approximately HK\$12.8 million and HK\$14.2 million of the Group's repair service incomes were generated from the out-of-warranty repair and refurbishment services provided in respect of which the Group was required to be responsible for the costs of parts and components. With such arrangement and the growing quantum in the Group's revenue generated from out-of-warranty repairs over the corresponding periods, the gross profit margin of the Group had been affected by the increase in cost of parts and components for out-of-warranty repair and refurbishment services and the Group's gross profit margin decreased from 44.0% for the year ended 31 March 2012 to 40.8% for the ten months ended 31 January 2013 as a consequence.

Furthermore, as a result of the growth in revenue driven by the aforementioned reasons in the paragraph headed "Review of historical operating results — Comparison of the Group's results for the ten months ended 31 January 2013 with the ten months ended 31 January 2012 — Revenue" in this section, the Group's gross profit in monetary term remained stable despite the fact that the gross profit margin decreased over the corresponding periods due to the aforesaid reasons.

Other income

Other income mainly consists of management fee income from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong, consignment goods handling income, sales of scrapped materials and gain on disposal of the Group's business vehicles during the Track Record Period.

The Group's other income increased by 222.0% or approximately HK\$1.6 million primarily as a result of the one-off gain on disposal of the Group's business vehicles to a related company and an Independent Third Party in November and December 2012 respectively where there was no such gain in the ten months ended 31 January 2013. The disposal prices were determined with reference to the market values of second hand vehicles of the same brands and of the same years of manufacture. The Directors confirm that the disposals of business vehicles (including that to a related company in November 2012) were carried out on arm's length basis.

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Other operating expenses, net

Other operating expenses, net, mainly included other operating expenses of service centres such as rental expenses, rates, management fee, insurance, utility, etc, partially offset by service centre management income, reimbursement of expenses for service centre, etc. The balance increased by 44.7% from approximately HK\$6.2 million for the ten months ended 31 January 2012 to approximately HK\$9.0 million for the ten months ended 31 January 2013.

The increase in other operating expenses, net, was principally due to the increase in other operating expenses of service centres primarily because of the additional rent, rate and management fee and depreciation of leasehold improvement incurred for the new service centre for a telecommunication service provider starting from August 2012.

Administrative expenses

Administrative expenses mainly included directors' remuneration, depreciation, staff costs, rent and rate, transportation, communication, utility, professional fees incurred for the Listing and miscellaneous expenses. The balance increased by 185.0% from approximately HK\$5.5 million for the ten months ended 31 January 2012 to approximately HK\$15.6 million for the ten months ended 31 January 2013 mainly because of (i) the increase in rent and rate and miscellaneous administrative expenses including office maintenance, office supplies and sundry expenses due to expansion of the Group's office; and (ii) the professional fees for the Listing as no such expenses were incurred for the ten months ended 31 January 2012.

Finance costs

Finance costs incurred for the ten months ended 31 January 2013 increased by 267.8% or HK\$233,000 to approximately HK\$320,000 from approximately HK\$87,000 for the ten months ended 31 January 2012, primarily as a result of the drawdowns of the available banking facilities by the Group starting from September 2012.

Profit before tax

The Group recorded profit before tax of approximately HK\$3.3 million for the ten months ended 31 January 2013 when compared with profit before tax of approximately HK\$13.1 million for the ten months ended 31 January 2012. The decrease in profit over the ten months ended 31 January 2013 was primarily a result of (i) the professional fees of approximately HK\$6.7 million incurred for the Listing, and (ii) the expenses incurred for the expansion of service centre in the corresponding period. The Group's profit before tax would amount to approximately HK\$10.0 million for the ten months ended 31 January 2013 should the non-recurring professional fees in relation to the Listing in the corresponding period be excluded.

Income tax expenses

The income tax expense for the ten months ended 31 January 2012 and 2013 represents the Hong Kong profits tax calculated at 16.5% of the estimated assessable profits for the period under years of assessment 2011/12 and 2012/13. The Group's effective tax rates for the ten months ended 31 January

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2012 and 2013 are approximately 15.8% and 49.4% respectively. The much higher effective tax rate for the ten months ended 31 January 2013 than that for the ten months ended 31 January 2012 was a result of the non-deductibility of professional fees incurred for the Listing.

Profit for the period and net profit margin

The Group recorded profit for the period of approximately HK\$1.7 million for the ten months ended 31 January 2013 when compared with profit after tax of approximately HK\$11.1 million for the ten months ended 31 January 2012 as a result of the aforementioned reasons for the decrease in the Group's profit before tax.

The net profit margin is 2.6% for the ten months ended 31 January 2013 while the net profit margin for the ten months ended 31 January 2012 is 19.5% due to the aggregated effects of all the foregoing.

The Group's profit for the period and net profit margin would be approximately HK\$8.4 million and 13.2% respectively should the non-recurring professional fees in relation to the Listing in the corresponding period be excluded.

Comparison of the Group's results for the year ended 31 March 2012 with the year ended 31 March 2011

Revenue

In light of the overall business objective of the Group to boost the growth of its repair and refurbishment services for personal electronic products including mobile phones, the Group endeavored to seek new cooperation opportunities with its existing and prospective customers over the Track Record Period.

The Group was also benefited from the introduction of new models of smart phones by certain then existing corporate customers of the Group in the year ended 31 March 2012 and this led to a further surge in number of jobs performed by the Group for these relevant corporate customers.

The revenue increased by 83.6% from approximately HK\$37.9 million for the year ended 31 March 2011 to approximately HK\$69.6 million for the year ended 31 March 2012. Such increase in revenue for the year ended 31 March 2012 was principally because (i) the largest corporate customer of the Group (namely Customer F) for the said period launched a new model of smart phone with different specifications during the period from June 2010 to October 2011, and the popularity of such new smart phone had driven a significant growth in the demand for the Group's repair and refurbishment services for the largest corporate customer in the year ended 31 March 2012 and, the revenue contributed by the provision of repair and refurbishment service for electronic products of the largest corporate customer increased by approximately HK\$13.4 million; (ii) three new corporate customers (namely Customers C, G and H) appointed the Group to provide repair and refurbishment services in July, September and December 2010 respectively, and the Group received service fees pursuant to the appointments for the full year ended 31 March 2012 but not for the full year ended 31 March 2011. The revenue contributed by the provision of repair and refurbishment services to these corporate customers increased by approximately HK\$13.6 million over the corresponding periods; and (iii) two new corporate customers

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(namely Customers D and E) appointed the Group to provide repair and refurbishment services in October and December 2011 respectively, and the Group received total service fees of approximately HK\$1.5 million subsequent to the appointments in the said year.

Cost of sales

The Group's cost of sales increased by 59.7% from approximately HK\$24.4 million for the year ended 31 March 2011 to approximately HK\$38.9 million for the year ended 31 March 2012. The increase in overall cost of sales was primarily due to the additional direct labour cost incurred for the provision of repair and refurbishment services and the procurement of spare parts consumed in the course of provision of repair and refurbishment services.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 126.7% from approximately HK\$13.5 million for the year ended 31 March 2011 to approximately HK\$30.6 million for the year ended 31 March 2012 while the gross profit margin increased from approximately 35.7% for the year ended 31 March 2011 to approximately 44.0% for the year ended 31 March 2012.

The increase in the Group's gross profit for the year ended 31 March 2012 when comparing with that for the year ended 31 March 2011 was primarily driven by the aforementioned reasons in the paragraph headed "Review of historical operating results — Comparison of the Group's results for the year ended 31 March 2012 with the year ended 31 March 2011 — Revenue" in this section.

Given the repair and refurbishment service fee charged per job for mobile phones produced by different global manufacturers remained stable over the two years ended 31 March 2012, the significant increase in gross profit margin was primarily contributable to the facts that: (i) the Group is required to purchase from certain corporate customers or their designated suppliers the required parts and components and the Group is subsequently reimbursed by these corporate customers when those parts and components are utilised for providing in-warranty repair services. For the two years ended 31 March 2011 and 2012, approximately 71.9% and 77.3% of the Group's repair service incomes were generated from the repair and refurbishment services provided in respect of which the Group was not required to be responsible for the costs of parts and components. With such reimbursement arrangement, the increase in the Group's costs of materials purchased was not comparable to and was substantially lower than the increase in the Group's revenue during the two years ended 31 March 2012 due to the surge in the number of jobs performed; and (ii) the direct labour costs incurred for new service centres and the technicians before the commencement of the provision of repair and refurbishment services to the corporate customers which newly engaged the Group as their authorised service providers in the year ended 31 March 2011. Much less expenses of such kind were incurred in the year ended 31 March 2012.

On condition that (i) the overall gross profit margin and other income of the Group remains stable and (ii) the operating and administrative expenses of the Group do not materially vary when comparing with the results during the two years ended 31 March 2012, the minimum levels of revenue, which the Group has to maintain to cover its daily operating costs, for each of the two years ended 31 March 2012 would be approximately HK\$26.2 million and HK\$31.6 million respectively.

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Other income

Other income mainly consists of management fee income from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong, consignment goods handling income and sales of scrapped materials during the Track Record Period. The Group's other income increased by 37.8% from approximately HK\$0.7 million for the year ended 31 March 2011 to HK\$0.9 million for the year ended 31 March 2012 mainly due to the increase in management fee income, consignment goods handling income and the survey service income received from a global manufacturer of mobile phones for carrying customer service survey at the Group's service centres on that manufacturer's behalf; which was partially offset by the decrease in income from sales of scrapped material which represented the one-off sales of repaired electronic components by the Group to Radiotex International Limited in the year ended 31 March 2011.

Other operating expenses, net

Other operating expenses, net, mainly included other operating expenses of service centres such as rental expenses, rates, management fee, insurance, utility, etc, and were partially offset by service centre management income, reimbursement of expenses for service centre, etc. The balance increased by 124.2% from approximately HK\$3.4 million for the year ended 31 March 2011 to approximately HK\$7.6 million for the year ended 31 March 2012.

The increase in other operating expenses, net, was primarily attributable to the increase in other operating expense of service centres by approximately HK\$5.0 million which was primarily as a result of the fact that the Group had been newly engaged by two corporate customers (namely Customers G and H) in September and December 2010 as their authorised service providers to provide repair and refurbishment services and operate service centres, and the Group incurred operating expenses for such centres for the full year ended 31 March 2012 but not for the full year ended 31 March 2011.

Administrative expenses

Administrative expenses mainly included directors' remuneration, depreciation, staff costs, rent and rate, professional fees, transportation, communication, utility and miscellaneous expenses. The balance mildly increased from approximately HK\$6.6 million for the year ended 31 March 2011 to approximately HK\$7.1 million for the year ended 31 March 2012 mainly because of the slight increase in depreciation of HK\$0.2 million.

Finance costs

Finance costs were incurred in relation to the Group's acquisition of vehicle via finance lease arrangement during the year ended 31 March 2012.

Profit before tax

The Group's profits before tax increased by 299.8% from approximately HK\$4.2 million for the year ended 31 March 2011 to approximately HK\$16.7 million for the year ended 31 March 2012 as a result of the increase in gross profit, partially offset by the increase in other operating expenses, net, and administrative expenses due to the aforementioned reasons.

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Income tax expenses

For the year ended 31 March 2011, no provision for Hong Kong profits tax had been made as the Group's Hong Kong subsidiary has unused tax losses available to offset against assessable profits while the income tax expense for the year ended 31 March 2012 represents the Hong Kong profits tax calculated at 16.5% of the estimated assessable profits for year of assessment 2011/12. The Group's effective tax rate for the year ended 31 March 2012 is approximately 15.8%.

Profit for the year and net profit margin

The increase in profit for the year of the Group by 236.6% from HK\$4.2 million for the year ended 31 March 2011 to HK\$14.1 million for the year ended 31 March 2012 was mainly attributable to the increase in gross profit of the Group due to the aggregated effects of all the foregoing.

Net profit margin increased from 11.0% for the year ended 31 March 2011 to 20.2% for the year ended 31 March 2012 because of the increase in gross profit margin of the Group due to the aggregated effects of all the foregoing.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, the principal sources of liquidity and capital resources of the Group were the cash flow from operating activities, amount due to related companies and bank borrowings. The Group requires cash to fulfill the requirements of its working capital.

In addition, on 6 December 2012, the Group allotted and issued to East-Asia Pacific Limited 300,000 Shares of HK\$0.1 each at a total subscription price of HK\$11.0 million with a view to maintaining sufficient level of liquid capital to support the Group's operations.

The following table sets out a summary of the Group's consolidated statements of cash flows for the periods indicated:

	Year ended 31 March		Ten months ended 31 January	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Net cash (used in) from operating activities	(11,691)	8,831	124	(8,187)
Net cash used in investing activities	(2,681)	(6,267)	(1,996)	(19,038)
Net cash from (used in) financing activities	<u>14,669</u>	<u>(1,099)</u>	<u>2,631</u>	<u>29,727</u>
Net increase in cash and cash equivalents	297	1,465	759	2,502
Cash and cash equivalents at the beginning of the year/period	892	1,099	1,099	2,562
Effect of foreign exchange rate changes	<u>(90)</u>	<u>(2)</u>	<u>(47)</u>	<u>53</u>
Cash and cash equivalents at the end of the year/period	<u><u>1,099</u></u>	<u><u>2,562</u></u>	<u><u>1,811</u></u>	<u><u>5,117</u></u>

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Net cash (used in) from operating activities

The Group derives its cash from operating activities from receipt of payments for provision of its services. The Group's cash used in operating activities is principally for purchase of spare parts consumed in the provision of repair and refurbishment services, payment of staff cost and operating expenses of service centres.

Ten months ended 31 January 2013

In the ten months ended 31 January 2013, the Group had net cash used in operating activities of approximately HK\$8.2 million. The Group incurred net cash used in operating activities in the ten months ended 31 January 2013 when compared with the net cash from operating activities in the ten months ended 31 January 2012 and in the year ended 31 March 2012 primarily because of (i) the payment of legal and professional fees in relation to the Listing of approximately HK\$6.7 million incurred in the profit or loss account for the corresponding period, where there were no such balances incurred in the ten months ended 31 January 2012 and in the year ended 31 March 2012; and (ii) the payment of expenses amounting to approximately HK\$0.8 million mainly incurred for rental, depreciation of furniture and fixtures acquired and labour costs in relation to service centres in the ten months ended 31 January 2013.

Changes in working capital represented a net use of approximately HK\$14.3 million, primarily driven by an increase in inventories of approximately HK\$1.5 million, an increase in trade and other receivables of approximately HK\$11.3 million and an increase in amounts due from related companies of approximately HK\$2.2 million. The inventories balance as at 31 January 2013 increased when compared with that as at 31 March 2012 because of the increased price of parts required for the provision of repair and refurbishment services. The Group's trade and other receivables balances increased over the relevant period because of (i) the increase in outstanding receivable balances due from a mobile phone manufacturer (namely Customer H) and a telecommunication services provider (namely Customer G) of approximately HK\$3.9 million, as a result of a short period of delay in payments by these customers as at 31 January 2013, and the receivable balances due from a new corporate customer (namely Customer I) which is the Hong Kong operation of a global services company of approximately HK\$1.3 million and (ii) the increase in cash security deposit requirements with certain corporate customers owing to the reasons as highlighted in the paragraph headed "Net current assets and selected items of the consolidated statements of financial position — Trade and other receivables" under this section.

Year ended 31 March 2012

In the year ended 31 March 2012, the Group had net cash generated from operating activities of approximately HK\$8.8 million. Profit before tax for the year was approximately HK\$16.7 million. Adjustments primarily include depreciation of plant and equipment of approximately HK\$2.7 million and allowance of inventories of approximately HK\$438,000, resulting in operating cash flows before movements in working capital of approximately HK\$20.0 million.

Changes in working capital represented a net use of approximately HK\$11.2 million, primarily driven by an increase in trade and other receivables of approximately HK\$4.0 million, an increase in amounts due from related companies of approximately HK\$10.2 million and offset by an increase in trade and other payables of approximately HK\$2.9 million. The Group's trade and other receivables

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balance increased over the year ended 31 March 2012 as a result of (i) the increase in trade receivable balances driven by the growth in revenue driven by the reasons highlighted in the paragraph headed “Review of historical operating results” in the corresponding period and (ii) the increase in cash security deposit requirements with certain corporate customers driven by the growth in business volume with these customers driven by the reasons highlighted in the paragraph headed “Review of historical operating results”. The increase in trade and other payables is driven by the growth in business volume with various corporate customers due to the aforementioned reasons and is in line with the increase in other operating expenses, net, and administrative expenses as highlighted in the paragraphs headed “Other operating expenses, net” and “Administrative expenses” under the subsection “Overview of the Group’s consolidated statements of comprehensive income items” of this section in the corresponding period.

Year ended 31 March 2011

In the year ended 31 March 2011, the Group had net cash used in operating activities of approximately HK\$11.7 million. Profit before tax for the year was approximately HK\$4.2 million. Adjustments primarily include depreciation of plant and equipment of approximately HK\$1.9 million, resulting in operating cash flows before movements in working capital of approximately HK\$6.1 million.

Changes in working capital represented a net use of approximately HK\$17.8 million, primarily driven by an increase in inventories of approximately HK\$4.0 million, an increase in trade and other receivables of approximately HK\$7.1 million, an increase in amounts due from related companies of approximately HK\$8.9 million and an increase in trade and other payables of approximately HK\$2.3 million. The increase in the Group’s inventories, trade and other receivables and trade and other payables are all driven by the significant growth in business volume with its then existing and new corporate customers due to the reasons as highlighted in the paragraph headed “Review of historical operating results”.

Net cash used in investing activities

The Group’s net cash used in investing activities primarily consists of purchase of plant and equipment.

Ten months ended 31 January 2013

Net cash used in investing activities for the ten months ended 31 January 2013 was approximately HK\$19.0 million. It was primarily a result of (i) the placement of pledged bank deposits of approximately HK\$4.1 million required to secure banking facilities granted to the Group; (ii) the increase in advance of approximately HK\$14.0 million to a related company to finance its short-term capital needs during the said period; and (iii) partially netted off by the proceeds from the disposal of business vehicles to a related company and an Independent Third Party respectively of approximately HK\$5.7 million. The disposal prices were determined with reference to the market values of second hand vehicles of the same brands and of the same years of manufacture.

The related company subsequently settled the advance from the Group in February 2013 in full.

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Year ended 31 March 2012

Net cash used in investing activities for the year ended 31 March 2012 was approximately HK\$6.3 million. The net cash used was primarily a result of (i) the purchase of plant and equipment renovation incurred for the Group's office of approximately HK\$3.0 million and (ii) the purchase of business vehicle of approximately HK\$4.0 million via finance lease arrangement during the year ended 31 March 2012.

Year ended 31 March 2011

Net cash used in investing activities for the year ended 31 March 2011 was approximately HK\$2.7 million and it was primarily a result of the purchase of business vehicle of approximately HK\$2.9 million during the same period.

Net cash from (used in) financing activities

The Group mainly derived its cash inflow from financing activities such as advances from related companies, bank borrowings and equity capital and incurred cash outflows in financing activities in relation to repayment of finance lease and outstanding balances with related companies.

Ten months ended 31 January 2013

Net cash from financing activities for the ten months ended 31 January 2013 was approximately HK\$29.7 million. This is principally because the Group (i) allotted and issued to East-Asia Pacific Limited 300,000 Shares of HK\$0.1 each at a total subscription price of HK\$11.0 million in December 2012 and (ii) drew down a total of approximately HK\$20.0 million on the available banking facilities to finance its working capital needs in late 2012.

Year ended 31 March 2012

Net cash used in financing activities for the year ended 31 March 2012 was approximately HK\$1.1 million and was primarily as a result of the repayment of finance lease of approximately HK\$1.0 million.

Year ended 31 March 2011

Net cash from financing activities for the year ended 31 March 2011 was approximately HK\$14.7 million. This is because the Group received advances from its related companies with a view to financing its capital and operating expenditures due to the significant growth in business volume with its then existing and new corporate customers over the corresponding period.

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Net current assets and selected items of the consolidated statements of financial position

The following table sets out the Group's current assets, current liabilities and selected items of the consolidated statements of financial position as at the respective financial position dates below.

	As at 31 March		As at 31 January 2013	As at 30 April 2013
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Non-current asset				
Plant and equipment	5,579	13,189	9,243	9,187
Current assets				
Inventories	4,617	4,104	5,423	4,874
Trade and other receivables	9,858	13,812	25,112	29,248
Amounts due from related companies	2,999	3,520	16,432	1,232
Tax recoverable	149	104	104	139
Pledged bank deposits	—	—	4,101	4,102
Bank balances and cash	1,099	2,562	5,117	7,373
	18,722	24,102	56,289	46,968
Current liabilities				
Trade and other payables	2,814	5,753	6,425	15,135
Amount due to intermediate holding company	3,875	3,875	—	—
Amounts due to related companies	9,458	—	85	226
Amount due to a director	50	—	—	—
Tax payable	—	1,944	3,835	552
Obligations under finance leases				
— due within one year	—	762	—	—
Bank borrowings	—	—	20,000	5,000
	16,197	12,334	30,345	20,913
Net current assets	2,525	11,768	25,944	26,055
Non-current liabilities				
Obligations under finance leases				
— due more than one year	—	2,184	—	—

The Group's net current assets increased from approximately HK\$2.5 million as at 31 March 2011 to approximately HK\$11.8 million as at 31 March 2012. This is mainly attributable to (i) an increase in trade and other receivables of approximately HK\$4.0 million, (ii) an increase in bank balances and cash of approximately HK\$1.5 million and (iii) a decrease in amounts due to related companies of approximately HK\$9.5 million, partially offset by (i) an increase in trade and other payables of approximately HK\$2.9 million and (ii) an increase in tax payable of approximately HK\$1.9 million.

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The Group's net current assets subsequently increased by approximately HK\$14.2 million as at 31 January 2013 principally as the result of the subscription proceed of HK\$11.0 million from the share allotment to East-Asia Pacific Limited on 6 December 2012.

There is no material fluctuation noted for the Group's net current assets as at 30 April 2013 when compared with that as at 31 January 2013.

Inventory

As set out in the paragraph headed "Overview of the Group's consolidated statements of comprehensive income items — Cost of materials" in this section, the Group is required by its corporate customers to only use the spare parts and components provided or procured to be provided by them in the repair and refurbishment undertaken by the Group. Other than the Group's corporate customers supplying parts and components to the Group, the Group also sources certain accessories for mobile phones and other personal electronic products like phone cases, screen protectors, chargers, batteries, etc. and sell such accessories to corporate customers such as mobile phone manufacturers or in the customer service centres operated by the Group and the retail shops of TDM.

The Group's inventories balances mainly consist of merchandises such as spare parts consumed in the course of the provision of repair and refurbishment services and accessories for mobile phones and other personal electronic products for sale. The following table sets out a summary of the Group's inventory balances as at the respective financial position dates below.

	As at 31 March		As at
	2011	2012	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Merchandises	<u>4,617</u>	<u>4,104</u>	<u>5,423</u>

The Group's inventories decreased from approximately HK\$4.6 million as at 31 March 2011 to approximately HK\$4.1 million as at 31 March 2012 primarily attributable to the effective inventory monitoring and procurement procedures developed and in place after the establishment of long-term cooperation relationship with the Group's business partners which are mainly global manufacturers of mobile phones.

The balance increased mildly to approximately HK\$5.4 million as at 31 January 2013 mainly because of the increased price of parts required for the provision of repair and refurbishment services.

The following table sets out the Group's average inventory turnover days during the Track Record Period:

	As at 31 March		As at
	2011	2012	31 January
	<i>Days^(Note 1)</i>	<i>Days^(Note 1)</i>	<i>Days^(Note 1)</i>
Average inventory turnover days	<u>39.3</u>	<u>40.9</u>	<u>38.7</u>

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Note:

1. Average inventory turnover days for each of the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 = 365 days (the years ended 31 March 2011 and 2012) or 306 days (the ten months ended 31 January 2013) × (average of the year/period beginning and ending inventory balance)/cost of sales.

The Group normally maintains a level of stock which is reasonably sufficient to support it for provision of service for three to six weeks (i.e. approximately from 20 days to 40 days). The Group's average inventory turnover days were 39.3, 40.9 and 38.7 for the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 respectively. No material variance was noted in relation to the average inventory turnover days for the two financial years ended 31 March 2012 and the ten months ended 31 January 2013.

As at 30 April 2013, approximately 68.9% of the Group's inventories as at 31 January 2013 had been subsequently utilised.

Trade and other receivables

The Group's customers generally grant the Group a credit period ranging from 30 days to 60 days. The following table sets out a summary of the Group's trade and other receivables balances as at the respective financial position dates below.

	As at 31 March		As at
	2011	2012	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	6,454	8,349	13,079
Other receivables	2,890	5,332	8,442
Prepayment	<u>514</u>	<u>131</u>	<u>3,591</u>
	<u>9,858</u>	<u>13,812</u>	<u>25,112</u>

The Group's trade receivables balances increased from approximately HK\$6.5 million as at 31 March 2011 to approximately HK\$8.3 million as at 31 March 2012 and is in line with the Group's growth in revenue over the corresponding period. The balance further increased to approximately HK\$13.1 million as at 31 January 2013 because of the increase in outstanding receivable balances due from a mobile phone manufacturer (namely Customer H) and a telecommunication service provider (namely Customer G) for a total of approximately HK\$3.9 million, and the receivable balances due from a new corporate customer (namely Customer I) which is the Hong Kong operation of a global services company for approximately HK\$1.3 million as at 31 January 2013. While there is no specific reason for such non-recurring delay in settlement of the outstanding balance from Customer H as at 31 January 2013, the increase in outstanding receivable balance from Customer G in the corresponding period was primarily attributable to the fact that the Group and Customer G expected to subsequently net off such receivable balances against the payable balances of similar amount from the same corporate customer. 73.3% of the total outstanding receivable balances from Customer G and Customer H as at 31 January

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2013 had been settled as at 30 April 2013 and no recoverability problem arises. Notwithstanding the above, the Group did not encounter collection problem and it has not made provision in respect of its trade receivables during the Track Record Period and up to the Latest Practicable Date.

Other receivables of the Group mainly represents rental deposits for service centres and cash security deposits with customers which supply the Group with mobile phone products or spare parts to be applied in the course of the provision of repair and refurbishment services. Other receivables increased from approximately HK\$2.9 million as at 31 March 2011 to approximately HK\$5.3 million as at 31 March 2012 and further increased to approximately HK\$8.4 million as at 31 January 2013 mainly due to (i) the increase in cash security deposit requirement with Customer F owing to the fact that the Group started to provide repair and refurbishment for personal computers produced by this corporate customer in the said period and was required to purchase spare parts applied; and (ii) the increase in cash security deposit with Customer G owing to the then expected growth in number of repair jobs after the Group expanded the size of the service centre for this corporate customer in 2012. Breakdown of other receivables of the Group is illustrated below:

	As at 31 March		As at
	2011	2012	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental deposits	1,341	1,458	2,508
Security deposits	846	2,326	4,654
Others	<u>703</u>	<u>1,548</u>	<u>1,280</u>
	<u>2,890</u>	<u>5,332</u>	<u>8,442</u>

Prepayment as at 31 January 2013 mainly represents the prepaid balance of legal and other professional fees either to be expensed or be accounted for as a deduction from equity in relation to the Listing.

The following table sets out the Group's average trade receivables turnover days during the Track Record Period:

	As at 31 March		As at
	2011	2012	31 January
	<i>Days^(Note 2)</i>	<i>Days^(Note 2)</i>	<i>Days^(Note 2)</i>
Average trade receivables turnover days	<u>34.0</u>	<u>38.8</u>	<u>51.6</u>

Note:

- Average trade receivables turnover days for each of the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 = 365 days (the years ended 31 March 2011 and 2012) or 306 days (the ten months ended 31 January 2013) × (average of the year/period beginning and ending trade receivables balance)/revenue.

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The Group's average trade receivables turnover days were 34.0, 38.8 and 51.6 for the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 respectively.

The lower trade receivables turnover days recorded in the year ended 31 March 2011 was primarily a result of the relatively lower average trade receivable balance for the year ended 31 March 2011. This is because the Group was just appointed as the authorised service providers by two global manufacturers of mobile phones and a telecommunication service provider in July, September and December 2010, respectively and the Group only began to provide repair and refurbishment services to these three new customers and generated revenue since then for the year ended 31 March 2011, while the comparative revenue generated for the year ended 31 March 2012 was in full swing.

The balance of trade receivables as at 31 January 2013 increased significantly because of the increase in outstanding receivable balances due from a mobile phone manufacturer (namely Customer H) and a telecommunication service provider (namely Customer G) for approximately HK\$3.9 million, and the receivable balances due from a new corporate customer (namely Customer I) which is the Hong Kong operation of a global services company for approximately HK\$1.3 million as at 31 January 2013. While there is no specific reason for such non-recurring delay in settlement of the outstanding balance from Customer H as at 31 January 2013, the increase in outstanding receivable balance from Customer G in the corresponding period was primarily attributable to the fact that the Group and Customer G expected to subsequently net off such receivable balances against the payable balances of similar amount from the same corporate customer. 73.3% of the total outstanding receivable balances from Customer G and Customer H as at 31 January 2013 had been settled as at 30 April 2013 and no recoverability problem arises. These exceptional balances as at 31 January 2013 increased the trade receivable turnover days to 51.6 days in the ten months ended 31 January 2013 from 38.8 days in the year ended 31 March 2012.

The following is an aged analysis of trade receivables presented based on invoice date at the end of each reporting period.

	As at 31 March		As at
	2011	2012	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	3,183	3,006	5,522
31–60 days	2,100	2,357	3,269
61–90 days	405	1,744	3,765
91–120 days	557	820	61
Over 120 days	<u>209</u>	<u>422</u>	<u>462</u>
	<u>6,454</u>	<u>8,349</u>	<u>13,079</u>

As at 30 April 2013, approximately 89.0% of the Group's trade receivables as at 31 January 2013 had been subsequently settled. During the Track Record Period, the Group has neither written down any of its trade receivables nor reduced the carrying amounts of any of its trade receivables through the use of allowance account.

FINANCIAL INFORMATION

Trade and other payables

The Group's credit period granted by its suppliers generally ranged from 30 days to 60 days. The following table sets out a summary of the Group's trade and other payables balances as at the respective financial position dates below.

	As at 31 March		As at
	2011	2012	31 January
	HK\$'000	HK\$'000	2013
			HK\$'000
Trade payables	—	936	1,165
Accrued expenses and other payables	<u>2,814</u>	<u>4,817</u>	<u>5,260</u>
	<u>2,814</u>	<u>5,753</u>	<u>6,425</u>

As an authorised service provider appointed by the corporate customers, the Group generates repair and refurbishment services income and pays the corporate customers or their designated suppliers for the procurement of spare parts consumed in the course of provision of repair and refurbishment services.

Certain agreements between these corporate customers and the Group allow offsetting of their outstanding trade receivables and trade payables and the Group elects to offset such balances with them. Most offsetable balances of trade receivables and trade payables with the same counterparties are settled in net according to the netting arrangement as set out in the respective contracts with such counterparties. As a result, the balances of the Group's trade payables were kept at minimal during the Track Record Period.

The Group's trade payables balances increased from approximately nil as at 31 March 2011 to approximately HK\$936,000 as at 31 March 2012 and mildly increased further to approximately HK\$1.2 million as at 31 January 2013.

Accrued expenses and other payables of the Group mainly represent fees received on behalf of and payable to a corporate customer (namely Customer G) of the Group, accrued staff costs and accrued professional fees in relation to the Listing.

The increase of accrued expenses and other payables balances from approximately HK\$2.8 million as at 31 March 2011 to approximately HK\$4.8 million as at 31 March 2012 is in line with the increase in other operating expenses, net, and administrative expenses in the corresponding period while the slight increase of the balance over the ten months ended 31 January 2013 was principally due to the accrued professional fees in relation to the Listing partially offset by the decrease in fee received on behalf and payable to a corporate customer in the corresponding period.

FINANCIAL INFORMATION

The breakdown of accrued expenses and other payables as at the respective financial position dates is as follows:

	As at 31 March 2011 HK\$'000	As at 31 March 2012 HK\$'000	As at 31 January 2013 HK\$'000
Fee received on behalf of and payable to a corporate customer <i>(Note 3)</i>	1,671	2,478	1,947
Accrued staff costs	414	1,323	1,171
Accrued professional fees in relation to the Listing	—	—	1,741
Other accrued expenses and payables	<u>729</u>	<u>1,016</u>	<u>401</u>
	<u><u>2,814</u></u>	<u><u>4,817</u></u>	<u><u>5,260</u></u>

Note:

- The Group operates service centres on behalf of a corporate customer (namely Customer G). The Group collected repair service fees on behalf of the corporate customer after service was rendered at the service centres. The aggregate repair service fees collected on the corporate customer's behalf would subsequently be paid to the corporate customer at the beginning of each month.

The following table sets out the Group's average trade payables turnover days during the Track Record Period:

	As at 31 March 2011 <i>Days</i> ^(Note 4)	As at 31 March 2012 <i>Days</i> ^(Note 4)	As at 31 January 2013 <i>Days</i> ^(Note 4)
Average trade payables turnover days	<u>—</u>	<u>4.4</u>	<u>8.5</u>

Note:

- Average trade payables turnover days for each of the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 = 365 days (the years ended 31 March 2011 and 2012) or 306 days (the ten months ended 31 January 2013) × (average of the year/period beginning and ending trade payables balance)/cost of sales.

The Group's average trade payables turnover days were nil, 4.4 days and 8.5 days for the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 respectively. The average trade payables turnover days remained at minimal as most offsetable balances of trade receivables and trade payables with the same counterparties are settled in net according to the netting arrangement as set out in the respective contracts with such counterparties.

FINANCIAL INFORMATION

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
	2011	2012	31 January
	HK\$'000	HK\$'000	2013
			HK\$'000
Within 30 days	—	770	1,004
31–90 days	—	—	1
Over 90 days	—	166	160
	<u>—</u>	<u>936</u>	<u>1,165</u>

As at 30 April 2013, approximately 86.0% of the Group's trade payables as at 31 January 2013 had been subsequently settled.

Amount due from or to related companies, intermediate company and a director

The following table sets out the Group's amount due from or to related companies, intermediate holding company and a Director as at the respective financial position dates below.

	As at 31 March		As at
	2011	2012	31 January
	HK\$'000	HK\$'000	2013
			HK\$'000
Amounts due from related companies	<u>2,999</u>	<u>3,520</u>	<u>16,432</u>
Amount due to intermediate holding company	3,875	3,875	—
Amounts due to related companies	9,458	—	85
Amount due to a Director	<u>50</u>	<u>—</u>	<u>—</u>

Amounts due from related companies increased by approximately HK\$12.9 million as at 31 January 2013 when comparing with that as at 31 March 2012 because the Group increased the amount of advances to a related company to finance its short term capital needs during the said period. The related company subsequently settled the advance from the Group in February 2013 in full.

The amounts due from related companies and the amount due to intermediate holding company as at 31 January 2013 had been settled in February 2013; and there has been no non-trade balances with the related parties of the Company since then.

FINANCIAL INFORMATION

Plant and equipment

The following table sets out the respective carrying values of the Group's major plant and equipment.

	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Computers <i>HK\$'000</i>	Total <i>HK\$'000</i>
CARRYING VALUES							
As at 31 March 2011	899	679	339	2,696	63	903	5,579
As at 31 March 2012	3,274	2,062	975	5,365	49	1,464	13,189
As at 31 January 2013	4,691	2,075	864	—	37	1,576	9,243

The total carrying value of the Group's plant and equipment increased from approximately HK\$5.6 million as at 31 March 2011 to approximately HK\$13.2 million as at 31 March 2012 because the Group acquired a business vehicle at cost of HK\$4.0 million and incurred HK\$3.0 million in renovating the Group's office during the year ended 31 March 2012. The two business vehicles were used to (i) take Directors and senior management to meetings; and (ii) take clients to the Group's office and service centres for meetings or site visits (if needed) and they were not for the personal use of the Directors. They were subsequently disposed of to a related company and an Independent Third Party in November and December 2012, respectively. The Directors confirm that the disposals of business vehicles (including that to a related company in November 2012) were carried out on arm's length basis.

The balance decreased to approximately HK\$9.2 million as at 31 January 2013 as a result of the disposal of the aforesaid business vehicles in November and December 2012.

FINANCIAL INFORMATION

Obligations under finance leases

The Group entered into a finance lease arrangement as lessee with a bank with a lease term of 5 years in respect of a business vehicle acquired during the year ended 31 March 2012. The underlying interest rate of all the obligations under the finance lease was fixed at 8% at the contract date.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March		As at 31 January	As at 31 March		As at 31 January
	2011	2012	2013	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases						
Within one year	—	861	—	—	762	—
In more than one year but not more than two years	—	861	—	—	793	—
In more than two years but not more than five years	—	1,436	—	—	1,391	—
	—	3,158	—	—	2,946	—
Less: future finance charges	—	(212)	—	N/A	N/A	N/A
Present value of lease obligation	—	2,946	—	—	2,946	—
Less: Amounts due for settlement with 12 months (shown under current liabilities)				—	(762)	—
Amounts due for settlement after 12 months				—	2,184	—

The Group's obligation under finance leases was secured by the lessor's charge over the leased assets and denominated in HK\$.

The finance lease arrangement was guaranteed by one of the Group's Director. This personal guarantee was released upon the disposal of the business vehicle in December 2012.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	Year ended 31 March		Ten months ended 31 January
	2011	2012	2013
	%	%	%
Profitability ratios			
Gross profit margin ^{Note a}	35.7	44.0	40.8
Net profit margin ^{Note b}	11.0	20.2	2.6
Return on assets ^{Note c}	17.2	37.7	2.5
Return on equity ^{Note d}	52.8	64.2	4.8
Liquidity ratio			
Current ratio ^{Note e}	115.6	195.4	185.5
Capital adequacy ratio			
Gearing ratio ^{Note f}	169.1	31.1	58.0

Notes:

- a. Gross profit margin is calculated based on the gross profit for the year/period divided by total revenue for the year/period and multiplied by 100%
- b. 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%
- c. 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%
- d. 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%
- e. 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
- 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 and multiplied by 100%. Debts are defined to include all liabilities incurred not in the ordinary course of business excluding trade related payables, accrued expenses and other payables.

ANALYSIS OF KEY FINANCIAL RATIOS

Gross profit margin

The Group's gross profit margin increased from approximately 35.7% for the year ended 31 March 2011 to approximately 44.0% for the year ended 31 March 2012. This was mainly attributable to the increase in the provision of repair and refurbishment services with higher gross profit margin for (i) mobile phones produced by global manufacturers which newly engaged the Group as their authorised service providers in the year ended 31 March 2012; and (ii) new model mobile phones produced by global manufacturers which have already appointed the Group as their authorised service providers before or in the year ended 31 March 2011.

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The Group's gross profit margin decreased from 44.0% for the year ended 31 March 2012 to 40.8% for the ten months ended 31 January 2013 primarily due to the fact that the Group's gross profit margin in respect of repair and refurbishment services provided for out-of-warranty products of certain mobile phone manufacturers decreased in the corresponding period as a result of the increase in the price of parts and components required.

Net profit margin

The Group's net profit margin increased from approximately 11.0% for the year ended 31 March 2011 to approximately 20.2% for the year ended 31 March 2012. Such increase was a result of the increase in gross profit margin due to the aforementioned reasons.

The Group recorded net profit margin of approximately 2.6% for the ten months ended 31 January 2013 when compared with the net profit margin of approximately 20.2% for the year ended 31 March 2012. The decrease in net profit margin over the ten months ended 31 January 2013 was primarily a result of (i) the decrease in gross profit margin due to the aforementioned reasons; (ii) the expenses incurred for the expansion of service centres in the corresponding period; and (iii) the professional fees incurred for the Placing and Listing in the corresponding period.

Return on assets

Return on assets for each of the two financial years ended 31 March 2011 and 31 March 2012 was approximately 17.2% and 37.7%. Such increase is primarily a result of the increase in net profit for the year by 236.6% over the two years ended 31 March 2012 due to the aforementioned reasons offset by the impact of the increase in net profit on total assets over the two years ended 31 March 2012.

The Group's return on assets for the ten months ended 31 January 2013 decreased significantly when compared with that for the ten months ended 31 January 2012. This is mainly due to the decrease in net profit for the period due to the aforesaid reasons.

Return on equity

Return on equity increased from 52.8% for the year ended 31 March 2011 to 64.2% for the year ended 31 March 2012. Such increase is primarily a result of the increase in net profit for the year by 236.6% over the two years ended 31 March 2012 due to the aforementioned reasons offset by the impact of the increase in net profit on total equity over the two years ended 31 March 2012.

The Group's return on equity for the ten months ended 31 January 2013 decreased significantly when compared with that for the ten months ended 31 January 2012 and the decrease is in line with the decrease in net profit over the corresponding period.

Current ratio

The Group's current ratio increased from 115.6% as at 31 March 2011 to 195.4% as at 31 March 2012. The main reason for such increase in current ratio was the full settlement of advances from the Group's related companies by the net profit generated over the corresponding period due to the growth in business volume.

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The slight decrease in the Group's current ratio as at 31 January 2013 when compared with that as at 31 March 2012 was primarily due to the fact that the Group drew down bank facilities of approximately HK\$20.0 million from September to November 2012 to effect advances to a related company to finance its short term capital needs in late 2012, which, in turn, resulted in the decrease in net current assets when compared with that as at 31 March 2012.

Gearing ratio

Prior to entering into facility agreements with banks in 2012, the Group mainly relied on advances from its related companies to finance its capital and operating expenditures when it expanded its scale of business by opening new service centres or being appointed as authorised service provider by new corporate customers.

The Group's gearing ratio decreased from 169.1% as at 31 March 2011 to 31.1% as at 31 March 2012. This was mainly because the Group generated net profit of approximately HK\$14.1 million from the growth in business volume during the year ended 31 March 2012 and fully settled the advances from its related companies, which resulted in the decrease in total debt from approximately HK\$13.4 million as at 31 March 2011 to approximately HK\$6.8 million as at 31 March 2012.

The Group's gearing ratio surged from 31.1% as at 31 March 2012 to 58.0% as at 31 January 2013 due to the increase in total debt to approximately HK\$20.1 million as at 31 January 2013 from approximately HK\$6.8 million as at 31 March 2012 mainly as a result of the drawdowns on the available banking facilities in late 2012 for the advance made to a related company to finance its short term capital needs. The related company subsequently settled the advance with the Group in February 2013 in full.

INDEBTEDNESS

The following table sets out the Group's indebtedness as at the respective financial position dates below.

	As at 31 March		As at	As at
	2011	2012	31 January	30 April
	HK\$'000	HK\$'000	2013	2013
			HK\$'000	HK\$'000
Obligations under finance leases	—	2,946	—	—
Amount due to intermediate holding company	3,875	3,875	—	—
Amounts due to related companies	9,458	—	85	226
Amount due to a director	50	—	—	—
Bank borrowings	—	—	20,000	5,000
	<u>13,383</u>	<u>6,821</u>	<u>20,085</u>	<u>5,226</u>

As at 31 March 2011 and 2012, 31 January 2013 and 28 February 2013, the Group has unutilised banking facilities of HK\$200,000, HK\$200,000, HK\$10.2 million and HK\$25.2 million respectively.

FINANCIAL INFORMATION

The banking facilities for the two years ended 31 March 2012 were secured by a deposit placed by a related company, which was subsequently released and replaced by the Group's bank deposits.

TSO entered into a revolving facility agreement with a bank in Hong Kong in September 2012 with a view to (i) settling the professional fees incurred or to be incurred in relation to the Listing and Placing with approximately HK\$5 million of the loan proceed and (ii) financing the capital and operating expenditures of new service centres with approximately HK\$10 million of the available facility. In November 2012, TSO entered into an invoice discounting facility agreement of HK\$15 million with the same bank with a view to financing the Group's potential further liquidity needs. As at 30 April 2013, being the date of the indebtedness statement, TSO has drawn down HK\$5.0 million and loan facilities amounting to HK\$25.0 million was available. The obligation of TSO under the above facilities was guaranteed by the Cheung Brothers. Such personal guarantees by Cheung Brothers will be released upon the Listing. The estimated finance costs per annum in relation to the HK\$5.0 million loan drawn down is approximately HK\$0.2 million. The Directors would like to emphasise that the finance costs are estimates for reference only and the final amount to be recognised to the statement of comprehensive income is subject to future changes in interest rates.

According to the service agreement between TSO and one of its corporate customers (namely Customer C), TSO has to provide a standby letter of credit for an amount equal to 50% of the necessary credit limit, the amount of which is determined by that corporate customer based on business volume, should TSO utilise the trade credit offered by the corporate customer. As a result of the growing business volume with the corporate customer and the utilisation of trade credit offered, TSO entered into a facility agreement with another bank in Hong Kong in September 2012 for the guaranteeing of the trade payables in relation to the costs of parts/components under the service agreement with that customer. The limit of the facility is US\$500,000 and will expire in 12 months from the date of the facility agreement. The loan is secured by a charge on deposit furnished by TSO.

Save as aforesaid or as otherwise disclosed herein, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities at the close of business on 30 April 2013, being the date of the indebtedness statement.

The Directors have confirmed that there has not been any material adverse change in the Group's indebtedness and contingent liabilities since 30 April 2013, being the date for determining the Group's indebtedness.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group's internal resources, available banking facilities and the estimated net proceeds from the Placing, the Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

As at 31 March 2011 and 2012 and 31 January 2013, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 January 2013, the Group had capital commitments of approximately HK\$0.5 million in respect of the acquisition of plant and equipment contracted for but not provided. As at the Latest Practicable Date, the Group did not have significant capital commitments.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, the Group had not owned any properties. For details related to the leased properties of the Group, please refer to the paragraph headed “Properties” under the section headed “Business” in this prospectus.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s and the Company’s major financial instruments include trade and other receivables, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables, amount due to intermediate holding company, amounts due to related companies, amount due to a director, obligations under finance leases and bank borrowings. 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 Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. During the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013, approximately 31%, 36% and 30% respectively of the Group’s sales and approximately 28%, 21% and 31% respectively of total cost of sales are denominated in United States dollars (“US\$”) which is different from the functional currencies of the group entities carrying out the transactions.

Despite the Group’s principal operations are in Hong Kong, the Group’s service fee incomes receivable from five customers and purchase of parts required payable to four suppliers are determined in US\$ based on mutual consent or pursuant to service agreements.

Also, certain trade and other receivables, cash and bank balances and trade and other payables are denominated in US\$ which is currency other than the functional currency of the relevant group entities.

The Group currently does not have a foreign currency hedging policy. However, the Directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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Interest rate risk

The Group was exposed to fair value interest rate risk in relation to fixed rate interest-bearing finance leases. The Group currently does not have an interest rate hedging policy. However, the Directors monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable rate bank borrowings carried at prevailing market rate. However, the exposure in bank balances is minimal to the Group for the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 as the 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.

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 consolidated statements of financial position.

In order to minimise the credit risk, the 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, 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 consider that the Group's credit risk is significantly reduced.

The credit quality of the counterparties in respect of amounts due from related companies is assessed by taking into account of their financial position, credit history and other factors. The 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.

The Group has concentration of credit risk as 7% of the total trade receivables as at 31 January 2013 was due from the Group's largest customer. No balance was due from the Group's largest customer as at 31 March 2011 and 2012.

76%, 69% and 68% of the Group's total trade receivables at 31 March 2011 and 2012 and 31 January 2013 respectively was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 89%, 87% and 93% of the total trade receivables as at 31 March 2011 and 2012 and 31 January 2013 respectively.

FINANCIAL INFORMATION

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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.

The Directors of the Company consider that the carrying amounts of the other non-current financial liabilities are recorded at amortised cost using the effective interest rate method in the Financial Information approximate their fair values as the impact of discounting is not significant.

DIVIDEND POLICY

No dividends have been paid or declared by the companies now comprising the Group during the Track Record Period.

After completion of the Placing, the Shareholders will be entitled to receive dividends only when declared by the Board. The payment and the amount of any future dividends will be at the discretion of the Directors and will depend upon the Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which the Directors deem relevant. After taking into account the impact of the non-recurring expenses of the Placing and the Listing on the financial results of the Group for the financial years ended 31 March 2013 and ending 31 March 2014, the Directors expect that the Company will not declare any dividend in respect of the financial years ended 31 March 2013 and ending 31 March 2014.

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. Investors should note that historical dividend distributions, if any, are not indicative of the Company's future dividend distribution policy.

RELATED PARTY TRANSACTIONS

During the Track Record Period, Telecom Digital Services Limited, a connected person upon Listing, provided certain customer service booths, office premises, staff costs and miscellaneous operating expenses which cost approximately HK\$413,000 and HK\$489,000 for the financial years ended 31 March 2011 and 2012 respectively, to the Group at nil consideration. It did not have any intention to require the Group to repay or reimburse such amounts.

FINANCIAL INFORMATION

During the Track Record Period, the Group had material transactions with the related parties set out in note 32 to the Accountants' Report in Appendix I to this prospectus. The following summary sets forth the background of the related parties and the nature of transactions between the related parties and the Group:

Name and scope of business of the related company	Background of the related company	Nature of transactions
Telecom Service Network Limited (logistics and distribution)	a wholly-owned subsidiary of East-Asia, which is indirectly wholly-owned by the Cheung Family Trust. East-Asia is a Shareholder holding more than 30% interest in the Company	Provision of logistic services to the Group
Oceanic Rich Limited (property holding)	a wholly-owned subsidiary of East-Asia	Leasing of premises to the Group
Glossy Enterprises Limited (property holding)	a wholly-owned subsidiary of East-Asia	Leasing of premises to the Group
Glossy Investment Limited (property holding)	a wholly-owned subsidiary of East-Asia	Leasing of premises to the Group
Telecom Digital Services Limited (providing administration services)	a wholly-owned subsidiary of Sun Asia Pacific Limited, which in turn is wholly-owned by the Cheung Brothers	Provision of administration services to the Group Licencing arrangement for use of premises by the Group Sale of motor vehicle to Telecom Digital Services Limited
Radiotex International Limited (manufacturing of two-way mobile data communication devices)	a wholly-owned subsidiary of Sun Asia Pacific Limited, which in turn is wholly-owned by the Cheung Brothers	Sales of parts and components to the Group Purchase of goods from the Group
Telecom Digital Data Limited (paging operator)	a wholly-owned subsidiary of Sun Asia Pacific Limited, which in turn is wholly-owned by the Cheung Brothers	Provision of repair and refurbishment services by the Group Reimbursement of telecommunication service fee

FINANCIAL INFORMATION

Name and scope of business of the related company	Background of the related company	Nature of transactions
Telecom Digital Mobile Limited (network operation service)	a wholly-owned subsidiary of Sun Asia Pacific Limited, which in turn is wholly-owned by the Cheung Brothers	Provision of repair and refurbishment services by the Group for the mobile phones sold by Telecom Digital Mobile Limited Sales of goods to the Group Purchase of goods from the Group Consignment of accessories for mobile phones and personal electronic products
Telecom (Macau) Limited (paging operator)	a company wholly-owned by the Cheung Brothers	Provision of repair and refurbishment services by the Group for faulty devices delivered to the Group's repair centre in Kwai Chung
Chief Plus Limited (property holding)	a company wholly-owned by Mr. Cheung King Shek (a non-executive Director) and his spouse	Leasing of premises to the Group

Save as the provision of customer service booths, office premises, staff costs and miscellaneous operating expenses to the Group by Telecom Digital Services Limited at nil consideration mentioned above, the Directors confirm that these transactions were conducted on normal commercial terms and/or such terms were no less favorable to the Group than the terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole with respect to the material related parties transactions set out in note 32 to the Accountants' Report in Appendix I to this prospectus.

DISTRIBUTABLE RESERVE

As at 31 January 2013, there was no reserve available for distribution to Shareholders.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2013

On the bases set out in "Appendix III — Profit Estimate" in this prospectus and, in the absence of unforeseen circumstances, certain profit estimate data of the Group for the year ended 31 March 2013 are set out below:

Estimated consolidated profit attributable to the owners of
the Company for the year ended 31 March 2013not less than HK\$1.4 million

Unaudited estimated earnings per Share on a pro forma
basis for the year ended 31 March 2013⁽¹⁾ not less than HK\$0.012

FINANCIAL INFORMATION

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 the Company for the year ended 31 March 2013 by 120,000,000 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 (i) any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue of Shares or any Shares which may be repurchased by the Company pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed “Resolutions of the Shareholders passed on 2 May 2013” in Appendix V to this prospectus; and (ii) any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.

The Company’s estimated revenue for the year ended 31 March 2013 are expected to increase mildly when compared with that for the year ended 31 March 2012 mainly because of the impacts of (i) the business co-operation with a new corporate customer (namely Customer I) starting from November 2012; (ii) the expanded scale of mobile accessories business since December 2012; and (iii) the increase in charge rates for job orders performed for two corporate customers (namely Customer E and H) starting from January 2013; partially offset by the impact of (iv) the decrease in job orders performed for one of the Group’s corporate customer (namely Customer F) due to the lower-than-expected popularity of the smart phone launched by it in late 2012.

The Company’s profitability in the year ended 31 March 2013 is expected to be lower than that for the year ended 31 March 2012 because the increase in costs of sales exceeded the increase in revenue in the corresponding period. In particular, the Company’s estimated consolidated profit and estimated net profit margin for the year ended 31 March 2013 are expected to be significantly lower than the Company’s consolidated profit and net profit margin for the year ended 31 March 2012 primarily attributable to (i) the Company’s estimated growth in revenue for the year ended 31 March 2013 is expected to slow down; (ii) the decrease in estimated gross profit margin because of the fact that the Group’s estimated gross profit margin in respect of repair and refurbishment services provided to out-of-warranty products of certain mobile phone manufacturers decreased in the corresponding period as a result of the increased price of parts required; (iii) the estimated commission and expenses of approximately HK\$8.3 million in relation to the Placing and Listing (including the GEM Listing fees, legal and other professional fees and printing fees) recognised or to be recognised in the profit and loss account of the Company; and (iv) increase in staff costs, rental and other operating expenses in the year ended 31 March 2013.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the 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 audited consolidated net tangible assets of the Group as if the Placing had taken place on 31 January 2013.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the 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 the Group as at 31 January 2013 or at any future date following the Placing.

FINANCIAL INFORMATION

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2013 as shown in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2013⁽¹⁾ HK\$'000	Estimated net proceeds from the Placing⁽²⁾ HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company immediately after the completion of the Placing HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 31 January 2013⁽³⁾ HK\$
Based on the Placing Price of HK\$1.00 per Share	34,612	21,657	56,269	0.469
Based on the Placing Price of HK\$1.34 per Share	34,612	31,244	65,856	0.549

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2013 has been derived from the audited consolidated net assets of the Group attributable to the owners of the Company of approximately HK\$34,612,000 as at 31 January 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 the respective low and high-ends of the indicative Placing Price range of HK\$1.00 and HK\$1.34 per Share, respectively, 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 Offer Size Adjustment Option and any options granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustment for the estimated net proceeds from the Placing payable to the Company as described in Note 2 and on the basis that 120,000,000 Shares were in issue as at 31 January 2013 (including Shares in issue as at the date of this prospectus and those Shares 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 Offer Size Adjustment Option and any options granted under the Share Option Scheme).
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to 31 January 2013.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM BOARD LISTING RULES

The 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 Board Listing Rules.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospects of the Company or its subsidiaries since 31 January 2013 (being the date of which the Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report set forth in Appendix I to this prospectus) and there had been no event since 31 January 2013 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

The Group's primary business objectives are (i) to further the growth of its repair and refurbishment business by enhancing the scope of the repair and refurbishment services provided by it and strengthening the product knowledge and technical capability of the Group in order to become one of the largest service providers to provide repair and refurbishment services on personal electronic products in Hong Kong, and (ii) to expand its sales on accessories. To achieve such objectives, the Group intends to implement the following strategies.

BUSINESS STRATEGIES

The Group will endeavour to achieve its business objectives and adopt the following business strategies.

Enhancing the scope of the repair and refurbishment services provided by the Group

The Directors believe that enhancing the scope of the Group's repair and refurbishment services is the key to the Group's long-term success. In the past, the Group has expanded the range of personal electronic products covered by its repair and refurbishment services from mobile phones and pagers to personal and tablet computers, portable media players, video game consoles and handheld game consoles. In particular, since certain corporate customers of the Group manufacture personal electronic products other than mobile phones, such as tablet computers, notebook computers, digital photo frames, digital cameras, etc., the Group may, leveraging on the established business relationship with such customers, enhance its scope of repair and refurbishment services provided to them to cover the other personal electronic products of those corporate customers.

Moreover, certain corporate customers of the Group only request the Group to perform less complicated repair and refurbishment works which do not involve replacement of electronic components or modules, or does not request the Group to operate customer service centres for their behalf. The Group also intends to explore new business opportunities with the existing corporate customers so as to provide a full range of repair and refurbishment works or manage customer service centres for their behalf. In this regard, the Directors believe that the continuous enhancement on the scope of the Group's repair and refurbishment services could lead to higher revenue and better profitability.

For implementing this strategy, the Group plans to evaluate and explore potential new personal electronic products (such as LCD monitors and other peripherals which consist of certain common parts and components and apply certain common technologies with the personal electronic products repaired and refurbished by the Group) for which the Group can provide repair and refurbishment services without incurring substantial additional labour costs and other operating expenses, and then meet with existing corporate customers or new customers which manufacture such personal electronic products so as to present to such customers the relevant existing competitive advantages of the Group in the industry and understand the primary demands of such customers on the repair and refurbishment services. After the meeting, the Group will prepare the related feasibility study and cost planning where there is a potential business opportunity.

In addition, the Directors believe that the prospective listing status of the Company on GEM will enhance the Group's profile and recognition, and, as a result of the additional avenues to raise capital for its future business expansion and long-term development, enable the Company to demonstrate to the

FUTURE PLANS AND USE OF PROCEEDS

existing or potential corporate customers that it has the capacity to provide quality repair and refurbishment services and cope with the growing demand on the services of the Group in terms of both quality and scope.

Strengthening the product knowledge and technical capability of the Group by establishing a team of customer service staff and technicians possessing product knowledge and technical skills on a wide range of personal electronic products

The Group considers the product knowledge of its customer service team as well as the technical skills of its technical team is critical to the success of its business. In order to tap the large and fast changing market of personal electronic products, the Group plans to establish a team of customer service staff and technicians possessing product knowledge and technical skills on a wide range of personal electronic products. Leveraging on its present repair business which covers repairing a range of personal electronic products, the Group will choose certain calibres in its customer service team and technical team and train them to have expertise and experience in possessing product knowledge on and repairing a range of personal electronic products. The Group could have a greater flexibility in allocating its human resources and can thus have a competitive edge in sourcing new business opportunities.

Expanding the Group's sales on accessories

As at the Latest Practicable Date, the Group is operating seven customer service centres in Hong Kong and one customer service centre in Taipei. The Group offers to sell accessories for mobile phones and other personal electronic products such as phone cases, screen protectors, etc. at the customer service centres. In addition, the Group also sells such accessories at the retail shops of TDM and to corporate customers such as mobile phone manufacturers. The Group may enhance its sale of accessories by selling more various types of accessories and more quality accessories with a higher profit margin.

IMPLEMENTATION PLANS

The Group will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 March 2015, 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 the Group's business plans will materialise in accordance with the estimated time frame and that the Group's future plans will be accomplished at all.

1. For the period from the Latest Practicable Date to 30 September 2013

Enhancing the scope of the repair and refurbishment services provided by the Group

- Evaluate and explore potential new personal electronic products (such as LCD monitors and other peripherals which consist of certain common parts and components and apply certain common technologies with the personal electronic products repaired and refurbished by the Group) for which the Group can provide repair and refurbishment services without incurring substantial additional labour costs and other operating expenses

FUTURE PLANS AND USE OF PROCEEDS

- | | |
|---|---|
| | <ul style="list-style-type: none">● Meet with existing corporate customers or new customers which manufacture such personal electronic products so as to present to such customers the relevant existing competitive advantages of the Group in the industry and understand the primary demands of such customers on the repair and refurbishment services● Explore business opportunities (such as providing the repair and refurbishment services for parts and accessories which have not been provided to the existing customers) to enhance the scope of repair and refurbishment services provided to existing clients |
| Strengthening the product knowledge and technical capability of the Group | <ul style="list-style-type: none">● Choose appropriate calibres in its technical team and customer service team● Train the selected customer service staff and technicians by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products |
| Expanding the Group's sales on accessories | <ul style="list-style-type: none">● Identify more types of quality accessories with high profit margin● Offer to sell the new accessories identified at the customer service centres of the Group and, on a consignment basis, at the retail shops of TDM● study the sales figures of the accessories sold by the Group and identify the most profitable product mix |

FUTURE PLANS AND USE OF PROCEEDS

2. For the six months ending 31 March 2014

Enhancing the scope of the repair and refurbishment services provided by the Group

- Evaluate and explore potential new personal electronic products (such as LCD monitors and other peripherals which consist of certain common parts and components and apply certain common technologies with the personal electronic products repaired and refurbished by the Group) for which the Group can provide repair and refurbishment services without incurring substantial additional labour costs and other operating expenses
- Meet with existing corporate customers or new customers which manufacture such personal electronic products so as to present to such customers the relevant existing competitive advantages of the Group in the industry and understand the primary demands of such customers on the repair and refurbishment services
- Explore business opportunities (such as providing the repair and refurbishment services for parts and accessories which have not been provided to the existing customers) to enhance the scope of repair and refurbishment services provided to existing clients
- Prepare feasibility study and cost planning if there is any such potential business opportunity

Strengthening the product knowledge and technical capability of the Group

- Choose appropriate calibres in its technical team and customer service team
- Train the selected customer service staff and technicians by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products

Expanding the Group's sales on accessories

- Continue to identify more types of quality accessories with high profit margin

FUTURE PLANS AND USE OF PROCEEDS

- Offer to sell the new accessories identified at the customer service centres of the Group and, on a consignment basis, at the retail shops of TDM
 - study the sales figures of the accessories sold by the Group and identify the most profitable product mix
3. For the six months ending 30 September 2014
- Enhancing the scope of the repair and refurbishment services provided by the Group
- Evaluate and explore potential new personal electronic products (such as LCD monitors and other peripherals which consist of certain common parts and components and apply certain common technologies with the personal electronic products repaired and refurbished by the Group) for which the Group can provide repair and refurbishment services without incurring substantial additional labour costs and other operating expenses
 - Meet with existing corporate customers or new customers which manufacture such personal electronic products so as to present to such customers the relevant existing competitive advantages of the Group in the industry and understand the primary demands of such customers on the repair and refurbishment services
 - Explore business opportunities (such as providing the repair and refurbishment services for parts and accessories which have not been provided to the existing customers) to enhance the scope of repair and refurbishment services provided to existing clients
 - Prepare feasibility study and cost planning if there is any such potential business opportunity
 - Negotiate terms of service agreement if the business opportunity matures

FUTURE PLANS AND USE OF PROCEEDS

Strengthening the product knowledge and technical capability of the Group

- Train the selected customer service staff and technicians by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products
- Choose appropriate calibres in its technical team and customer service team

Expanding the Group's sales on accessories

- Continue to identify more types of quality accessories with high profit margin
- Offer to sell the new accessories identified at the customer service centres of the Group and, on a consignment basis, at the retail shops of TDM
- study the sales figures of the accessories sold by the Group and identify the most profitable product mix

4. For the six months ending 31 March 2015

Enhancing the scope of the repair and refurbishment services provided by the Group

- Evaluate and explore potential new personal electronic products (such as LCD monitors and other peripherals which consist of certain common parts and components and apply certain common technologies with the personal electronic products repaired and refurbished by the Group) for which the Group can provide repair and refurbishment services without incurring substantial additional labour costs and other operating expenses
- Meet with existing corporate customers or new customers which manufacture such personal electronic products so as to present to such customers the relevant existing competitive advantages of the Group in the industry and understand the primary demands of such customers on the repair and refurbishment services

FUTURE PLANS AND USE OF PROCEEDS

	<ul style="list-style-type: none"> ● Explore business opportunities (such as providing the repair and refurbishment services for parts and accessories which have not been provided to the existing customers) to enhance the scope of repair and refurbishment services provided to existing clients ● Prepare feasibility study and cost planning if there is any such potential business opportunity ● Start to provide repair and refurbishment services for personal electronic products for which the Group has not provided services, if the relevant service agreement has been reached
Strengthening the product knowledge and technical capability of the Group	<ul style="list-style-type: none"> ● Train the selected customer service staff and technicians by providing on-job training on product knowledge and repair and refurbishment of mobile phones of another brand or another type of personal electronic products ● Choose appropriate calibres in its technical team and customer service team
Expanding the Group's sales on accessories	<ul style="list-style-type: none"> ● Continue to identify more types of quality accessories with high profit margin ● Offer to sell the new accessories identified at the customer service centres of the Group and, on a consignment basis, at the retail shops of TDM ● study the sales figures of the accessories sold by the Group and identify the most profitable product mix

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of the 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 the Group carries on its business or will carry on its business;
- the 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 the 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 the Group;
- there will be no significant changes in the Group's business relationship with its existing major customers; and
- the 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

The Directors believe that the Listing will enhance the Group's profile and recognition. In addition, the Board is also of the view that despite the estimated net proceeds from the Placing (based on the mid-point of the indicative Placing Price range) only amount to approximately HK\$19.7 million, the Listing and the Placing will provide the Company with additional avenues to raise capital for its future business expansion and long-term development, and expand and diversify the Company's shareholders base as institutional funds and retail investors in Hong Kong can easily participate in the equity of the Company. The net proceeds from the placing of the Placing Shares will strengthen the Group's financial position.

The estimated commission and expenses in relation to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing fees) are approximately HK\$15.4 million, of which approximately HK\$5.4 million is directly attributable to the issue of the Placing Shares under the Placing and is expected to be accounted for as a deduction from equity. The remaining expenses in relation to the Placing and Listing of approximately HK\$10.0 million are expected to be recognised upon the Listing in the profit and loss account of the Group.

FUTURE PLANS AND USE OF PROCEEDS

Assuming a Placing Price of HK\$1.17 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$1.00 and HK\$1.34 per Placing Share, the net proceeds from the Placing, after deducting the expenses in relation to the Placing and Listing, are estimated to amount to approximately HK\$19.7 million (assuming the Offer Size Adjustment Option is not exercised). The Group intends to apply such net proceeds from the Placing as follows:

- approximately 90% of the net proceeds, or approximately HK\$17.7 million, for acquisition of a commercial property at a prime location in Hong Kong for use as a customer service centre of the Group. In this regard, the current intention of the Group is to acquire a property comprising one or two units at Ginza Plaza in Mongkok, at which three customer service centres operated by the Group are located. However the Group has not yet identified the unit(s) at Ginza Plaza to be acquired. If required, the Directors intend that the balance of the purchase price will be financed solely by the Group's internal source of funding without a mortgage loan. If the then condition of Hong Kong property market is not adverse to the proposed acquisition, the Directors expect that the acquisition may take place on or before 31 March 2014. The units at Ginza Plaza intended to be acquired is expected to have a gross floor area of 1,800 to 2,500 square feet and cost HK\$14 million to HK\$21 million based on the current prevailing market price, and the expected capital expenditures (excluding acquisition cost and mainly including stamp duty, agency commission and legal fee) are approximately HK\$1.2 million to HK\$ 1.8 million;
- 10% of the net proceeds, or approximately HK\$2.0 million, as general working capital.

The Directors considered that the proposed acquisition of a commercial property at a prime location in Hong Kong will (i) benefit the Group's financial position by reducing its rental expenses; (ii) reduce the sensitivity of the Group's operating performance to the fluctuation in the market rate of rental of commercial properties at prime locations in Hong Kong; (iii) secure the Group's presence of operation at prime location, which will strengthen the confidence of the corporate customers on the Group; and (iv) minimise other parties' concern about reliance on the leasing of premises by the Group from the Controlling Shareholders.

The Company intends to use the property to be acquired by it with the use of the net proceeds from the Placing as its service centre (which is to replace one of its then existing centres), and assuming units at Ginza Plaza in Mongkok with a total gross floor area of 1,800 to 2,500 square feet are acquired, the Group will move one of its then service centres located at Ginza Plaza to the new property.

Assuming the units at Ginza Plaza having a gross floor area of 1,800 to 2,500 square feet are purchased at the prevailing market price and used as replacement of a then existing service centre, and taking account of the amount of rental to be saved (based on the current market rate) and the depreciation charges in respect of the purchased property to be incurred, the Group estimates that the annual operating expenses of the Group will decrease by approximately HK\$173,000 to HK\$246,000. As the purchased property will be occupied for use by the Group and not held for rental yields or for capital appreciation, it will not be classified as investment property and no changes of fair value of the purchased property will thus be considered.

As at the Latest Practicable Date, the Group has no intention to acquire the properties from the Controlling Shareholders after Listing since the Controlling Shareholders do not intend to sell the properties to the Group; and, on the other hand, the Controlling Shareholders, which have been holding

FUTURE PLANS AND USE OF PROCEEDS

various property interests for property investments and leased certain properties in Hong Kong to the Group for use as repair and customer service centres, prefer to hold such properties (which have not been contracted to be sold) as investments.

If the Group cannot identify any suitable target property immediately given the prevalent market situation, the net proceeds from the Placing will be invested in short-term demand deposits with licensed banks and money market instruments. Business objectives as set out in the paragraph headed “Business Objectives” in this section have always been the Group’s primary business objectives and the Directors considered such objectives are, and will continue to be, supported by the Group’s general working capital.

If the Offer Size Adjustment Option is exercised in full, assuming a Placing Price of HK\$1.17 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$1.00 and HK\$1.34 per Placing Share, the net proceeds will be increased by approximately HK\$5.0 million. The Directors intend to apply such additional proceeds for the above purposes on a pro-rata basis. If the final Placing Price is set at the highest or lowest point of the indicative Placing Price range, the net proceeds of the Placing will increase or decrease by approximately HK\$4.9 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Placing Price is determined at the highest or lowest point of the indicative Placing Price range.

SOLE SPONSOR'S INTERESTS

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, neither the Sole Sponsor nor any of its associates has or may, as a result of the Placing, have any interest in any securities of the Company or any other member of the Group (including options or rights to subscribe for such securities).

Neither the Sole Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (i) in taking up the underwriting obligation under the Underwriting Agreement;
- (ii) by way of an underwriting commission to be paid to the Sole Lead Manager for acting as the Underwriter to the Placing pursuant to the Underwriting Agreement;
- (iii) by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sole sponsor of the Placing;
- (iv) in the appointment of the Sole Sponsor as the compliance advisor of the Company pursuant to Rule 6A.19 of the GEM Listing Rules for a fee for the period commencing on the Listing Date and ending on the date on which the 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; and
- (v) certain associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of the Company or provide margin financing in connection thereto or purchase or sell securities of the Company or hold securities of the Company for investment purposes after its Listing on GEM.

None of the directors and employees of the Sole Sponsor has any directorship in the Company or any other companies comprising the Group.

UNDERWRITING

UNDERWRITER

China Everbright Securities (HK) Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company will conditionally place the Placing Shares with individual, professional and institutional 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 Listing Division 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 Capitalisation Issue or any Shares upon exercise of the Offer Size Adjustment Option and any options to be granted under the Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriter has agreed to subscribe for or procure subscribers to subscribe for the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

In connection with the Placing, the Company has granted to the Underwriter the Offer Size Adjustment Option, exercisable by the Sole Bookrunner, to require the Company to issue up to an aggregate of 4,500,000 additional new Shares, representing 15% of the Shares initially made available for subscription under the Placing, to cover excess demand in the Placing, if any. Further information on the Offer Size Adjustment Option is set forth in the section headed “Structure and Conditions of the Placing” in this prospectus.

Grounds for termination

The Sole Lead Manager shall have the absolute right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to the Company by the Sole Lead Manager if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be 30 May 2013):

- (a) there has come to the notice of the Sole Lead Manager:
 - (i) any statement contained in this prospectus, the formal notice, any submissions, documents or information provided to the Sole Sponsor and/or the Sole Lead Manager, any announcements or documents issued by the Company in connection with the Placing (including any supplement or amendment thereto) (the “**Relevant Documents**”), considered by the Sole Lead Manager in its sole opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading or any expressions of opinion, intention or expectation contained in any of such documents are not, in the sole opinion of the Sole Lead Manager, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole;

UNDERWRITING

- (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 Lead Manager in its sole 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 Lead Manager in its sole opinion to be material in the context of the Placing (other than upon any of the Sole Sponsor, the Sole Lead Manager and the Underwriter) (as the case may be);
- (iv) either (A) there has been a breach of any of the representations, warranties and undertakings set out in or provisions set out in the Underwriting Agreement by any of the Company, the executive Director 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 sole opinion of the Sole Lead Manager, to be untrue, incorrect, inaccurate or misleading 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 the Company, the Controlling Shareholders and the executive Director 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 sole opinion of the Sole Lead Manager, untrue, incorrect, inaccurate or misleading;
- (vii) approval by the Listing Division of the listing of, and permission to deal in, the Shares is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (viii) the 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) 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

UNDERWRITING

- (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, the BVI or the Cayman Islands or any other jurisdictions relevant to any member of the 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 or the Renminbi 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 any of 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 the 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;

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- (ix) the chairman of the 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 the 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 the Group or any Director of the Companies Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable laws;
- (xii) a prohibition on the Company for whatever reason from allotting or issuing the Placing Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) 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 the Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue or 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 material indebtedness of any member of the Group or in respect of which any member of the 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 the Company or any member of the Group;
- (xvii) a petition or an order is presented for the winding-up or liquidation of any member of the Group or any member of the 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 the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or any analogous matter thereto occurs in respect of any member of the Group; or
- (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,

UNDERWRITING

which in each case or in aggregate in the absolute opinion of the Sole Lead Manager:

- (A) is or will be or maybe or likely to be adverse to or may materially prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of the Group (as a whole) or any member of the 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 a material adverse effect on the success or marketability or pricing 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 Underwriter will receive an underwriting commission of 3.0% of the aggregate Placing Price of all Placing Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option), which are to be borne by the Company, out of which the Underwriter will pay any sub-underwriting commission and will be reimbursed for its 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 and other expenses), are estimated to amount to approximately HK\$15.4 million, assuming no exercise of the Offer Size Adjustment Option and a Placing Price of HK\$1.17, being the mid-point of the indicative Placing Price range, which will be payable by the Company.

Underwriter's interest in the Company

Save as disclosed in this prospectus and as contemplated pursuant to the Underwriting Agreement, the Underwriter has no shareholding interests in any member of the Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

Undertakings

Pursuant to the Underwriting Agreement, the Company has undertaken to and covenanted with each of the Sole Sponsor, the Sole Lead Manager and the Underwriter that the Company will not, and each of the Controlling Shareholders and executive Director has jointly and severally undertaken to the Sole Sponsor, the Sole Lead Manager and the Underwriter that it/he will procure the Company not to, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the

UNDERWRITING

Placing or the Capitalisation Issue, the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of the Offer Size Adjustment Option and any options under the Share Option Scheme:

- (i) at any time during 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 the 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 the 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 the 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 the Company;

and in the event the 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 the Company.

Each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with each of the Company, the Sole Sponsor, the Sole Lead Manager and the Underwriter that, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager 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 shareholdings 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 the 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

UNDERWRITING

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 the 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 the Company.

Each of the Controlling Shareholders undertakes to and covenants with each of the Company, the Sole Sponsor, the Sole Lead Manager and the Underwriter 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 the 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 shareholdings 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 the 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 the Company under sub-paragraph (i) above, it/he must inform the 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 the Company affected.

The Company will also inform the Stock Exchange as soon as the 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 the Controlling Shareholders.

The Company and the Controlling Shareholders have agreed to indemnify the Underwriter from certain losses which it may suffer, including losses arising from its performance of its obligations under the Underwriting Agreement and any breach by the Company or the Controlling Shareholders of the Underwriting Agreement.

STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

The Placing Price plus 1.0% brokerage fee, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee make up total price payable in cash on subscription.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM;
- (ii) the Price Determination Agreement having been executed by the Company and the Sole Lead Manager and becoming effective on the Price Determination Date; and
- (iii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sole Sponsor and/or the Sole Lead Manager), 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 22 June 2013, 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 the Company on the Stock Exchange Website (www.hkexnews.hk) and the Company's website (www.tso.cc) on the next business day following such lapse.

THE PLACING

30,000,000 Placing Shares are being offered pursuant to the Placing, representing in aggregate 25% of the enlarged issued share capital of the Company immediately after completion of the Placing and the Capitalisation Issue without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option. If the Sole Bookrunner exercises the Offer Size Adjustment Option in full, the number of Shares being offered in the Placing will increase to 34,500,000 Shares, representing approximately 27.71% of the Company's enlarged issued share capital following the completion of the Placing and the exercise of the Offer Size Adjustment Option.

The Placing is fully underwritten by the Underwriter (subject to the terms and conditions of the Underwriting Agreement, including the Sole Lead Manager and the Company agreeing on the Placing Price). Pursuant to the Placing, it is expected that the Underwriter, on behalf of the Company, will conditionally place 30,000,000 Placing Shares (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option) at the Placing Price to selected individual, professional and institutional investors in Hong Kong.

STRUCTURE AND CONDITIONS OF THE PLACING

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected individual, professional and institutional 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 the 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.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Placing, the Company has granted the Offer Size Adjustment Option to the Underwriter. Under the Offer Size Adjustment Option, which will be exercisable at any time before 6:00 p.m. on the business day immediately before the date of allotment results announcement with respect to the level of indication of interest in the Placing, the Sole Bookrunner shall have the right to require the Company to issue and allot at the Placing Price up to an aggregate of 4,500,000 additional new Shares, representing 15% of the Placing Shares initially made available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Sole Bookrunner in its sole and absolute discretion may decide to whom and the proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the Company will be required to issue 4,500,000 additional new Shares, representing approximately 3.61% of the Company's total enlarged number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may fall to be issued upon the exercise of any option that may be granted under the Share Option Scheme. If the Sole Bookrunner decides to exercise the Offer Size Adjustment Option, it will be exercised to cover excess demand in the Placing. The Placing Shares (including any excess demand) will be allocated by the Sole Bookrunner prior to the commencement of trading of the Shares on GEM.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Bookrunner to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by that time, then the Offer Size Adjustment Option will have lapsed and cannot be exercised on any future date.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$1.34 per Placing Share (and not less than HK\$1.00 per Placing Share). Based on the maximum Placing Price of HK\$1.34 plus 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, investors shall pay a total of approximately HK\$2,707.01 for every board lot of 2,000 Shares.

The Placing Price will be fixed by an agreement expected to be entered into between the Company and the Sole Lead Manager on the Price Determination Date which is scheduled on or about 24 May 2013 or such later time and/or date as may be agreed between the Sole Lead Manager and the Company. If the Sole Lead Manager and the Company are unable to reach an agreement on the Placing Price on or before 24 May 2013 or such later date as agreed between the Sole Lead Manager and the Company, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Placing Price range stated in this prospectus.

If, the Sole Lead Manager, with the consent of the Company, considers it appropriate (for instance, if based on the level of interest expressed by prospective investors), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, the Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date cause to be published on the Stock Exchange Website (www.hkexnews.hk) and the Company's website (www.tso.cc) notice of the reduction of the indicative Placing Price range.

The level of indication of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange Website (www.hkexnews.hk) and the Company's website (www.tso.cc) on or before 29 May 2013.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Listing Division grants the listing of, and permission to deal in, the Shares on the Stock Exchange and the 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.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on 30 May 2013. Shares will be traded in board lots of 2,000 Shares and are fully transferable.



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

23 May 2013

The Directors
Telecom Service One Holdings Limited
China Everbright Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the “Financial Information”) regarding Telecom Service One Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 23 May 2013 (the “Prospectus”) 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 Cayman Islands on 3 August 2012 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 Prospectus (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 29 October 2012. The Company has not carried out any business since the date of its incorporation saves for the aforementioned Reorganisation.

At 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/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Telecom Service One Investment Limited (“TSO Investment”)	British Virgin Islands (“BVI”) 10 August 2012	US\$1,000	100%	—	Investment holding
Telecom Service One Limited (“TSO”)	Hong Kong 3 April 1987	HK\$1,000	—	100%	Provision of repair services for mobile phones and consumer electronic devices and sale of mobile phone accessories
首科電訊數碼有限公司 Telecom Service One Taiwan Limited (“TSO Taiwan”)	Taiwan 15 February 2008	NT\$500,000	—	100%	Provision of mobile phone repair services

Except for TSO Taiwan which has adopted 31 December as its financial year end date, all companies now comprising the Group have adopted 31 March as their financial year end date.

The statutory financial statements for the two years ended 31 March 2011 and 2012 of TSO prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) were audited by SHINEWING (HK) CPA Limited, a certified public accounting firm registered in Hong Kong.

The statutory financial statements for the three years ended 31 December 2010, 2011 and 2012 of TSO Taiwan prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in Taiwan were audited by Formosa Certified Public Accountants, a certified public accounting firm registered in Taiwan.

At the date of this report, no audited financial statements have been prepared for the Company and TSO Investment as they either have not carried out any business, other than those transactions relating to the Reorganisation since their respective dates of incorporation or are investment holding companies and not subject to statutory audit requirement under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all the relevant transactions of these companies since their respective dates of incorporation to 31 January 2013 and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Financial Information.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the financial statements of the Company and the consolidated 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 adjustments thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

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, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, 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.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 January 2013.

OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in note 1 of Section A below, the Financial Information gives a true and fair view of the Group's consolidated results and consolidated cash flows for the Track Record Period, and of the state of affairs of the Company as at 31 January 2013 and of the Group as at 31 March 2011 and 2012 and 31 January 2013.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group comprising the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the ten months ended 31 January 2012 together with notes thereto (the "January 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 January 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 January 2012 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the January 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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March		Ten months ended 31 January	
		2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i>
Revenue	7	37,905	69,581	56,703	63,536
Cost of sales		<u>(24,390)</u>	<u>(38,941)</u>	<u>(32,502)</u>	<u>(37,643)</u>
Gross profit		13,515	30,640	24,201	25,893
Other income	9	679	936	713	2,296
Other operating expenses, net	10	(3,402)	(7,627)	(6,207)	(8,984)
Administrative expenses		(6,610)	(7,122)	(5,477)	(15,608)
Finance costs	11	<u>—</u>	<u>(106)</u>	<u>(87)</u>	<u>(320)</u>
Profit before tax		4,182	16,721	13,143	3,277
Income tax expense	12	<u>—</u>	<u>(2,645)</u>	<u>(2,074)</u>	<u>(1,618)</u>
Profit for the year/period	13	4,182	14,076	11,069	1,659
Exchange differences arising on translation of foreign operation and total other comprehensive income (expense) for the year/ period		<u>394</u>	<u>(65)</u>	<u>(61)</u>	<u>28</u>
Total comprehensive income for the year/period		<u>4,576</u>	<u>14,011</u>	<u>11,008</u>	<u>1,687</u>
Earnings per share (HK\$)	16				
Basic and diluted		<u>0.09</u>	<u>0.31</u>	<u>0.24</u>	<u>0.03</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	The Group		The Company	
		As at		As at	
		As at 31 March 2011	31 January 2012	31 January 2013	31 January 2013
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Investments in subsidiaries		—	—	—	21,563
Plant and equipment	17	<u>5,579</u>	<u>13,189</u>	<u>9,243</u>	<u>—</u>
Current assets					
Inventories	18	4,617	4,104	5,423	—
Trade and other receivables	19	9,858	13,812	25,112	—
Amounts due from related companies	32	2,999	3,520	16,432	—
Tax recoverable		149	104	104	—
Amount due from a subsidiary	32	—	—	—	10,914
Pledged bank deposits	20	—	—	4,101	—
Bank balances and cash	20	<u>1,099</u>	<u>2,562</u>	<u>5,117</u>	<u>—</u>
		<u>18,722</u>	<u>24,102</u>	<u>56,289</u>	<u>10,914</u>
Current liabilities					
Trade and other payables	21	2,814	5,753	6,425	—
Amount due to intermediate holding company	32	3,875	3,875	—	—
Amounts due to related companies	32	9,458	—	85	—
Amount due to a director	32	50	—	—	—
Tax payable		—	1,944	3,835	—
Obligations under finance leases					
— due within one year	22	—	762	—	—
Bank borrowings	23	<u>—</u>	<u>—</u>	<u>20,000</u>	<u>—</u>
		<u>16,197</u>	<u>12,334</u>	<u>30,345</u>	<u>—</u>
Net current assets		<u>2,525</u>	<u>11,768</u>	<u>25,944</u>	<u>10,914</u>
Total assets less current liabilities		<u>8,104</u>	<u>24,957</u>	<u>35,187</u>	<u>32,477</u>

		The Group		The Company
		As at 31 March 2011	As at 31 January 2012	As at 31 January 2013
		2011	2012	2013
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities				
Obligations under finance leases				
— due more than one year	22	—	2,184	—
Employee benefits	24	190	147	147
Deferred tax liabilities	25	—	701	428
		<u>190</u>	<u>3,032</u>	<u>575</u>
Net assets		<u>7,914</u>	<u>21,925</u>	<u>34,612</u>
Capital and reserves				
Share capital	26	1	1	60
Reserves		<u>7,913</u>	<u>21,924</u>	<u>34,552</u>
Total equity		<u>7,914</u>	<u>21,925</u>	<u>34,612</u>

The statements of financial position of the Company as at 31 March 2011 and 2012 are not presented as the Company was incorporated on 3 August 2012. The explanatory note to the reserves of the Company is set out in Note 27 to the Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note a)</i>	Translation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note b)</i>	Retained Profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2010	1	—	—	(174)	133	3,378	3,338
Profit for the year	—	—	—	—	—	4,182	4,182
Exchange differences arising on translation of foreign operation	—	—	—	394	—	—	394
Total comprehensive income for the year	—	—	—	394	—	4,182	4,576
At 31 March 2011 and 1 April 2011	1	—	—	220	133	7,560	7,914
Profit for the year	—	—	—	—	—	14,076	14,076
Exchange differences arising on translation of foreign operation	—	—	—	(65)	—	—	(65)
Total comprehensive (expense) income for the year	—	—	—	(65)	—	14,076	14,011
At 31 March 2012 and 1 April 2012	1	—	—	155	133	21,636	21,925
Profit for the period	—	—	—	—	—	1,659	1,659
Exchange differences arising on translation of foreign operation	—	—	—	28	—	—	28
Total comprehensive income for the period	—	—	—	28	—	1,659	1,687
Arising from reorganisation <i>(Note 26(b))</i>	29	—	(29)	—	—	—	—
Issue of shares <i>(Note 26(c))</i>	30	10,970	—	—	—	—	11,000
At 31 January 2013	60	10,970	(29)	183	133	23,295	34,612

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note a)</i>	Translation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note b)</i>	Retained Profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011 (audited)	<u>1</u>	<u>—</u>	<u>—</u>	<u>220</u>	<u>133</u>	<u>7,560</u>	<u>7,914</u>
Profit for the period	—	—	—	—	—	11,069	11,069
Exchange differences arising on translation of foreign operation	<u>—</u>	<u>—</u>	<u>—</u>	<u>(61)</u>	<u>—</u>	<u>—</u>	<u>(61)</u>
Total comprehensive (expense) income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(61)</u>	<u>—</u>	<u>11,069</u>	<u>11,008</u>
At 31 January 2012 (unaudited)	<u><u>1</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>159</u></u>	<u><u>133</u></u>	<u><u>18,629</u></u>	<u><u>18,922</u></u>

Notes:

- (a) Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.
- (b) As stipulated by regulations in Taiwan, TSO Taiwan is required to appropriate 10% of its after tax profit (after offsetting prior year losses) to statutory reserve before declaring any dividends to shareholders until the balance of the reserve reaches the respective registered capital. Subject to certain restrictions as set out in the relevant Taiwan regulations, the statutory reserve may be used to offset against accumulated losses of the respective Taiwan company. The amount of transfer is subject to the approval of the board of directors of the respective Taiwan company.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
OPERATING ACTIVITIES				
Profit before tax	4,182	16,721	13,143	3,277
Adjustments for:				
Depreciation of plant and equipment	1,853	2,736	2,183	3,732
Finance costs	—	106	87	320
Bank interest income	(1)	(1)	(1)	(4)
Gain on disposal of plant and equipment	—	—	—	(1,325)
Provision for long service payments	87	2	—	—
Allowance for inventories	—	438	438	208
Reversal of allowances for inventories	—	(12)	(12)	(77)
Operating cash flows before movements in working capital	6,121	19,990	15,838	6,131
(Increase) decrease in inventories	(3,981)	87	(915)	(1,450)
Increase in trade and other receivables	(7,111)	(4,018)	(4,023)	(11,332)
Increase in amounts due from related companies	(8,859)	(10,169)	(13,289)	(2,211)
Increase in trade and other payables	2,267	2,941	2,507	675
Employee benefits paid	(87)	(45)	—	—
Cash (used in) from operations	(11,650)	8,786	118	(8,187)
Taiwan profits tax (paid) refunded	(41)	45	6	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(11,691)	8,831	124	(8,187)
INVESTING ACTIVITIES				
Purchase of plant and equipment	(2,589)	(6,268)	(1,997)	(4,157)
Proceeds from disposal of plant and equipment	—	—	—	5,700
Placement of pledged bank deposits	—	—	—	(4,101)
Advance to related companies	(93)	—	—	(16,484)
Interest received	1	1	1	4
NET CASH USED IN INVESTING ACTIVITIES	(2,681)	(6,267)	(1,996)	(19,038)

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
FINANCING ACTIVITIES				
New bank loans raised	—	—	—	20,000
Proceed from issue of shares	—	—	—	11,000
Repayments of obligations under finance leases	—	(1,042)	(918)	(2,946)
Repayments to related companies	(9,934)	(35,011)	(23,949)	—
Advance from related companies	24,603	35,110	27,585	1,993
Interest paid	—	(106)	(87)	(320)
Repayment to a director	—	(50)	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>14,669</u>	<u>(1,099)</u>	<u>2,631</u>	<u>29,727</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	297	1,465	759	2,502
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	892	1,099	1,099	2,562
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(90)</u>	<u>(2)</u>	<u>(47)</u>	<u>53</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	<u><u>1,099</u></u>	<u><u>2,562</u></u>	<u><u>1,811</u></u>	<u><u>5,117</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 August 2012 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" in this Prospectus. The directors of the Company consider the immediate holding company is East-Asia Pacific Limited ("East-Asia"), 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 providing repair services for mobile phones and consumer electronic devices and sale of mobile phone accessories.

The functional currency of the Company is Hong Kong dollars ("HK\$"), while that of the subsidiary established in Taiwan is New Taiwan dollars ("NT\$"). The Financial Information is presented in HK\$, which is the same as the functional currency of the Company.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 29 October 2012. 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 January 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 consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated 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 January 2013. The consolidated statements of financial position of the Group as at 31 March 2011 and 2012 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 NEW AND REVISED 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 new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("Int's") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 April 2011.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS	Annual Improvements 2009–2011 Cycle ²
Amendments to HKFRS 1	First-time Adoption of HKFRSs — Government Loans ²
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ³
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HK(IFRIC)*-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee)

- ¹ Effective for annual periods beginning on or after 1 July 2012
² Effective for annual periods beginning on or after 1 January 2013
³ Effective for annual periods beginning on or after 1 January 2014
⁴ Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting 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 HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires 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.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 change in the financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application 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. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

The new standards on consolidation, joint arrangements, associates and disclosures including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) were issued by the HKICPA in June 2011. The directors of the Company anticipate that these new standards will be applied in the Group's Financial Information for annual period beginning 1 January 2013 and the potential impact is described below.

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 April 2013.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures and HK(SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's Financial Information for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the Financial Information and result in more extensive disclosures in the Financial Information.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the time basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The income and expenses of subsidiaries acquired or disposed of during the year/period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 intra-group transactions, balances, income and expenses are eliminated in full on combination.

Business combinations under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined 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 consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of 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 consolidated statements of 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 Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 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 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. Cost is 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 consolidated statements of financial position comprise cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 financial asset 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, 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, amount due from a subsidiary, amounts due from related companies, 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 of financial assets

Financial assets are assessed for indicators of impairment at the end of the 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 30 to 60 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, amount due from a subsidiary and amounts due from related companies, 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 a trade and other receivable, amount due from a subsidiary and amounts due from related companies are considered uncollectible, it is 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

Financial liabilities 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.

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, amount due to intermediate holding company, amounts due to related companies, amount due to a director, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generation units, 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 to sell 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 a 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 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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 and sales related taxes.

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, handling income, logistic service income and management fee income 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.

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 lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

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

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement benefit costs

Payments to defined contribution retirement scheme and Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

Foreign currencies

In preparing the financial statements 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 on 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 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.

For the purposes of presenting the 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

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

All other borrowing costs 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/period. Taxable profit differs from profit as reported in the consolidated statements of 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Related parties

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly-controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 judgements, 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of 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 of plant and equipment

The Group determines whether the plant and equipment are impaired, at least on an annual basis. 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 2011 and 2012 and 31 January 2013, the carrying values of plant and equipment were approximately HK\$5,579,000, HK\$13,189,000 and HK\$9,243,000 respectively. No impairment was provided during the Track Record Period.

Estimated allowance for inventories

The management of the Group 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. 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 2011 and 2012 and 31 January 2013, the carrying amounts of inventories were approximately HK\$4,617,000, HK\$4,104,000 and HK\$5,423,000 respectively, net of allowance for inventories of approximately HK\$48,000, HK\$474,000 and HK\$605,000 respectively.

Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2011 and 2012 and 31 January 2013, the carrying amounts of trade and other receivables were approximately HK\$9,858,000, HK\$13,812,000 and HK\$25,112,000 respectively. No impairment loss was recognised during the Track Record Period.

Provision for long service payment

The 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 the Group.

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 obligations under finance leases, bank borrowings 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	As at	As at
	31 March	31 January	31 January
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Loans and receivables (including bank balances and cash)	<u>13,442</u>	<u>19,763</u>	<u>47,171</u>
			<u>10,914</u>
Financial liabilities			
Amortised cost	<u>15,743</u>	<u>12,004</u>	<u>25,902</u>
			<u>—</u>

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, amount due from a subsidiary, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables, amount due to intermediate holding company, amounts due to related companies, amount due to a director, obligations under finance leases and bank borrowings. Details of the 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***

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. During the two years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013, approximately 31%, 36% and 30% respectively of the Group's sales and approximately 28%, 21% and 31% respectively of total cost of sales are denominated in United States dollars ("US\$") which is different from the functional currencies of the group entities carrying out the transactions.

Also, certain trade and other receivables, cash and bank balances and trade and other payables are denominated in US\$ which is currency other than the functional currency of the relevant group entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities			Assets		
	As at		As at	As at		As at
	31 March		31 January	31 March		31 January
	2011	2012	2013	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	—	769	648	2,769	2,596	11,684

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to US\$.

The following table details the Group's sensitivity to a 5% for all periods increase or decrease in the functional currencies of the relevant group entities, against the relevant foreign currency. 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 post-tax profit where HK\$ strengthen 5% against the relevant currency. For a 5% weakening of HK\$ against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be positive.

	US\$ impact		Ten months ended
	Year ended 31 March		31 January
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Profit or loss	(117)	(76)	(461)

Interest rate risk

The Group was exposed to fair value interest rate risk in relation to fixed rate interest-bearing finance leases (note 22). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 20) and variable rate bank borrowings (note 23) carried at prevailing market rates. However, the exposure in bank balances is minimal to the Group for the Track Record Period as the 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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was 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 2011 and 2012 and the ten months ended 31 January 2013 would decrease/increase by approximately Nil, Nil and HK\$840,000 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 consolidated statements of financial position.

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 and amount due from a subsidiary 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.

The Group has concentration of credit risk as 7% of the total trade receivables at 31 January 2013 was due from the Group's largest customer. No balance was due from the Group's largest customer as at 31 March 2011 and 2012.

The Group has concentration of credit risk as 76%, 69% and 68% of the total trade receivables as at 31 March 2011 and 2012 and 31 January 2013 was due from the Group's five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 89%, 87% and 93% of the total trade receivables as at 31 March 2011 and 2012 and 31 January 2013 respectively.

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.

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 <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount at 31/3/2011 <i>HK\$'000</i>
As at 31 March 2011					
Trade and other payables*	2,360	—	—	2,360	2,360
Amount due to intermediate holding company	3,875	—	—	3,875	3,875
Amounts due to related companies	9,458	—	—	9,458	9,458
Amount due to a director	50	—	—	50	50
	<u>15,743</u>	<u>—</u>	<u>—</u>	<u>15,743</u>	<u>15,743</u>
	On demand or within 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount at 31/3/2012 <i>HK\$'000</i>
As at 31 March 2012					
Trade and other payables*	5,183	—	—	5,183	5,183
Amount due to intermediate holding company	3,875	—	—	3,875	3,875
Obligations under finance leases	861	861	1,436	3,158	2,946
	<u>9,919</u>	<u>861</u>	<u>1,436</u>	<u>12,216</u>	<u>12,004</u>
	On demand or within 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount at 31/1/2013 <i>HK\$'000</i>
As at 31 January 2013					
Trade and other payables*	5,817	—	—	5,817	5,817
Amounts due to related companies	85	—	—	85	85
Bank borrowings (note)	20,054	—	—	20,054	20,000
	<u>25,956</u>	<u>—</u>	<u>—</u>	<u>25,956</u>	<u>25,902</u>

* Excluding other taxes payables and accrued annual leave provisions.

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 January 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$20,000,000. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans 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 HK\$20,328,000.

(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.

The directors of the Company consider that the carrying amounts of the other non-current financial liabilities are recorded at amortised cost using the effective interest rate method in the Financial Information approximate their fair values as the impact of discounting is not significant.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. An analysis of the Group’s revenue for the Track Record Period and the ten months ended 31 January 2012 is as follows:

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Repairing service income	36,374	68,406	55,738	62,021
Sale of accessories	<u>1,531</u>	<u>1,175</u>	<u>965</u>	<u>1,515</u>
	<u>37,905</u>	<u>69,581</u>	<u>56,703</u>	<u>63,536</u>

8. SEGMENT INFORMATION

The Group is engaged in a single segment, the provision of mobile phone and consumer electronic devices repair service. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

The Group's operations are located in Hong Kong and Taiwan. More than 96% of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong.

Information about major customers

Details of the customers contributing over 10% of total revenue of the Group during the Track Record Period and the ten months ended 31 January 2012 are as follows:

	Year ended 31 March		Ten months ended 31 January	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Customer I	7,534	17,971	14,146	8,987
Customer II	N/A*	N/A*	N/A*	8,328
Customer III	N/A*	N/A*	N/A*	7,789
Customer IV	8,537	9,606	8,159	7,787
Customer V	4,143	N/A*	N/A*	7,313
	<u>20,214</u>	<u>27,577</u>	<u>22,305</u>	<u>40,204</u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME

	Year ended 31 March		Ten months ended 31 January	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Gain on disposal of plant and equipment	—	—	—	1,325
Management fee income (Note 1)	139	455	353	143
Consignment goods handling income (Note 2)	11	239	210	333
Sales of scrapped material (Note 3)	504	—	—	—
Bank interest income	1	1	1	4
Exchange gain, net	5	—	—	31
Others	19	241	149	460
	<u>679</u>	<u>936</u>	<u>713</u>	<u>2,296</u>

Notes:

- (1) Represents management fee income from manufacturers of mobile phones for the provision of management service such as inventory management and software upgrade to one of their operation teams in Hong Kong.

- (2) Represents fee income received for handling consignment goods for certain manufacturers of mobile phones at the Group's service centres.
- (3) Represents the one-off sales of repaired electronic components by the Group to its related company, Radiotex International Limited, in the year ended 31 March 2011.

10. OTHER OPERATING EXPENSES, NET

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Reimbursement of expenses for service center	2,730	3,310	2,730	3,104
Service center management income	2,768	2,836	2,359	2,363
Logistic service income	13	80	12	222
Miscellaneous income charges	—	81	12	90
	<u>5,511</u>	<u>6,307</u>	<u>5,113</u>	<u>5,779</u>
Other operating expenses of service centers	<u>(8,913)</u>	<u>(13,934)</u>	<u>(11,320)</u>	<u>(14,763)</u>
Other operating expenses, net	<u>(3,402)</u>	<u>(7,627)</u>	<u>(6,207)</u>	<u>(8,984)</u>

11. FINANCE COSTS

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Interest on:				
Bank borrowings	—	—	—	242
— wholly repayable within five years	—	106	87	78
Finance leases	<u>—</u>	<u>106</u>	<u>87</u>	<u>320</u>
	<u>—</u>	<u>106</u>	<u>87</u>	<u>320</u>

12. INCOME TAX EXPENSE

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Hong Kong Profits Tax				
— current year/period	—	1,944	1,923	1,913
— over-provision in prior years	<u>—</u>	<u>—</u>	<u>—</u>	<u>(22)</u>
	—	1,944	1,923	1,891
Deferred tax				
— current year/period	<u>—</u>	<u>701</u>	<u>151</u>	<u>(273)</u>
Total income tax expense for the year/period	<u>—</u>	<u>2,645</u>	<u>2,074</u>	<u>1,618</u>

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

For the year ended 31 March 2011, no provision for Hong Kong Profits Tax had been made as the Hong Kong subsidiary has unused tax losses available to offset against assessable profits.

For the Track Record Period and the ten months ended 31 January 2012, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

According to the document issued by National Taxation Bureau of Taipei, Ministry of Finance, the applicable income tax rate in Taiwan was changed from 25% to 17% effective from 1 January 2011 onwards. No provision for Taiwan Profits Tax had been made as the Taiwan subsidiary has unused tax losses available to offset against assessable profits for the Track Record Period and the ten months ended 31 January 2012.

The income tax expense can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 March		Ten months ended	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Profit before tax	<u>4,182</u>	<u>16,721</u>	<u>13,143</u>	<u>3,277</u>
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	679	2,764	2,165	559
Tax effect of expenses not deductible for tax purpose	29	15	—	1,114
Tax effect of income not taxable for tax purpose	(21)	—	—	—
Tax effect of tax losses not recognised	141	—	—	—
Hong Kong Profits Tax concession	—	—	—	(10)
Over-provision in prior years	—	—	—	(22)
Utilisation of tax losses previously not recognised	<u>(828)</u>	<u>(134)</u>	<u>(91)</u>	<u>(23)</u>
Income tax expense for the year/period	<u>—</u>	<u>2,645</u>	<u>2,074</u>	<u>1,618</u>

Details of deferred taxation are set out in note 25.

13. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit for the year/period is arrived at after charging (crediting):				
Directors' emoluments (<i>note 14</i>)				
— salaries, allowances and other benefits	1,956	1,656	1,440	594
— contribution to retirement benefits scheme	<u>48</u>	<u>48</u>	<u>40</u>	<u>27</u>
	<u>2,004</u>	<u>1,704</u>	<u>1,480</u>	<u>621</u>
Other staff costs (<i>note</i>)				
— salaries and other allowance	17,227	29,310	25,319	27,958
— contribution to retirement benefits scheme	792	1,458	1,184	1,326
— severance payment	196	728	—	—
— provision for long service payments	<u>87</u>	<u>2</u>	<u>—</u>	<u>—</u>
	<u>18,302</u>	<u>31,498</u>	<u>26,503</u>	<u>29,284</u>
Total staff costs	<u>20,306</u>	<u>33,202</u>	<u>27,983</u>	<u>29,905</u>
Auditors' remuneration	40	40	—	—
Depreciation of plant and equipment	1,853	2,736	2,183	3,732
Allowances for inventories (included in cost of sales)	—	438	438	208
Reversal of allowance for inventories (included in cost of sales)	—	(12)	(12)	(77)
Cost of inventories recognised as an expense	8,532	9,720	7,715	11,007
Operating lease rentals in respect of rented premises	<u>2,828</u>	<u>5,673</u>	<u>3,143</u>	<u>7,206</u>

Note: Included in other operating expenses of service centers, salaries and other allowances of HK\$1,375,000, HK\$1,657,000, HK\$1,541,000 and HK\$1,371,000 and retirement benefit scheme contributions of HK\$57,000, HK\$83,000, HK\$68,000 and HK\$61,000 for the Track Record Period and the ten months ended 31 January 2012 respectively were incurred for the service centers and wholly reimbursed by the customers. Such amounts were not included in the other staff costs.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive emoluments

The details of directors' and chief executive remuneration for the Track Record Period and the ten months ended 31 January 2012 are as follows:

	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contribution to retirement benefits scheme HK\$'000	Total HK\$'000
Year ended 31 March 2011				
Executive director:				
Mr. Cheung King Fung, Sunny	—	324	12	336
Non-executive directors:				
Mr. Cheung King Chuen, Bobby	—	324	12	336
Mr. Cheung King Shan	—	324	12	336
Mr. Cheung King Shek	—	984	12	996
Total	—	1,956	48	2,004
Year ended 31 March 2012				
Executive director:				
Mr. Cheung King Fung, Sunny	—	324	12	336
Non-executive directors:				
Mr. Cheung King Chuen, Bobby	—	324	12	336
Mr. Cheung King Shan	—	324	12	336
Mr. Cheung King Shek	—	684	12	696
Total	—	1,656	48	1,704

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Contribution to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Ten months ended				
31 January 2013				
Executive director:				
Mr. Cheung King Fung, Sunny	—	270	12	282
Non-executive directors:				
Mr. Cheung King Chuen, Bobby	—	108	5	113
Mr. Cheung King Shan	—	108	5	113
Mr. Cheung King Shek	—	108	5	113
Total	—	594	27	621

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Contribution to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Ten months ended				
31 January 2012 (unaudited)				
Executive director:				
Mr. Cheung King Fung, Sunny	—	270	10	280
Non-executive directors:				
Mr. Cheung King Chuen, Bobby	—	270	10	280
Mr. Cheung King Shan	—	270	10	280
Mr. Cheung King Shek	—	630	10	640
Total	—	1,440	40	1,480

Mr. Cheung King Fung, Sunny is also the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors waived or agreed to waive any emolument paid by the Group during the Track Record Period and the ten months ended 31 January 2012. No emoluments were paid by the Group to any of the directors 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 ten months ended 31 January 2012.

(b) Employees' emoluments

The five highest paid individuals of the Group included four, two, one and three directors of the Company for the Track Record Period and the ten months ended 31 January 2012 respectively, whose emoluments are included in the analysis presented above. Details of emoluments paid to the remaining one, three, four and two individuals of the Group for the Track Record Period and the ten months ended 31 January 2012 respectively were as follows:

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Salaries, allowances and other benefits	852	1,713	1,153	1,651
Contribution to retirement benefits scheme	<u>12</u>	<u>36</u>	<u>20</u>	<u>40</u>
	<u>864</u>	<u>1,749</u>	<u>1,173</u>	<u>1,691</u>

Their emoluments were within the following bands:

	Year ended 31 March		Ten months ended 31 January	
	2011	2012	2012	2013
	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees</i>
Nil to HK\$1,000,000	<u>1</u>	<u>3</u>	<u>2</u>	<u>4</u>

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 ten months ended 31 January 2012.

15. DIVIDENDS

No dividends have been paid or declared by the Company since the date of its incorporation on 3 August 2012.

No dividends have been paid or declared by the companies now comprising the Group during the Track Record Period and the ten months ended 31 January 2012.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share during the Track Record Period and the ten months ended 31 January 2012 is based on the profit attributable to the owners of the Company during the Track Record Period and the ten months ended 31 January 2012 and assuming 45,000,000 shares, 45,000,000 shares, 53,235,294 shares and 45,000,000 shares of the Company were in issue during the Track Record Period and the ten months ended 31 January 2012 respectively after taking into account the capitalisation pursuant to the Group Reorganisation as stated in Note 1 and share subscription as stated in note 26(c).

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 ten months ended 31 January 2012.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Computers HK\$'000	Total HK\$'000
COST							
As at 1 April 2010	3,584	1,072	538	3,203	6,239	1,164	15,800
Exchange realignment	148	3	—	—	—	29	180
Additions	940	585	342	2,941	40	834	5,682
As at 31 March 2011 and 1 April 2011	4,672	1,660	880	6,144	6,279	2,027	21,662
Exchange realignment	(10)	—	—	—	—	(5)	(15)
Additions	3,027	1,632	749	3,988	—	951	10,347
As at 31 March 2012 and 1 April 2012	7,689	3,292	1,629	10,132	6,279	2,973	31,994
Disposal	—	—	—	(6,929)	—	—	(6,929)
Exchange realignment	11	—	—	—	—	3	14
Additions	3,098	460	87	—	—	512	4,157
As at 31 January 2013	10,798	3,752	1,716	3,203	6,279	3,488	29,236
ACCUMULATED DEPRECIATION							
As at 1 April 2010	3,075	890	488	2,605	6,209	881	14,148
Exchange realignment	66	1	—	—	—	15	82
Provided for the year	632	90	53	843	7	228	1,853
As at 31 March 2011 and 1 April 2011	3,773	981	541	3,448	6,216	1,124	16,083
Exchange realignment	(10)	—	—	—	—	(4)	(14)
Provided for the year	652	249	113	1,319	14	389	2,736
As at 31 March 2012 and 1 April 2012	4,415	1,230	654	4,767	6,230	1,509	18,805
Exchange realignment	8	—	—	—	—	2	10
Eliminated on disposal	—	—	—	(2,554)	—	—	(2,554)
Provided for the period	1,684	447	198	990	12	401	3,732
As at 31 January 2013	6,107	1,677	852	3,203	6,242	1,912	19,993
CARRYING VALUES							
As at 31 March 2011	899	679	339	2,696	63	903	5,579
As at 31 March 2012	3,274	2,062	975	5,365	49	1,464	13,189
As at 31 January 2013	4,691	2,075	864	—	37	1,576	9,243

The above plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of lease term or 5 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Machinery	5 years
Computers	3–5 years

As at 31 March 2012, net carrying values of a motor vehicle of approximately HK\$3,257,000 is held under finance leases.

18. INVENTORIES

	As at 31 March		As at 31 January
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Merchandises	<u>4,617</u>	<u>4,104</u>	<u>5,423</u>

During the year ended 31 March 2012 and the ten months ended 31 January 2013, certain impaired inventories were sold at gross profit. For the year ended 31 March 2012 and the ten months ended 31 January 2013, a reversal of write-down of merchandises of approximately HK\$12,000 and HK\$77,000 respectively has been recognised and included in cost of sales.

19. TRADE AND OTHER RECEIVABLES

	As at 31 March		As at 31 January
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	6,454	8,349	13,079
Other receivables	2,890	5,332	8,442
Prepayment	<u>514</u>	<u>131</u>	<u>3,591</u>
	<u>9,858</u>	<u>13,812</u>	<u>25,112</u>

The Group does not hold any collateral over these balances.

The Group grants an average credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of each reporting period.

	As at 31 March		As at 31 January
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	3,183	3,006	5,522
31–60 days	2,100	2,357	3,269
61–90 days	405	1,744	3,765
91–120 days	557	820	61
Over 120 days	<u>209</u>	<u>422</u>	<u>462</u>
	<u>6,454</u>	<u>8,349</u>	<u>13,079</u>

At 31 March 2011 and 2012 and 31 January 2013, the aged analysis of trade receivables that were past due but not impaired are as follows:

	31–60 days <i>HK\$'000</i>	61–90 days <i>HK\$'000</i>	91–120 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2011	405	557	209	1,171
As at 31 March 2012	1,744	820	422	2,986
As at 31 January 2013	<u>3,765</u>	<u>61</u>	<u>462</u>	<u>4,288</u>

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.

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 March		As at 31
	2011	2012	January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	<u>2,116</u>	<u>1,739</u>	<u>4,156</u>

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances carried interest at prevailing market rates ranged from 0.01% to 0.17% per annum during the Track Record Period. The pledged bank deposits carried interest ranged from 0.01% to 0.60% per annum.

As at 31 January 2013, pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$200,000 and HK\$3,901,000 have been pledged to secure bank overdrafts and letter of credit respectively, are therefore classified as current assets.

The Group's cash and bank balances and pledged bank deposits that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 March		As at 31
	2011	2012	January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	<u>680</u>	<u>857</u>	<u>7,528</u>

21. TRADE AND OTHER PAYABLES

	As at 31 March		As at 31
	2011	2012	January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	—	936	1,165
Accrued expenses and other payables	<u>2,814</u>	<u>4,817</u>	<u>5,260</u>
	<u>2,814</u>	<u>5,753</u>	<u>6,425</u>

The average credit period on purchases of goods ranged from 30 days to 60 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
	2011	2012	January
	HK\$'000	HK\$'000	2013
			HK\$'000
Within 30 days	—	770	1,004
31–90 days	—	—	1
Over 90 days	—	166	160
	<u>—</u>	<u>936</u>	<u>1,165</u>

The Group's trade payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 March		As at 31
	2011	2012	January
	HK\$'000	HK\$'000	2013
			HK\$'000
US\$	<u>—</u>	<u>769</u>	<u>648</u>

22. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 March		As at 31
	2011	2012	January
	HK\$'000	HK\$'000	2013
			HK\$'000
Analysed for reporting purposes as:			
Current liabilities	—	762	—
Non-current liabilities	<u>—</u>	<u>2,184</u>	<u>—</u>
	<u>—</u>	<u>2,946</u>	<u>—</u>

A motor vehicle of the Group is held under finance lease for a lease term of 5 years. Interest rate underlying all obligations under finance leases are fixed at 8% at the contract date.

	Minimum lease payments			Present value of minimum lease payments		
	31/3/2011 HK\$'000	31/3/2012 HK\$'000	31/1/2013 HK\$'000	31/3/2011 HK\$'000	31/3/2012 HK\$'000	31/1/2013 HK\$'000
Amounts payable under finance leases						
Within one year	—	861	—	—	762	—
In more than one year but not more than two years	—	861	—	—	793	—
In more than two years but not more than five years	—	1,436	—	—	1,391	—
	—	3,158	—	—	2,946	—
Less: future finance charges	—	(212)	—	N/A	N/A	N/A
Present value of lease obligation	—	2,946	—	—	2,946	—
Less: Amounts due for settlement within 12 months (shown under current liabilities)				—	(762)	—
Amounts due for settlement after 12 months				—	2,184	—

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and denominated in HK\$.

23. BANK BORROWINGS

	As at 31 January 2013 HK\$'000
Unsecured	20,000
Carrying amount repayable*	
— on demand	5,000
— within one year	15,000
	20,000

* The amounts due are based on scheduled repayment dates set out in the loan agreement.

	Effective interest rate	HK\$'000
Borrowings comprise the following floating rate bank borrowings		
Unsecured invoice discounting loan of HK\$5,000,000 at 2.75% above Hong Kong Inter-Bank Offer Rate ("HIBOR") repayable on demand	3.1079%	5,000
Unsecured revolving term loan of HK\$15,000,000 at 3% above HIBOR repayable by 28 September 2013 or on demand	3.2775%	<u>15,000</u>
Total borrowings		<u><u>20,000</u></u>

As at 31 January 2013, the Group has undrawn borrowing facilities of HK\$10,000,000.

24. EMPLOYEE BENEFITS

	As at 31 March 2011 HK\$'000	2012 HK\$'000	As at 31 January 2013 HK\$'000
At beginning of the year/period	190	190	147
Provision for the year/period	87	2	—
Paid during the year/period	<u>(87)</u>	<u>(45)</u>	<u>—</u>
At end of the year/period	<u><u>190</u></u>	<u><u>147</u></u>	<u><u>147</u></u>

The Group makes provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance, as further explained in note 3. The provision represents the management's best estimate of the Group's liability at the end of the reporting period. As at 31 March 2011 and 2012 and 31 January 2013, the amount is calculated based on the principal assumptions stated as below:

	As at 31 March 2011	2012	As at 31 January 2013
Annual salary increment	2.8%	4.3%	8.45%
Turnover rate	11.1% to 17.9%	11.6% to 24.5%	13.6% to 28.6%
MPF return rate	5.4%	3.6%	4.0%
Discount rate	0.3% to 2.9%	0.2% to 1.3%	0.2% to 1.4%

25. DEFERRED TAXATION

The following is the major deferred tax (liabilities) and assets recognised and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation HK\$'000	Estimated tax losses HK\$'000	Total HK\$'000
As at 1 April 2010	—	—	—
(Charged) credited to the consolidated statements of comprehensive income (<i>note 12</i>)	<u>(344)</u>	<u>344</u>	<u>—</u>
As at 31 March 2011 and 1 April 2011	(344)	344	—
Charged to the consolidated statements of comprehensive income (<i>note 12</i>)	<u>(357)</u>	<u>(344)</u>	<u>(701)</u>
As at 31 March 2012	(701)	—	(701)
Credited to the consolidated statements of comprehensive income (<i>note 12</i>)	<u>273</u>	<u>—</u>	<u>273</u>
As at 31 January 2013	<u>(428)</u>	<u>—</u>	<u>(428)</u>

At 31 March 2011 and 2012 and 31 January 2013, the Group had unused tax losses of approximately HK\$3,102,000, HK\$225,000 and HK\$92,000 respectively available for offset against future profits. As at 31 March 2011 and 2012 and 31 January 2013, a deferred tax asset has been recognised in respect of approximately HK\$2,085,000, nil, nil of such losses. As at 31 March 2011 and 2012 and 31 January 2013, no deferred tax assets has been recognised in respect of the remaining tax losses of approximately HK\$1,017,000, HK\$225,000 and HK\$92,000 due to the unpredictability of future profit streams. As at 31 March 2011 and 2012 and 31 January 2013, tax losses of HK\$830,000, HK\$225,000 and HK\$92,000 respectively are related to Taiwan subsidiary and which may be carried forward to next ten years.

26. SHARE CAPITAL

The share capital of the Group at 1 April 2010, 31 March 2011 and 31 March 2012 represented the share capital of TSO.

The share capital of the Group at 31 January 2013 represented the share capital of the Company and TSO.

	Number of shares	Share capital HK\$'000
<i>Authorised</i>		
Ordinary share of HK\$0.1 each as at date of incorporation and as at 31 January 2013 (<i>Note a</i>)	<u>3,800,000</u>	<u>380</u>
<i>Issued and fully paid</i>		
Ordinary share of HK\$0.1 each at date of incorporation (<i>Note a</i>)	1	—
Issued in consideration for the acquisition of the issued share capital of TSO Investment (<i>Note b</i>)	299,999	30
Subscription of share by East-Asia (<i>Note c</i>)	<u>300,000</u>	<u>30</u>
Ordinary shares of HK\$0.1 as at 31 January 2013	<u>600,000</u>	<u>60</u>

Notes:

- (a) On 3 August 2012, the Company was incorporated in Cayman Islands as an exempted company with limited liabilities under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. At the date of incorporation, 1 fully paid share of HK\$0.1 each was issued.
- (b) On 29 October 2012, the Company allotted and issued 299,999 shares of HK\$0.1 each credited as fully paid and in return acquired all the outstanding ordinary shares of TSO Investment.

- (c) On 6 December 2012, East-Asia, the immediate holding company of the Company, entered into a subscription agreement with the Company pursuant to which East-Asia agreed to subscribe for 300,000 shares of HK\$0.1 each at a total subscription price of HK\$11,000,000.
- (d) Pursuant to the resolutions in writing of the shareholders of the Company passed on 2 May 2013, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by creation of 996,200,000 new shares HK\$0.1 each.

All shares issued during the period ended 31 January 2013 rank *pari passu* with existing in all respects.

27. RESERVES OF THE COMPANY

	Share premium HK\$'000	Other reserve (Note) HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 3 August 2012 (date of incorporation)	—	—	—	—
Issue of shares	10,970	—	—	10,970
Arising from Reorganisation	—	21,533	—	21,533
Loss for the period and total comprehensive expense for the period	—	—	(86)	(86)
As at 31 January 2013	<u>10,970</u>	<u>21,533</u>	<u>(86)</u>	<u>32,417</u>

Note: Other reserve represents the difference between the nominal value of the shares issued for the acquisition of TSO Investment and the consolidated net asset value of TSO Investment and its subsidiaries at the date of acquisition.

28. OPERATING LEASES COMMITMENT

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 January
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,400	2,950	4,323
In the second to fifth year inclusive	<u>—</u>	<u>1,529</u>	<u>382</u>
	<u>1,400</u>	<u>4,479</u>	<u>4,705</u>

The Group leases certain of its office premises and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to two years with fixed rentals as at 31 March 2011 and 2012 and one to three years with fixed rentals as at 31 January 2013.

29. CAPITAL COMMITMENTS

The Group

	As at 31 March		As at 31 January
	2011	2012	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	<u>471</u>	<u>—</u>	<u>520</u>

30. MAJOR NON-CASH TRANSACTIONS

During the two years ended 31 March 2011 and 2012 and the ten months ended 31 January 2013, amounts of HK\$28,895,000, HK\$44,659,000 and HK\$5,783,000 included respectively in amounts due to related companies was set off with an equivalent amount included in amounts due from related companies.

During the two years ended 31 March 2011 and 2012, the Group acquired plant and equipment of approximately HK\$3,093,000 and HK\$91,000 respectively which was settled by a related company as included in amount due to a related company.

During the year ended 31 March 2012, the Group entered into finance lease arrangements in respect of a motor vehicle with a total capital value at the inception of the lease of approximately HK\$3,988,000.

31. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS**Hong Kong**

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.

During the Track Record Period and the ten months ended 31 January 2012, the total cost charged to the consolidated statements of comprehensive income of approximately HK\$717,000, HK\$1,386,000, HK\$1,221,000 and HK\$1,126,000 respectively represents contributions payable to the scheme by the Group in respect of the year/period.

Taiwan

As stipulated by Labour Pension Act in Taiwan, a subsidiary of the Group is required to contribute to a defined contribution scheme for all its employees at 6% of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees.

During the Track Record Period and the ten months ended 31 January 2012, the total cost charged to the consolidated statements of comprehensive income of approximately HK\$123,000, HK\$120,000, HK\$132,000 and HK\$98,000 respectively represents contributions payable to the plan by the Group in respect of the year/period.

32. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) The Group had the following material transactions and balances with related parties during the Track Record Period and the ten months ended 31 January 2012:

Name of company	Nature of transactions	Notes	Year ended		Ten months ended	
			31 March		31 January	
			2011	2012	2012	2013
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)						
Related companies						
Recurring in nature:						
Telecom Service Network Limited	Logistic fee paid thereto	(i) & (iii)	125	417	295	660
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	1,320	1,677	1,383	1,934
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	—	312	243	410
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	—	—	—	769
Telecom Digital Services Limited	Rental expenses paid thereto	(ii) & (iii)	—	—	—	37
Radiotex International Limited	Purchases of goods thereto	(i) & (iii)	1,037	704	634	1,087
Telecom Digital Data Limited	Received repairing service income therefrom	(i) & (iii)	8,537	9,606	8,159	7,787
	Telecommunication service fee paid thereto	(i) & (iii)	—	53	—	—
Telecom Digital Mobile Limited	Received repairing service income therefrom	(i) & (iii)	12	—	—	—
	Purchase of goods thereto	(i) & (iii)	34	55	54	17
	Commission paid thereto	(i) & (iii)	—	—	—	158
Telecom (Macau) Limited	Received repairing service income therefrom	(i) & (v)	45	33	28	35
Chief Plus Limited	Rental expenses paid thereto	(ii) & (iv)	660	360	360	—
Non-recurring in nature:						
Radiotex International Limited	Sales of goods therefrom	(i) & (iii)	504	—	—	—
Telecom Digital Mobile Limited	Sales of goods therefrom	(i) & (iii)	201	—	—	—
Telecom Digital Service Limited	Proceed of sales of motor vehicle therefrom	(i) & (iii)	—	—	—	2,500

Details of amounts due from related companies are as follows:

		Maximum amount outstanding					
		As at 31 March		As at	During the year ended		During the
		2011	2012	31 January	31 March	2012	ten months
		HK\$'000	HK\$'000	2013	2011	2012	ended
				HK\$'000	HK\$'000	HK\$'000	31 January
							2013
							HK\$'000
	<i>Notes</i>						
Telecom Service Network Limited	(iii), (vi) & (viii)	—	—	14,636	—	—	23,154
Telecom Services One (Macau) Limited	(iii), (vi) & (viii)	—	—	1	—	—	1
Hellomoto Limited	(iii), (vi) & (viii)	2,820	—	—	2,820	2,820	—
Telecom Digital Mobile Limited	(iii), (vii) & (viii)	86	31	369	197	86	369
Chief Plus Limited	(iv), (vi) & (viii)	60	—	—	60	60	—
Telecom Service One Singapore Pte. Limited	(iii), (vi) & (viii)	33	—	—	33	33	—
Telecom Digital Data Limited	(iii), (vii) & (viii)	—	2,899	1,304	15,396	9,606	2,899
Telecom Digital Services Limited	(iii), (vi) & (viii)	—	—	117	12,190	35,104	5,983
Radiotex International Limited	(iii), (vii) & (viii)	—	590	—	1,413	650	590
Telecom (Macau) Limited	(v), (vii) & (viii)	—	—	5	241	33	15
Telecom Digital Media Limited	(iii), (vi) & (viii)	—	—	—	12	—	—
		<u>2,999</u>	<u>3,520</u>	<u>16,432</u>			

Details of amounts due to related companies are as follows:

		As at 31 March		As at 31
		2011	2012	January
		HK\$'000	HK\$'000	2013
				HK\$'000
	<i>Notes</i>			
Telecom Service Network Limited	(iii), (vi) & (viii)	2,808	—	—
Telecom Service Limited	(iii), (vi) & (viii)	337	—	—
Oceanic Rich Limited	(iii), (vi) & (viii)	2,674	—	—
Glossy Enterprises Limited	(iii), (vi) & (viii)	278	—	—
Telecom Services One (Macau) Limited	(iii), (vi) & (viii)	3,361	—	—
Radiotex International Limited	(iii), (vi) & (viii)	—	—	85
		<u>9,458</u>	<u>—</u>	<u>85</u>

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.
- (ii) The rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.
- (iii) The Controlling Shareholders of the Company have beneficial interests in the company.

- (iv) Mr. Cheung King Shek, the director of the Company, has beneficial interests in the company.
 - (v) Mr. Cheung King Shek, Mr. Cheung King Fung, Mr. Cheung King Chuen, Bobby, the directors of the Company, have beneficial interests in the company.
 - (vi) The amounts were arisen from (to) temporary fund transfer. The amounts are unsecured, interest-free and repayable on demand.
 - (vii) The amounts were arisen from normal sales and purchase transactions. The amounts are unsecured, interest-free and expected to be settled according to their respective credit terms which are similar to those with third parties.
 - (viii) The amounts due from (to) related parties were fully settled before the listing of the Company's shares on the Stock Exchange.
- (b) The amount due to intermediate holding company, and a director were arisen from (to) temporary fund transfer of non-trade nature. The amounts are unsecured, interest-free and repayable on demand.

(c) **Banking facilities**

During the year ended 31 March 2011 and 2012, the Group's banking facilities of HK\$200,000 were secured by a bank deposit placed by Telecom Service Network Limited, a related company. During the ten months ended 31 January 2013, the Group's banking facilities of HK\$200,000 were secured by a bank deposit.

During the ten months ended 31 January 2013, the Group's another banking facilities of HK\$30 million were guaranteed by Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen, Bobby and Mr. Cheung King Fung, Sunny.

As at 31 March 2011 and 2012 and 31 January 2013, the unutilised banking facilities guaranteed or secured by related parties were HK\$200,000, HK\$200,000 and HK\$10,000,000 respectively.

(d) **Obligations under finance leases**

During the year ended 31 March 2012 and the ten months ended 31 January 2013, the Group's obligations under finance leases were guaranteed by a director, Cheung King Fung, Sunny. This personal guarantee was released during the ten months ended 31 January 2013 as the finance lease was fully repaid during the period.

- (e) During the two years ended 31 March 2011 and 2012, and up to July 2012, certain rentals, staff costs and miscellaneous operating expenses were provided by a related company to the Company at nil cost.
- (f) The amount due from a subsidiary is unsecured, interest free and repayable on demand.

(g) **Compensation of key management personnel**

The remuneration of key management during the Track Record Period and the ten months ended 31 January 2012 was as follow:

	Year ended 31 March		Ten months ended 31 January	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Short-term benefits	2,148	2,198	1,838	1,367
Post-employment benefits	60	60	50	38
	<u>2,208</u>	<u>2,258</u>	<u>1,888</u>	<u>1,405</u>

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

The following significant events took place subsequent to 31 January 2013:

(a) Share option scheme

Pursuant to the written resolution of the shareholders of the Company passed on 2 May 2013, the Company has conditionally adopted a share option scheme, details of which are set out in the section headed “Share Option Scheme” in Appendix V to the Prospectus.

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 January 2013.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Ip Yu Chak

Practising Certificate Number: P04798

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 CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated 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 consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 January 2013 as if the Placing had taken place on 31 January 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 consolidated net tangible assets of the Group as at 31 January 2013 or at any future dates following the Placing. It is prepared based on the consolidated net tangible assets of the Group as at 31 January 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 consolidated net tangible assets attributable to owners of the Company as at 31 January 2013	Estimated net proceeds from the Placing	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company immediately after the completion of the Placing	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 31 January 2013
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Placing Price of				
HK\$1.00 per Share	34,612	21,657	56,269	0.469
Based on the Placing Price of				
HK\$1.34 per Share	34,612	31,244	65,856	0.549

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2013 has been derived from the audited consolidated net assets of the Group attributable to the owners of the Company of approximately HK\$34,612,000 as at 31 January 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 the respective low and high-ends of the indicative Placing Price range of HK\$1.00 and HK\$1.34 per Share, respectively, 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 Offer Size Adjustment Option and any options granted under the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated 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 120,000,000 Shares were in issue as at 31 January 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 Offer Size Adjustment Option and any options granted under the Share Option Scheme).
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to 31 January 2013.

(B) UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended 31 March 2013 has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out in the notes below for the purpose of illustrating the effect of the Placing, as if it had taken place on 1 April 2012. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Placing or for any future periods.

Estimated consolidated profit attributable to owners of the Company
for the year ended 31 March 2013^(Note 1) not less than HK\$1.4 Million

Unaudited pro forma estimated earnings per Share
for the year ended 31 March 2013^(Note 2) not less than HK\$0.012

Notes:

- (1) The estimated consolidated profit attributable to owners of the Company for the year ended 31 March 2013 is extracted from the section headed “Financial Information — Profit Estimate for the year ended 31 March 2013”. The bases on which the above profit estimate has been prepared are summarised in Appendix III.
- (2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of the Company for the year ended 31 March 2013 and the weighted average number of Shares outstanding during the year ended 31 March 2013, adjusted as if the Company had been listed since 1 April 2012, of 120,000,000 Shares, without taking into account of (i) any Share which may fall to be allotted and issued pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed “Resolutions of the Shareholders passed on 2 May 2013” in Appendix V to this prospectus; and (ii) any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options granted under the Share Option Scheme. The calculation of the weighted average number of 120,000,000 Shares has taken into account the 600,000 Shares issued and outstanding during the entire period, 89,400,000 Shares to be issued pursuant to the Capitalisation Issue and 30,000,000 Shares to be issued pursuant to the Placing assuming that the Placing and Capitalisation Issue had been completed on 1 April 2012. The estimated consolidated profit attributable to owners of the Company for the year ended 31 March 2013 has not taken into account any interest income that would have been earned if the proceeds from the Placing had been received by the Company on 1 April 2012.

(C) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION



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

23 May 2013

The Board of Directors
Telecom Service One Holdings Limited
China Everbright Capital Limited

Dear Sirs,

Telecom Service One Holdings Limited (the “Company”) and its subsidiaries (the “Group”)

We report on the unaudited pro forma financial information of the Group (the “Unaudited Pro Forma Financial Information”) as set out in the section headed “UNAUDITED PRO FORMA FINANCIAL INFORMATION” in Appendix II to the Company’s prospectus dated 23 May 2013 (the “Prospectus”) in connection with the proposed placing of 30,000,000 shares of HK\$0.1 each in the Company (the “Placing”). The Unaudited Pro Forma Financial Information is unaudited and has been prepared by the directors of the Company (the “Directors”) solely for illustrative purposes, to provide information to the shareholders of the Company about how the Placing might have affected the financial information of the Group presented, for inclusion in Appendix II to the Prospectus.

The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited 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 Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 January 2013 or at any future date.
- the earnings per share of the Group for the year ended 31 March 2013 or any future period.

We make no comment 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 actually take place as described in the section headed “Future Plans and Use of Proceeds” as set out in the Prospectus.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Ip Yu Chak

Practising Certificate Number: P04798

Hong Kong

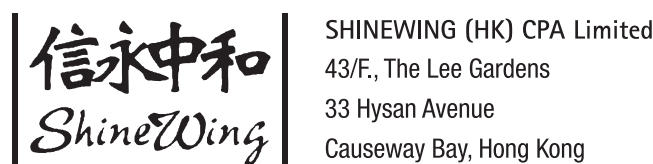
The estimate of the consolidated profit attributable to the owners of the Company for year ended 31 March 2013 is set out in the section headed “Financial Information — Profit Estimate For The Year Ended 31 March 2013” in this prospectus.

BASES

The Company has prepared its estimated profit attributable to the owners for the year ended 31 March 2013 based on the audited consolidated statements of comprehensive income of the Group for the ten months ended 31 January 2013 and the unaudited consolidated results of the Group based on management accounts for the two months ended 31 March 2013. 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



23 May 2013

The Board of Directors
Telecom Service One Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the consolidated profit attributable to owners of the Telecom Service One Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 March 2013 (the “Estimate”), for which the directors of the Company are solely responsible, as set out in the prospectus dated 23 May 2013 issued by the Company (the “Prospectus”). The Estimate is prepared based on the audited consolidated results of the Group for the ten months ended 31 January 2013 and the unaudited consolidated results of the Group based on the management accounts for the two months ended 31 March 2013.

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 “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 2012 and the ten months ended 31 January 2013 as set out in Appendix I to the Prospectus.

Yours faithfully,

SHINEWING (HK) CPA Limited*Certified Public Accountants***Ip Yu Chak**

Practising Certificate Number: P04798

Hong Kong

(2) Letter from the Sole Sponsor



China Everbright Capital Limited

17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

23 May 2013

The Directors

Telecom Service One Holdings Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to owners of Telecom Service One Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 March 2013 (the “**Estimate**”), as set out in the prospectus of the Company dated 23 May 2013 (the “**Prospectus**”).

The Estimate, for which the Directors are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Group for the ten months ended 31 January 2013 and the unaudited consolidated results of the Group based on the management accounts for the two months ended 31 March 2013.

We have discussed with you the bases upon which the Estimate has been made. We have also considered the letter dated 23 May 2013 addressed to you and us from SHINEWING (HK) CPA Limited regarding the accounting policies and calculations upon which the Estimate has been made.

On the basis of the foregoing and on the bases made by you and the accounting policies and calculations adopted by you and reviewed by SHINEWING (HK) CPA Limited, we have formed the opinion that the 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
China Everbright Capital Limited
Calvin Poon
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 3 August 2012 under the 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

- (a) 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.
- (b) 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 2 May 2013 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) 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.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the 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 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.

(ii) *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 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.

(iii) *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.

(iv) *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.

(v) *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:

- (aa) 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;
- (bb) 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;
- (cc) 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;
- (dd) 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
- (ee) 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.

(vi) *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.

(vii) *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:

- (aa) 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;

- (bb) 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;
- (cc) 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;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) 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
- (hh) 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.

(viii) *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 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 summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the 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.

(x) *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.

(c) 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.

(d) Variation of rights of existing shares or classes of shares

Subject to the 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 authorized 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.

(e) 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 authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the 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.

(f) 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 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.

(g) 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:

- (i) the chairman of the meeting; or
- (ii) 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
- (iii) 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
- (iv) 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 (as defined in the Articles), 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.

(h) 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.

(i) 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 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 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 summarized 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 summarized financial statements instead of the full financial statements. The summarized 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 summarized 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.

(j) 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 Companies Law and the Listing Rules (as defined in the Articles), 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:

- (i) 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
- (ii) 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:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) 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
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the 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 recognize 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 the Listing Rules (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.

(l) Power of the Company to purchase its own shares

The Company is empowered by the 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.

(m) 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.

(n) 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:

- (i) 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
- (ii) 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:

- (aa) 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
- (bb) 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.

(o) 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 authorized 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.

(p) 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.

(q) Inspection of corporate records

Members of the Company have no general right under the 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 Hong Kong 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.

(r) 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.

(s) 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 summarized in paragraph 3(f) of this Appendix.

(t) 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:

- (i) 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

- (ii) 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 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.

(u) 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:

- (i) 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;
- (ii) 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
- (iii) 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.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the 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 3 August 2012 subject to the 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 Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) 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 authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The 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 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:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and

- (v) 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 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 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 authorized 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.

(c) 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.

(d) 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 authorized 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized 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 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 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.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the 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 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 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.

(f) 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:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

- (iii) 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.

(g) Disposal of assets

There are no specific restrictions in the 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.

(h) Accounting and auditing requirements

Section 59 of the 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 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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) 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
- (ii) 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:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 14 August 2012.

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.

(k) 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.

(l) Loans to directors

The 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.

(m) Inspection of corporate records

The members of the company have no general right under the 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.

(n) 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 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.

(o) 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 authorized 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.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the 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.

(q) 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.

(r) 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 Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. 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 THE COMPANY**1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 August 2012. The Company has established a place of business in Hong Kong at Units 1805–1807, 18th Floor, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and has been registered with the Companies Registry of Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Cheung King Fung Sunny has been appointed as the agent of the Company for acceptance of service of process and notices in Hong Kong at the principal place of business of the Company in Hong Kong.

The Company's corporate affairs are subject to its constitutive documents comprising the Memorandum of Association and the Articles and, as the Company was incorporated in the Cayman Islands, to the Companies Law. A summary of various provisions of the Company's constitutive documents and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

At the time of its incorporation, the Company had an authorised share capital of HK\$380,000 divided into 3,800,000 Shares.

On 2 May 2013, the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares to HK\$100,000,000 divided into 1,000,000,000 Shares by the creation of an additional 996,200,000 Shares.

Save as disclosed in this paragraph and the paragraph headed "Reorganisation" of the section headed "History and Development" in this prospectus, the Company does not have any changes in its share capital since its incorporation.

3. Resolutions of the Shareholders passed on 2 May 2013

The following resolutions of the Shareholders were passed on 2 May 2013 for the following purposes, among others:

- (a) the Company conditionally approved and adopted the Memorandum and Articles, the provisions of which are summarised in Appendix IV to this prospectus;
- (b) the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares to HK\$100,000,000 divided into 1,000,000,000 Shares by the creation of an additional 996,200,000 Shares;

- (c) conditional upon the conditions stated in the paragraph headed “Conditions of the Placing” of the section headed “Structure and Conditions of the Placing” in this prospectus having been fulfilled or waived (as the case may be):
- (i) the Placing and the granting of the Offer Size Adjustment Option were approved and the Directors were authorised to allot and issue the Placing Shares pursuant to the Placing and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option;
 - (ii) subject to the share premium account of the Company being credited as a result of the allotment and issue of the Placing Shares under the Placing, up to HK\$8,940,000 standing to the credit of the share premium account of the Company shall be capitalised and applied to pay up in full at par 89,400,000 Shares for allotment and issue to the Shareholders of the Company as at the close of business on the date of passing that resolution (or such other date as the Directors may direct);
 - (iii) the rules of the Share Option Scheme (subject to such amendments as may be approved by the Directors or any committee thereof) were approved and adopted and the Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to do all such acts and things as it may consider necessary or expedient to give effect to the transactions contemplated under the Share Option Scheme;
 - (iv) a general unconditional mandate was given to the Directors to allot, issue and deal with, whether pursuant to an option or otherwise, additional Shares (including the power to make or grant offers, agreements and options which would or might require the exercise of such power), otherwise than pursuant to (ww) a rights issue; (xx) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by the Company or any securities which are exchangeable into Shares; (yy) the exercise of the subscription rights under options granted under the Share Option Scheme or any other similar arrangement of the Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisors of the Company and/or any of its subsidiaries and/or other persons of Shares or rights to acquire Shares; or (zz) 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, with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option; and (bb) the aggregate nominal amount of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (v) below, until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general

meeting of the Company is required to be held by the Articles or any other applicable laws or the date of passing of an ordinary resolution by the Shareholders at general meeting revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate was given to the Directors to exercise all power of the Company to repurchase Shares on GEM or other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or of any other stock exchange as amended from time to time, with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Placing and Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option) until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles or any other applicable laws or the date of passing of an ordinary resolution by the Shareholders at general meeting revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above.

4. Reorganisation

The Group underwent certain share capital changes and reorganisation steps to rationalise the group structure in preparation for the Listing. Please refer to the paragraph headed “Reorganisation” of the section headed “History and Development” in this prospectus for details.

5. Changes in share capital of subsidiaries

The Company’s subsidiaries are listed in the Accountants’ Report set out in Appendix I to this prospectus.

Save as mentioned in the paragraphs headed “Corporate History of the Operating Subsidiaries” and “Reorganisation” of the section headed “History and Development” in this prospectus, there was no change in the share capital of the subsidiaries of the Company during the two years immediately prior to the date of this prospectus.

6. Repurchase by the Company of its own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by special approval of a particular transaction.

The Directors were granted a general unconditional mandate (the “Repurchase Mandate”) authorising the repurchase of Shares by the Company on GEM or on any other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange, as referred to in the paragraph headed “A. Further Information about the Company — 3. Resolutions of the Shareholders passed on 2 May 2013” above in this Appendix. The Repurchase Mandate will be exercisable upon Listing and will expire at the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws to be held, or when revoked or varied by ordinary resolution of the Shareholders, whichever shall first occur.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for such purpose in accordance with the GEM Listing Rules, the Memorandum and the Articles and the applicable laws of the Cayman Islands. The Company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by the Company may be made out of the Company’s funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase or out of the Company’s share premium account. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of the Company’s share premium account.

(iii) Trading Restrictions

The total number of Shares which the Company may repurchase on GEM is the number of Shares representing up to a maximum of 10% of the aggregate number of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option). The Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the Company is prohibited from repurchasing its Shares on GEM if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on GEM. The GEM Listing Rules also prohibit the Company from repurchasing its securities which will result in Shares held by the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. The Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on GEM or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

The Company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for the Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), the Company may not repurchase its Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on GEM if the Company has breached the GEM Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, the Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) *Connected Persons*

The Company is prohibited from knowingly repurchasing securities on GEM from the connected person and the connected person is prohibited from knowingly selling his securities to the Company.

(b) *Reasons for Repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have general authority from Shareholders 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 when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

(c) *Funding of Repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and the Articles, the applicable laws of Cayman Islands and the GEM Listing Rules.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(d) General

Exercise in full of the Repurchase Mandate, on the basis of 120,000,000 Shares in issue immediately after the 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 Offer Size Adjustment Option), can accordingly result in up to 12,000,000 Shares being repurchased by the Company.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to the Company or its subsidiaries.

The 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, the Memorandum and the Articles and the applicable laws of the Cayman Islands.

No connected person has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No purchase of Shares has been made by the Company within six months prior to the date of this prospectus.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 29 October 2012 between East-Asia, the Company and TSO Investment, pursuant to which, amongst others, the entire issued share capital of TSO was transferred from East-Asia to TSO Investment in consideration of TSO Investment allotting and issuing 900 shares of TSO Investment to the Company credited as fully paid and crediting the previously issued 100 nil paid shares held by the Company as fully paid;



- (b) a subscription agreement dated 6 December 2012 between East-Asia and the Company, pursuant to which East-Asia agreed to subscribe for 300,000 Shares at a total subscription price of HK\$11,000,000;
- (c) the Deed of Non-competition;
- (d) the Deed of Indemnity; and
- (e) the Underwriting Agreement.

2. Intellectual property rights

The following intellectual property rights are material in relation to the Group's business:

(a) Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks in Hong Kong:

Trademark	Registered Owner	Trade Mark No.	Class	Period of Registration
	TSO	302295135	37*	26 June 2012 to 25 June 2022
	TSO	302295144	37*	26 June 2012 to 25 June 2022

Note:

- * The specification of services under Class 37 are (i) providing repair and maintenance services for mobile phones, smart phones, personal digital assistants, pagers, handheld computers, electronic notepads, computers hardware, game machines, mobile phone and smart phone accessories; (ii) providing information, advisory and consultancy services relating to all the aforesaid products by customer service centres.

(b) Domain name

As at the Latest Practicable Date, the Group had registered the following domain name:

Domain Name	Registered Owner	Expiry Date
www.tso.cc	Telecom Service One Limited	20 July 2017

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interests — interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations*

Save as disclosed below, none of the Directors or chief executives of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which once the Shares are listed, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange:

(i) *The Company*

Long Position:

Name of Director	Nature of interest		Number of Shares		Approximate percentage of shareholding in the Company
Mr. Cheung King Shek	(a) Beneficial owner	(a)	6,000,000	(a)	5%
	(b) Beneficiary of a trust ⁽¹⁾	(b)	66,000,000	(b)	55%
Mr. Cheung King Shan	(a) Beneficial owner	(a)	6,000,000	(a)	5%
	(b) Beneficiary of a trust ⁽¹⁾	(b)	66,000,000	(b)	55%
Mr. Cheung King Chuen Bobby	(a) Beneficial owner	(a)	6,000,000	(a)	5%
	(b) Beneficiary of a trust ⁽¹⁾	(b)	66,000,000	(b)	55%
Mr. Cheung King Fung Sunny	(a) Beneficial owner	(a)	6,000,000	(a)	5%
	(b) Beneficiary of a trust ⁽¹⁾	(b)	66,000,000	(b)	55%

(ii) *Associated corporations*

Long Position:

Amazing Gain is one of the Controlling Shareholders and the holding company of the Company. The companies listed in the table below (apart from Amazing Gain) are wholly owned subsidiaries of Amazing Gain. Hence, Amazing Gain and the rest of the companies listed in the table below are associated corporations of the Company under the SFO. Each of Messrs Cheung King Shek, Cheung King Shan, Cheung King Chuen Bobby and Cheung King Fung Sunny is deemed to have 100% interest in the said associated corporations under the SFO.

Name of associated corporation	Number of shares/Amount of share capital	Nature of interest	Approximate percentage of interests
Amazing Gain	100 shares	Beneficiary of a trust ⁽¹⁾	100%
East-Asia Pacific Ltd.	6 shares	Beneficiary of a trust ⁽¹⁾	100%
Telecom Service Ltd.	2,000,000 shares	Beneficiary of a trust ⁽¹⁾	100%
H.K. Magnetronic Co. Ltd.	50,000 shares	Beneficiary of a trust ⁽¹⁾	100%
Oceanic Rich Ltd.	10,000 shares	Beneficiary of a trust ⁽¹⁾	100%
Glossy Investment Limited	10,000 shares	Beneficiary of a trust ⁽¹⁾	100%
Glossy Enterprises Ltd.	10,000 shares	Beneficiary of a trust ⁽¹⁾	100%
Yiu Tai Industrial Ltd.	1,000 shares	Beneficiary of a trust ⁽¹⁾	100%
Txtcom Ltd.	100 shares	Beneficiary of a trust ⁽¹⁾	100%
Telecom Digital Holdings Ltd.	24 shares	Beneficiary of a trust ⁽¹⁾	100%
Telecom Digital Ltd. (incorporated in Macau)	MOP100,000	Beneficiary of a trust ⁽¹⁾	100%
Telecom Services One (Macau) Ltd.	MOP100,000	Beneficiary of a trust ⁽¹⁾	100%
Telecom Service Network Ltd.	1,000 shares	Beneficiary of a trust ⁽¹⁾	100%
Hellomoto Ltd.	1,000 shares	Beneficiary of a trust ⁽¹⁾	100%
Maria Trading Inc.	1 share	Beneficiary of a trust ⁽¹⁾	100%
Telecom Digital Ltd.	2 shares	Beneficiary of a trust ⁽¹⁾	100%
Silicon Creation Ltd.	100 shares	Beneficiary of a trust ⁽¹⁾	100%
Kung Wing Enterprises Ltd.	1,000,000 shares	Beneficiary of a trust ⁽¹⁾	100%
東莞恭榮房地產管理服務有限公司 (Dongguan Kongyong Real Property Management Services Limited)	US\$1,500,000	Beneficiary of a trust ⁽¹⁾	100%

Note:

- (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 Offer Size Adjustment Option and options that may be granted under the Share Option Scheme), East-Asia will hold 66,000,000 Shares, representing 55% of the share capital of the Company. East-Asia 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 Sarasin Trust Company (Singapore) Limited, the trustee of the Cheung Family Trust. The Cheung Family Trust is a discretionary trust, the discretionary objects of which include 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 in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

(b) *Particulars of service agreement and appointment letters*

The executive Director has entered into a service contract with the Company for an indefinite term until terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed an appointment letter with the Company, and is appointed for an initial term of three years subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles.

There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group.

(c) *Directors' remuneration*

The Company's principal policies concerning remuneration of executive Directors are to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives. Under the policy, a Director is not allowed to approve his own remuneration. The principal elements of the Group's executive remuneration package include salaries, discretionary bonuses and eligibility to participate in the Share Option Scheme.

The aggregate remuneration (comprising salaries, allowances, benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments) payable to the Directors for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 were approximately HK\$2,004,000, HK\$1,704,000 and HK\$621,000, respectively.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the two years ended 31 March 2012 and for the ten months ended 31 January 2013.

Under the current arrangements, the Directors will be entitled to receive remuneration (including directors fees for independent non-executive Directors) which, for the financial year ended 31 March 2013, is expected to amount to HK\$648,000 in aggregate.

Save for directors fee and their eligibility to participate in the Share Option Scheme, none of the non-executive Directors is expected to receive any other remuneration from holding their office as non-executive Directors.

Further details as to the breakdowns of the Directors' remuneration for each of the two years ended 31 March 2012 and for the ten months ended 31 January 2013 are set out in Note 14 of the Accountants' Report headed "Directors' and Employees' Emoluments" in Appendix I to this prospectus.

2. Substantial shareholders

Information on persons, not being Directors or chief executive of the Company, who will have, immediately following the Placing, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO is set out in the section headed “Controlling, Substantial and Significant Shareholders” in this prospectus.

3. Disclaimers

- (a) Save as disclosed in this prospectus, none of the Directors is interested in the promotion of, or in any assets which have been, within two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) Save as disclosed in the sections headed “Business”, “Continuing Connected Transactions” and “Relationship with Controlling Shareholders and Telecom Digital Group” in this prospectus, none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group taken as a whole.
- (c) Save as disclosed in the sections headed “Business”, “Continuing Connected Transactions” and “Relationship with Controlling Shareholders and Telecom Digital Group” in this prospectus, insofar as the Directors are aware, none of the Directors or their associates, or the Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or suppliers of the Group.

D. SHARE OPTION SCHEME

The following is summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of all Shareholders passed on 2 May 2013. The Directors confirm that the Share Option Scheme is in full compliance with Chapter 23 of the GEM Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group’s businesses; to provide additional incentives to the Qualifying Grantees (as defined below); and to promote the long term financial success of the Group by aligning the interests of option holders to Shareholders.

(b) Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, the Board may offer to grant an option to any Qualifying Grantees as the Board may in its absolute discretion select. “Qualifying Grantee” means:

- (i) (1) any employee (whether full-time or part-time employee) and any person who is an officer of any members of the Group or any Affiliates (“Employee”);
- (2) any person who is seconded to work for any member of the Group or any Affiliates (“Seconded”);
- (3) any consultant, agent, representative, adviser, customer, contractor of the Group or any Affiliates;
- (4) any business partner/ally/alliance, joint venture partner, supplier of goods or services to the Group or any Affiliates or any employee thereof; or

(collectively the “**Eligible Person**”)

- (ii) any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members (“Related Trust and Company”).

“Affiliate” means a company that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an Associated Company of the holding company of the Company; or (i) an Associated Company of the Company; or (j) Associated Company of controlling shareholder of the Company;

“Associated Company” means a company in the equity share capital of which a company, directly or indirectly, has 20% or greater beneficial interest but excluding the subsidiaries of that company;

“immediate family members” means a spouse or person co-habiting as the spouse of an Eligible Person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person;

“officer” means company secretary or director (whether executive or non-executive); and

“subsidiary” has the meaning set out in the GEM Listing Rules.

(c) Administration

The Share Option Scheme shall be subject to the administration of the Board whose decision shall (save as otherwise provided in the Share Option Scheme) be final and binding. Subject to the provisions of the GEM Listing Rules and applicable law and other regulations from time to time in force, the Board's powers include the authority, in its discretion:

- (i) to select Qualifying Grantees to whom options may be granted under the Share Option Scheme;
- (ii) to determine, subject to the requirements of the GEM Listing Rules and the law, the time of the grant of options;
- (iii) to determine the number of Shares to be covered by each option granted under the Share Option Scheme;
- (iv) to approve forms of option agreements;
- (v) to determine the terms and conditions, not inconsistent with the terms of the Share Option Scheme, of any option based in each case on such factors as the Board, in its sole discretion, shall determine. Such terms and condition may include, but are not limited to:
 - the subscription price;
 - the option period, which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the commencement date);
 - the minimum period, if any, for which an option must be held before it vests or becomes exercisable in whole or in part;
 - the performance targets, if any, that must be achieved before the option can be exercised;
 - the amount, if any, payable on application or acceptance of the option and the period within which payments must be made; and
 - the period, if any, during which Shares allotted and issued upon exercise of the option shall be subject to restrictions on dealings, and the terms of such restrictions;
- (vi) to construe and interpret the terms of the Share Option Scheme and options granted pursuant to the Share Option Scheme;
- (vii) to prescribe, amend and rescind rules and regulations relating to the Share Option Scheme, including rules and regulations relating to sub-schemes established for the purpose of qualifying for preferred treatment under foreign laws and for benefits intended solely for any particular type of Qualifying Grantees; and

- (viii) subject to the provisions relating to grant to substantial shareholders and independent non-executive Directors and their respective associates in the Share Option Scheme, to vary the terms and conditions of any option agreement (provided that such variation is not inconsistent with the terms of the GEM Listing Rules and the Share Option Scheme).

(d) Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, the Board shall be entitled at any time within 10 years commencing on the Listing Date to make an offer for the grant of an option to any Qualifying Grantee as the Board may in its absolute discretion select.

An offer of the grant of an option shall be deemed to have been made on the date such offer is approved by the Board, notwithstanding that the letter or any other document containing the offer is sent to and received by the Qualifying Grantee on a later date.

(e) Restriction on time of grant of option

An offer of the grant of an option may not be made after inside information has come to the Company's knowledge until it has announced the information. In particular, but only insofar as and for so long as the GEM Listing Rules require, no offer of the option may be made during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of the results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

(f) Acceptance and payment on acceptance of option offer

An offer shall remain open for acceptance by the Qualifying Grantee concerned for a period of 28 days from the date of the offer (or such period as the Board may specify in writing).

HK\$1 is payable by the grantee to the Company on acceptance of the option offer.

(g) Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is 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 granting of the option;
- (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and
- (iii) the nominal value of a Share.

For the purpose of determining the subscription price, if the Shares have been listed for less than five business days immediately preceding the date of the granting of the option, the new issue *price per* Share in connection with such listing (excluding brokerage fee, trading fee and transaction levy payable thereon) shall be deemed to be the closing price for any business day falling within the period before such listing.

(h) Option period

The period as the Board may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the date of the granting of the option).

(i) Rights are personal to grantee

An option shall be personal to the option holder and shall not be assignable or transferable.

(j) Rights attaching to Shares allotted

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles of the Company for the time being in force and shall rank *pari passu* in all respects with the fully paid Shares in issue on the date of issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of issue, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of issue.

(k) Rights on retirement, death or permanent physical or mental disability

If an option holder (or, in the case of an option holder which is a Related Trust and Company, the relevant Eligible Person) ceases to be a Qualifying Grantee attributable to the fact that he dies or becomes permanently physically or mentally disabled or in the case of an option holder being an Employee (or, in the case of an option holder which is a Related Trust and Company of an Employee, the relevant Employee), retires, unless otherwise provided in the option

agreement, the option may be exercised within such period of time as is specified in the option agreement (but in no event later than the expiration of the term of such option as set forth in the option agreement).

In the absence of a specified time in the option agreement, the option shall, to the extent that has become exercisable on or prior to the relevant option holder's or Qualifying Guarantee's or Employee's (as the case may be) retirement, death or permanent physical or mental disability, remain exercisable for 12 months (or such longer period as the Board shall decide) following the relevant option holder's or Qualifying Grantee's or Employee's (as the case may be) retirement, death or permanent physical or mental disability. The option may be exercised within that period by the personal representatives of the option holder.

If the option is not so exercised within the time specified, the option shall lapse.

(l) Termination for misconduct

If an option holder being an Employee (or, in the event of an option holder which is a Related Trust and Company of the Employee, the relevant Employee) ceases to be an Employee for his conduct based on which the relevant employer can terminate his contract of employment without notice or payment in lieu, or having been convicted of any criminal offence involving his integrity or honesty, the option shall immediately lapse.

(m) Termination for bankruptcy

If an option holder (or, in the event of an option holder which is a Related Trust and Company of an Eligible Person, the relevant Eligible Person) ceases to be a Qualifying Grantee for having committed any act of bankruptcy or having become insolvent or having made any arrangements or composition with his creditors generally, the option shall immediately lapse.

(n) Rights on termination other than for retirement, death, permanent disability, misconduct or bankruptcy

If an option holder (or, in the event of an option holder which is a Related Trust and Company of an Eligible Person, the relevant Eligible Person) ceases to be a Qualifying Grantee other than in any of the circumstances described in paragraphs (k), (l) or (m), unless otherwise provided in the option agreement, an option holder may exercise his option (to the extent that has become exercisable on or prior to such cessation) within three months of such cessation (or such longer period as the Board shall decide, but in no event later than the expiration of the term of such option as set forth in the option agreement).

If the option is not so exercised within the time specified, the option shall lapse.

(o) Rights on general offer

If a takeover by way of general offer 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 concert with the offeror), and such offer becomes or is declared unconditional in all respects, the option holder shall be entitled to exercise all or any of his options (including those not already

exercisable) at any time within one month (or such longer period as the Board shall decide) or the expiry of the term of such option as set forth in the option agreement, whichever is earlier, after the date on which the offer becomes or is declared unconditional.

If the option is not so exercised within the time specified, the option shall lapse.

(p) Rights on compromise or arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed, the Company shall give notice to the option holder on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the option holder (or his personal representatives) may until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise all or any of his options (including those not already exercisable), but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the option holder to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the option holder in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement.

If the option is not so exercised within the time specified, the option shall lapse.

(q) Rights on voluntary winding-up of the Company

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all option holders (together with a notice of the existence of the provisions of the Share Option Scheme relating to this paragraph (q)) and thereupon, each option holder (or his personal representatives) shall be entitled to exercise all or any of his options (including those not already exercisable) at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the option holder credited as fully paid.

If the option is not so exercised within the time specified, the option shall lapse.

(r) Lapse of option

Subject to the discretion of the Board to extend the option period as referred to in paragraphs (c), (k), (n) and (w), and without prejudice to the authority of the Board to provide for additional situations where an option shall lapse in any option agreement, an option shall lapse and not be

exercisable on the earliest of: (i) the expiry of the option period; (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n), (o), (p) and (q); and (iii) the date on which the Board or the two directors of the Company duly authorised by the Board certify that for the reason of a breach of paragraph (i).

(s) Cancellation of options

Options granted but not exercised or lapsed in accordance with the terms of the Share Option Scheme may be cancelled by the Company with the consent of the Qualifying Grantee provided that such consent shall not be required where an option lapses in accordance with paragraph (r) above. Where the Company cancels options and offers to issue new ones to the same Qualifying Grantee, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limits set out in paragraph (t) below.

(t) Maximum number of Shares available under the Share Option Scheme

(i) *Overriding Limit*

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded.

(ii) *Mandate Limit*

In addition to the limit set out in sub-paragraph (t)(i) above and prior to the approval of a Refreshed Mandate Limit as referred to in sub-paragraph (t)(iii) below, 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 schemes of the Company must not in aggregate exceed 10% of the Shares in issue immediately following the completion of the Placing and the Capitalisation Issue (i.e. 12,000,000 Shares) (such Shares being exclusive of the Shares which have been issued pursuant to the exercise of the Offer Size Adjustment Option). Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

(iii) *Refreshing of Mandate Limit*

The Company may by ordinary resolutions of the Shareholders refresh the mandate limit provided that the Company shall issue a circular containing such information as required by the GEM Listing Rules to Shareholders before such approval is sought. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as refreshed (the “Refreshed Mandate Limit”) must not exceed 10% of the Shares in issue as at the date of approval of the Refreshed Mandate Limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with any of the schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(iv) *Grant to specifically identified Qualifying Grantees*

Specifically identified Qualifying Grantees may be granted options beyond the mandate limit. The Company may in addition seek separate approval by its Shareholders in general meeting for granting options beyond the mandate limit provided the options in excess of the limit are granted only to Qualifying Grantees specifically identified by the Company and a circular containing such information as required by the GEM Listing Rules is issued to Shareholders before such approval is sought.

(v) *Limit for each Qualifying Grantee*

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each Qualifying Grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a Qualifying Grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by Shareholders in general meeting with the relevant Qualifying Grantee and his associates abstaining from voting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the GEM Listing Rules to Shareholders.

(u) *Grant of option to connected persons*

Insofar as and for so long as the GEM Listing Rules require, where any offer of an option is proposed to be made to a Director, chief executive or substantial shareholder of the Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of the Company (excluding any independent non-executive director who is or whose associate is the Qualifying Grantee to whom the option is proposed to be granted). Insofar and for so long as the GEM Listing Rules so require, no option may be granted to any substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme(s) of the Company in the 12-month period up to and including the date of board meeting for proposing such further grant (i) representing in aggregate over 0.1% of the share capital of the Company in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million, unless such further grant is approved by Shareholders in general meeting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the GEM Listing Rules to the Shareholders. At such general meeting, the grant of options to the substantial shareholder or independent non-executive Director of the Company, or any of their respective associates shall, for so long and insofar as the GEM Listing Rules so required, be approved by Shareholders by way of poll with all connected persons of the Company abstaining from voting, except that any connected person may vote against such resolution provided that he has informed the Company of his intention to do so and such intention has been stated in the relevant circular to Shareholders.

(v) Effects of reorganisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue or other general offer of securities made by the Company to holders of its securities, consolidation, subdivision, reduction or similar reorganisation of the share capital of the Company, such corresponding alterations (if any) shall be made to:

- (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or
- (b) the subscription price; and/or
- (c) the maximum number of Shares subject to the Share Option Scheme,

as the auditors or independent financial adviser shall certify in writing to the Board that the alteration(s) satisfy the requirements under the GEM Listing Rules (except in the case of a capitalisation issue where no such certification shall be required), provided that:

- (i) any such alterations shall be made on the basis that the aggregate subscription price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
- (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) no such alterations shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any option holder is entitled to subscribe pursuant to the options held by him; and
- (iv) any such adjustments shall be made in compliance with Chapter 23 of the GEM Listing Rules, the supplemental guidance issued by the Stock Exchange dated 5 September 2005 and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.

For the avoidance of doubt, the issue of securities by the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

(w) Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) shall not be altered to the advantage of option holders or proposed option holders except with the prior sanction of a resolution of the Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed

to be granted prior to such alteration except with the consent or sanction of such majority of the option holders as would be required of Shareholders under the Articles for the time being of the Company for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature and any change to the terms of the options granted, shall be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules from time to time. Any change to the authority of the Board to alter the terms of the Share Option Scheme shall be approved by Shareholders.

Subject to the GEM Listing Rules and the terms of the Share Option Scheme, the Board may, at any time and in its absolute discretion, remove, waive or vary the conditions, restrictions or limitations imposed in an option agreement on compassionate or any other grounds.

(x) Termination of Share Option Scheme

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered after the Share Option Scheme is terminated but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted prior to such termination and not then exercised shall remain valid.

(y) Conditions of Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the obtaining of the Company of the approval for listing on GEM of Shares which may be issued pursuant to the exercise of the options; and
- (ii) the commencement of dealings in the Shares on GEM.

As at the date of this prospectus, no option has been granted under the Share Option Scheme. Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued following the exercise of the options granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and estate duty

East-Asia, Amazing Gain, the Cheung Brothers and Sarasin Trust Company (Singapore) Limited (as trustee of the Cheung Family Trust) (collectively the “**Obligors**”) have entered into a deed of tax indemnity in favour of the Group (being a material contract referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material

contracts” in this Appendix to this prospectus) to provide the following indemnities in favour of the Group. The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries.

Under the deed of tax indemnity, amongst others, the Obligors will indemnify each of the members of the Group against any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Placing becomes unconditional, save:

- (a) to the extent that provision has been made for such taxation in the audited consolidated accounts of the Group or the audited accounts of the relevant member of the Group for an accounting period ended on or before 31 January 2013;
- (b) for taxation falling on any of the members of the Group as a result of any transaction entered into by any member of the Group on or after 1 February 2013 in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets;
- (c) to the extent that such taxation arises or is incurred as a result of any change in the law, rules or regulations, or the interpretation or practice thereof having retrospective effect coming into force after the date on which the Placing becomes unconditional or to the extent such taxation arises or is increased by an increase in rates of taxation after the date on which the Placing becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of any tax on the profits of companies for the current or any earlier financial period);
- (d) to the extent that such taxation is discharged by another person who is not a member of the Group and that no member of the Group is required to reimburse such person in respect of the discharge of the taxation; or
- (e) to the extent of any provision or reserve made for taxation in the audited accounts referred to in sub-paragraph (a) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Obligors or any of them in respect of taxation shall not be available in respect of any such liability arising thereafter.

2. Litigation

Save as disclosed in this prospectus, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance was known to the Directors to be pending or threatened against any member of the Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses of the Company are approximately HK\$38,000 and are borne by the Company.

5. Promoters

East-Asia is the promoter of the Company. Save as disclosed in this prospectus, no amount or benefit has been paid or given within two years preceding the date of this prospectus, or is intended to be paid or given, to the promoter in connection with the Placing or related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
China Everbright Capital Limited	Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
SHINEWING (HK) CPA Limited	Certified Public Accountants
Appleby	Cayman Islands legal advisers
Lee and Li, Attorneys-at-Law	Taiwan legal advisers
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property Valuer

7. Consents and interests of experts

Each of the experts named in the above paragraph headed “E. Other Information — 6. Qualifications of experts” has given and has not withdrawn their respective written consents to the issue of this prospectus with inclusion of their reports, letters and/or opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts named in the above paragraph headed “E. Other Information — 6. Qualifications of experts” in this Appendix:

- (a) is interested in the promotion of, or in any assets which have been, within two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of the Group taken as a whole.

8. Taxation

(a) *Hong Kong*

Dealings in Shares registered on the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty charged at an *ad valorem* rate of 0.2% of the consideration or, if higher, the adjudicated value of the Shares being sold or transferred. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer.

Profits from dealings in the Shares arising or derived from Hong Kong may also be subject to Hong Kong profits tax.

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance which came into effect on 11 February 2006.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of Shares provided that the Company does not hold any interests in land in the Cayman Islands.

Potential investors in the Placing are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of the Company, the Directors, the Sole Sponsor or the other parties 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, or dealing in, the Shares or exercise of any rights attaching to them.

9. Principal register of members and branch register of members

The principal register of members of the Company is maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd. and a branch register of members of the Company is maintained in Hong Kong by Union Registrars Limited. Unless the Directors otherwise agree, all transfers of and other documents of title of the Shares must be lodged for registration with, and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance 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 of Hong Kong so far as applicable.

11. Exemption from strict compliance with paragraph 27 and 31 of the Third Schedule to the Companies Ordinance

The SFC has granted a certificate of exemption under section 342A of the Companies Ordinance from strict compliance with section 342(1) of, and 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 financial year ended 31 March 2013 in this prospectus.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong). Unless the context otherwise requires, the English language version of this prospectus shall prevail.

13. Miscellaneous

- (a) Save as disclosed in this prospectus,
 - (i) within two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) the Company has no outstanding convertible debt securities or debentures;
 - (iv) within two years preceding the date of this prospectus, no commission has been paid or payable (except commission to underwriter) to any persons for subscription or purchase, agreeing to subscribe or purchase, procuring subscription or purchase or agreeing to procure subscription or purchase of any Shares in the Company; and

- (v) within two years preceding the date of this prospectus, no commissions, discounts, agency fees, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of the Group.
- (b) The Company has not issued nor agreed to issue any founder shares, management shares or deferred shares.
- (c) None of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (d) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (e) There is no restriction in Hong Kong affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside 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 the 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 Mayer Brown JSM at 16th–19th Floors, Prince’s Building, 10 Chater 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, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information of the Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;
- (d) the letters relating to the profit estimate, the texts of which are set out in Appendix III to this prospectus;
- (e) the audited financial statements of each of the major subsidiaries of the Group for the two years ended 31 March 2012;
- (f) the rules of the Share Option Scheme;
- (g) the Companies Law;
- (h) the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;
- (i) the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (j) the written consents referred to in the paragraph headed “E. Other Information — 7. Consents and interests of experts” in Appendix V to this prospectus; and
- (k) the service contract and appointment letters referred to in the paragraph headed “C. Further Information about Directors and Substantial Shareholders — 1.(b) Particulars of service agreement and appointment letters” in Appendix V to this prospectus.



Telecom Service One Holdings Limited
電訊首科控股有限公司