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

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8336

# 2013/14
## Annual Report

## Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

**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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**



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

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# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Cheung King Shek *(Chairman)*
Cheung King Fung Sunny
Mok Ngan Chu
Wong Wai Man

### Non-Executive Directors

Cheung King Shan
Cheung King Chuen Bobby

### Independent Non-Executive Directors

Hui Ying Bun
Ho Nai Man Paul
Lam Yu Lung

## Company Secretary

Chan Yi Kan, *CPA*

## Compliance Officer

Cheung King Fung Sunny

## Board Committees

### Audit Committee

Lam Yu Lung *(Chairman)*
Hui Ying Bun
Ho Nai Man Paul

### Nomination Committee

Hui Ying Bun *(Chairman)*
Ho Nai Man Paul
Lam Yu Lung

### Remuneration Committee

Ho Nai Man Paul *(Chairman)*
Hui Ying Bun
Lam Yu Lung

## Authorised Representatives

Cheung King Fung Sunny
Chan Yi Kan

## Company's Website

http://www.tdhl.cc

## Auditor

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

## Legal Adviser

Hastings & Co.
5th Floor, Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong
(Appointed upon Listing)

## Compliance Adviser

Guotai Junan Capital Limited
27/F., Grand Millennium Plaza,
181 Queen's Road Central,
Hong Kong

## Registered Office

Clifton House,
75 Fort Street,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

## Principal Place of Business in Hong Kong

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

## Principal Bankers

Bank of China (Hong Kong) Limited
Bank of China Tower,
1 Garden Road,
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building,
1 Queen's Road Central,
Hong Kong

## Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Ltd.
Clifton House,
75 Fort Street,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18/F., Fook Lee Commercial Centre,
Town Place,
33 Lockhart Road,
Wanchai, Hong Kong

## Place of Listing

The Stock Exchange of Hong Kong Limited

## Stock Code

8336

Dear Shareholders,

On behalf of the board of directors (the "Board") of the Company, I am pleased to present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2014.

## Business Overview

Our Group was founded in 1974 as one of the first paging operators in Hong Kong. In the past 40 years, we have been actively engaged in the telecommunications and related business in Hong Kong. Our Group is principally engaged in the retail sales and distribution of mobile phones in Hong Kong and provision of paging and other telecommunications services in Hong Kong and Macau. As at 31 March 2014, we have 51 shops in Hong Kong. The Group is also engaged in the provision of operation services to New World Mobility Limited ("NWM"). NWM provides services in the brand name of "New World Mobility" ("新世界傳動網") and is an associate owned as to 40% by the Group and as to 60% by HKT Limited.

The mobile phone market was boosted by the growing popularity of smartphones. Being one of the mobile phones retailers and distributors in Hong Kong, the Group has benefited from such promising trend. During the last few years, handset experienced a considerable growth in sales volume and increase in average selling price, which cast significant influence over the Group's overall revenue. We experienced continuous growth in revenue during the two years ended 31 March 2013 and 2014 as a result of the increasing sales volume of mobile phones. Our Group's turnover increased from approximately HK$1,091,089,000 to approximately HK$1,198,346,000, representing a growth of 9.8%. Profit attributable to the owners of the Company was approximately HK$80,738,000 in 2013/14, representing an increase of 60.2% over 2012/13.

## Future Prospect

2014 was a significant year and an important milestone for the Group. The Company was successfully listed on the GEM of the Stock Exchange (the "Listing") on 30 May 2014 (the "Listing Date"). The successful listing was not only a great recognition of the Group's historical achievements, but also laid a solid foundation for the continuous expansion and improvement of the Group's businesses going forward. Moreover, the successful listing enhanced our reputation, strengthened the relationship with our customers and reinforced the corporate governance and compliance management for our further expansion. I would like to once again thank all the professional parties and our management team for the joint efforts in making the Listing a success.

Moving forward, the Group intends to continuously to focus on the telecommunications market in Hong Kong in which we have extensive experience and expertise. We aim to continue to enhance our service quality, strengthen our market position and our business of retail sales of mobile phones and strengthen the brand recognition of our Group. To achieve such objectives, we intend to implement our business strategies and expand our shops network. We have 51 shops in Hong Kong offering various telecommunication related products and services to customers and plan to open 10 new shops in the coming three years.

## Appreciation

Finally, on behalf of the Board, I would like to express sincere thanks to our customers, business partners, suppliers and shareholders for their persistent support to the Group, and our appreciation for the efforts and endeavors made by our management and staffs during the past year to achieve remarkable results for the Group.

**Cheung King Shek**
*Chairman and Executive Director*
Hong Kong, 24 June 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Overview

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

Due to the increasing customer demand for fast mobile network service and advancing mobile wireless technology, the mobile service market of Hong Kong is developing rapidly in terms of application of technology and services offered. Over the years, Hong Kong has developed comprehensive and efficient information and communication technology infrastructure which facilitates the rapid take-up of communication and online services. The number of mobile subscribers in Hong Kong was experienced a fast increase during the past few years.

The Group is confident that the above factors will support the effective business development of the Group.

## Business Review

The Group maintained its market position as one of the leading comprehensive telecommunication service providers in Hong Kong and Macau. The business segments of the Group include (i) retail sales of mobile phones and pre-paid SIM cards and related services ; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to NWM.

For the year ended 31 March 2014, revenue derived from retail sales and distribution of mobile phones and related services contributed to approximately 75.6% of the Group's total revenue, amounting to approximately HK$904,960,000 (2012/13: HK$798,746,000) which represents an increase of approximately 13.3% as compared to previous year. Apart from the increase in revenue from retail sales and distribution business, revenue from provision of operation services also increased by approximately 41.3% as compared to the year ended 31 March 2013.

Moving forward, the Group will continue to focus on their core business of retail sales and distribution of mobile phones. The Group has been actively expanding the scale of retail sales of mobile phones business. It has targeted to identify more brands of mobile phones and offer to sell such new brands identified at its retail shops. The Group will further expand their sales network by opening more retail shops. The Directors believe that these sectors will be having significant growth in the years to come.

## Financial Review

### Segment analysis:

| | 2013/14 | | 2012/13 | |
|---|---|---|---|---|
| | **HK$'000** | **%** | HK$'000 | % |
| Retail business | **467,975** | **39.1** | 479,775 | 44.0 |
| Distribution business | **436,985** | **36.5** | 318,971 | 29.2 |
| Paging and other telecommunication services | **133,469** | **11.1** | 179,147 | 16.4 |
| Operation services | **159,917** | **13.3** | 113,196 | 10.4 |
| Total revenue | **1,198,346** | **100.0** | 1,091,089 | 100.0 |

### Revenue

The Group's revenue for the year ended 31 March 2014 was approximately HK$1,198,346,000 (2012/13: HK$1,091,089,000), representing an increase of approximately 9.8% over the previous year. The increase in the Group's revenue was mainly due to higher revenue generated from the distribution business.

Revenue from retail sales of mobile phones and pre-paid SIM cards and provision of related services was one of the main source of revenue, representing approximately 39.1% of the Group's total revenue for the year ended 31 March 2014. As boosted by the strong market demand for smartphones and the keen competition amongst mobile phone manufacturers, updated and new models of smartphones have been put to the market by the manufacturers at a fast pace. With new models put to the market, consumers are stimulated to purchase the latest models of smartphones, leading to the increase in market demand and our revenue.

Revenue from distribution of mobile phones and provision of related services for the year ended 31 March 2014 was approximately HK$436,985,000 (2012/13: HK$318,971,000), representing an increase of approximately 37.0% as compared to previous year. Apart from retail business, it is also the main source of revenue of the Group and expected to continue to be in the years to come.

Revenue from provision of paging and other telecommunication services decreased by approximately 25.5% to HK$133,469,000 (2012/13: HK$179,147,000). The decrease was mainly because there is a decline in number of users of the Group's paging services and Mobitex based service. Due to the development of technology, nowadays there are lots of alternative communication services and the use of internet and other wireless communication become affordable and popular. These alternative means of communication are substitutes of paging services, Mobitex based services and the Group's other telecommunication services. These communication means may offer better features and user experience at affordable price. The Group is facing keen competition against these communication means.

Revenue from provision of operation services for the year ended 31 March 2014 was approximately HK$159,917,000 (2012/13: HK$113,196,000), representing an increase of approximately 41.3% as compared to previous year. The increase was mainly due to the increase in customers of NWM. With an enlarged and stable customer base, the Group's administrative and operational work became more cost efficient and therefore it is expected to have further increase in the service fee in coming years.

## Other Income

Other income mainly contributed by rental income, bank interest and gain on disposal of investment property, plant and equipment. Other income for the year ended 31 March 2014 was approximately HK$12,261,000 (2012/13: HK$6,825,000), representing an increase of approximately 79.6% as compared to previous year. Such increase was primarily due to a gain on disposal of investment property, plant and equipment.

## Other Operating Expenses

The Group's other operating expenses are mainly consisted of rental and building management fees, information fees in respect of horse racing, football matches and stock market, advertising and promotion expenses, operation fees for paging centre and customer service centre, repair cost for pagers and Mobitex devices, roaming charges, bank charges, audit and professional fees and other office expenses. Other operating expenses for the year ended 31 March 2014 were approximately HK$182,454,000 (2012/13: HK$182,089,000), representing a slight increase of approximately 0.2% over the previous year.

The slight increase was mainly brought by the increase in advertising and promotion, rental expenses and the listing expenses incurred in the Listing, and partly off-set by the decrease in information fees and operation fees for paging centre and customer service centre. The decrease in information cost was mainly due to the decrease in financial data charged by the HKEx Information Services Limited by reference to the usage of information. Because of the declining number of subscribers, the usage of information decreased accordingly. In addition, the Group ceased to appoint a third party for carrying out the telemarketing activities which also led to the decrease in operation fee. The increase in rental expenses was mainly due to the increase in market rental during the year.

## Share of Results of an Associate

Share of result of an associate for the year was approximately HK$23,295,000 (2012/13: HK$12,983,000), representing an increase of approximately 79.4% as compared to the previous year. The amount represents our share of net profit of NWM.

## Finance Costs

There is no significant change in the Group's bank borrowing throughout year ended 31 March 2014. The finance costs for the year ended 31 March 2014 were approximately HK$4,123,000 (2012/13: HK$4,352,000). As of the date of this annual report, the Group planed to obtain around HK$40 million new bank loans to finance the purchase of the office premises.

## Income Tax Expenses

Income tax for the year ended 31 March 2014 was approximately HK$6,429,000 (2012/13: HK$4,157,000), representing an increase of approximately 54.7%. The increase was mainly due to the increase in profit before tax and the tax effect of listing expenses not deductible for tax purpose.

## Profit for the Year

Profit for the year ended 31 March 2014 was approximately HK$80,738,000 for the year ended 31 March 2014 (2012/13: HK$50,384,000), representing an increase of approximately 60.2% as compared to the previous year. The increase was primarily due to the increase in gross profit in relation to the increase in revenue and improvement in the share of results of an associate.

## Liquidity and Financial Resources

The Group generally finances its operation by its own working capital and bank borrowings. As at 31 March 2014, the Group had net current assets of approximately HK$61,684,000 (2012/13: net current liabilities of approximately HK$3,274,000) and had cash and cash equivalents of approximately HK$4,789,000 (2012/13: HK$9,070,000).

The Group has a current ratio of approximately 1.2 as at 31 March 2014 comparing to that of 1.0 as at 31 March 2013. As at 31 March 2014, the Group's gearing ratio was 109.4% as compared to 550.8% as at 31 March 2013, which is calculated based on the Group's total borrowings of approximately HK$151,577,000 (2012/13: HK$321,071,000) and the Group's total equity of approximately HK$138,534,000 (2012/13: HK$58,290,000). The Group's total cash at banks as at 31 March 2014 amounted to approximately HK$12,236,000 (2012/13: HK$15,374,000). The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

## Contingent Liabilities

At 31 March 2014, the Group has financial guarantees given to banks in respect of mortgage loans granted to certain related companies for acquisition of properties of approximately HK$87,460,000 (2012/13: HK$87,460,000). The financial guarantees provided by the Group were released upon Listing.

## Foreign Currency Risk

The majority of the Group's business are in Hong Kong and are denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors of the Group continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Capital Commitments

As at 31 March 2014, the Group did not have any significant capital commitments (2012/13: HK$1,080,000).

## Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014 (2012/13: nil).

## Interim Dividend

Subsequent to 31 March 2014, an interim dividend amounted of HK$138,000,000 was declared and paid by the Company to its then shareholders on 20 May 2014.

## Capital Structure

The Group's shares were successfully listed on GEM of the Stock Exchange on the Listing Date. There has been no change in the capital structure since that date.

The capital structure of the Group consists of bank borrowings net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves. The management review the capital structure regularly. As part of the review, they consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, 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.

## Material Acquisitions and Disposal

Pursuant to the group reorganisation (the "Reorganisation") in preparation of the Listing, the Company became the holding company of the Group formed after completion of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History and Development" of the prospectus dated 26 May 2014 issued by the Company (the "Prospectus").

Save as aforesaid, during the year ended 31 March 2014, the Group had no material acquisitions and disposals of subsidiaries.

## Employees and Remuneration Policies

As at 31 March 2014, the Group employed approximately 445 (31 March 2013: 472) full time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

## Executive Directors

**Mr. Cheung King Shek**, aged 62, was appointed as a Director on 29 November 2002 and was appointed as the Chairman and redesignated as an Executive Director in March 2014. He joined the Group in 1981 and is a director of certain subsidiaries of the Company. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. Mr. Cheung brings to the Group more than 30 years of experience in the telecommunications industry and has achieved a solid track record of achievements. Under his leadership and stewardship, the Group has grown to be a versatile service provider in the telecommunications industry. Mr. Cheung graduated with a bachelor's degree in commerce from the University of New South Wales in April 1976 and a master degree in business administration from the University of Melbourne in Australia in August 1981. Mr. Cheung is the chairman of Hong Kong Radio Paging Association, and an honorary citizen of Swatow City. He is the elder brother of Mr. Cheung King Fung Sunny, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby. Since August 2012, Mr. Cheung has been the chairman and a non-executive director of Telecom Service One Holdings Limited ("TSO Holdings") (stock code: 8145), a company listed on GEM. Mr. Cheung is a director of CKK Investment Limited ("CKK Investment") which has disclosure interests in the Company under the provisions of the Securities and Futures Ordinance (the "SFO").

**Mr. Cheung King Fung Sunny**, aged 46, was appointed as a Director on 29 November 2002 and was redesignated as an Executive Director in March 2014. Mr. Cheung is primarily responsible for overseeing the financial management of the Group. Mr. Cheung joined the Group in 1990 and is a director of certain subsidiaries of the Company. Mr. Cheung graduated from the University of Western Ontario in Canada with a bachelor's degree in administrative and commercial studies in October 1990. He is a committee member of the Chinese People's Political Consultative Conference of Guangzhou City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby. Since August 2012, Mr. Cheung has been an executive director of TSO Holdings. Mr. Cheung is a director of CKK Investment which has disclosure interests in the Company under the provisions of the SFO.

**Ms. Mok Ngan Chu**, aged 58, was appointed as an Executive Director in March 2014 and is responsible for customer services and business operation. Ms. Mok joined the Group in July 1977. For the 36 years' service for the Group, Ms. Mok has rich experience in customer services and business operation, especially in handling the customers' enquiries and complaints, retaining the clients, setting up workflow for the staff and daily operational policies. Ms. Mok completed her secondary education in Hong Kong.

**Mr. Wong Wai Man**, aged 48, was appointed as an Executive Director in March 2014 and is responsible for overall control of the management information system department. Mr. Wong joined the Group for 23 years since March 1991. He is currently holding the position of the senior MIS manager of the Group, before which he was a MIS manager from June 1998 to August 2001. Mr. Wong took the role as an assistant MIS manager from June 1995 to May 1998. Before being promoted to be the assistant MIS manager, Mr. Wong was a system administrator during July 1994 to May 1995. He worked for the Group as a project assistant for the period from March 1991 to July 1994. Mr. Wong was appointed as a member of the Telecommunications Regulatory Affairs Advisory Committee to represent the Radio Paging Operators as a group for a two-year term starting from June 2012 to June 2014 and was a member of the Radio Spectrum Advisory Committee for the period from 2010 to 2012. Further, he was admitted as a full member of the Hong Kong Computer Society on May 2012. Mr. Wong received his bachelor's degree of social sciences from the University of Hong Kong in December 1990 and obtained a postgraduate diploma in strategic business information technology from the NCC Education in October 2008.

## Non-Executive Directors

**Mr. Cheung King Shan**, aged 55, was appointed as a Director on 29 November 2002 and was redesignated as a Non-Executive Director in March 2014 in order to reflect his current role and duties in the Company. Mr. Cheung is responsible for advising on sales and marketing and apps writing in relation to the Group's information broadcasting services. Mr. Cheung joined the Group in 1985 and was responsible for the overall planning and formulation of the marketing and sales strategies in line with its sales and corporate targets, and played a major role in the growth of the sales volume and customer base before being redesignated as a non-executive Director. He is also a director of certain subsidiaries of the Company. Mr. Cheung graduated from the Carleton University in Ottawa, Canada with a bachelor's degree in art in November 1983. He is a committee member of the Chinese People's Political Consultative Conference of Dongguan City. Mr. Cheung is the younger brother of Mr. Cheung King Shek, and the elder brother of Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny. Since August 2012, Mr. Cheung has been a non-executive director of TSO Holdings. Mr. Cheung is a director of CKK Investment which has disclosure interests in the Company under the provisions of the SFO.

**Mr. Cheung King Chuen Bobby**, aged 55, was appointed as a Director on 29 November 2002 and was redesignated as a Non-Executive Director in March 2014 in order to reflect his current role and duties in the Company. Mr. Cheung is responsible for advising on administration, human resources and special and ad hoc projects. Mr. Cheung joined the Group in 1985 and was responsible for the formulation and implementation of its administrative policies as well as overseeing its administrative operation in human resources, legal and administration, property management and PRC projects before being redesignated as a non-executive Director. He is also a director of certain subsidiaries of the Company. Mr. Cheung obtained a bachelor degree in art in urban planning studies and a postgraduate diploma in urban planning implementation from the University of Westminster in London in 1983 and 1984 respectively. Mr. Cheung is a committee member of the Chinese People's Political Consultative Conference of Swatow City, and an honorary citizen of Swatow City. Mr. Cheung is the younger brother of Mr. Cheung King Shek and Mr. Cheung King Shan, and the elder brother of Mr. Cheung King Fung Sunny. Since August 2012, Mr. Cheung has been a non-executive director of TSO Holdings. Mr. Cheung is a director of CKK Investment which has disclosure interest in the Company under the provision of the SFO.

## Independent Non-Executive Directors

**Mr. Hui Ying Bun**, aged 67, was appointed as an Independent Non-Executive Director on 20 May 2014. Mr. Hui is the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee. From January 2012 to December 2013, Mr. Hui was a non-executive director of Dah Chong Hong Holdings Limited ("DCH Holdings") (stock code: 1828), a company listed on the Main Board of the Stock Exchange. He was also the chairman of DCH Holdings from July 2007 to December 2013 and was an executive director of DCH Holdings from July 2007 to December 2011. Mr. Hui joined Dah Chong Hong, Limited in February 1966, and was the group chief executive from January 2003. Mr. Hui has more than 40 years' experience in motor vehicle businesses and corporate management. From April 2013 to March 2014, Mr. Hui was an independent non-executive director of TSO Holdings.

**Mr. Ho Nai Man Paul**, aged 59, was appointed as an Independent Non-Executive Director on 20 May 2014. Mr. Ho is the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee. Currently, he is a director of Wiyo Company Limited, a company providing Internet services for travellers while travelling overseas. Mr. Ho worked for TraxComm Limited, a subsidiary of MTR Corporation Limited, as its chief executive officer from August 2002 to January 2009. Mr. Ho also worked for New World Telephone Limited from October 2000 to July 2002. He entered New World Telephone Limited as a marketing director and left as a personal market director. Mr. Ho had about 20 years of IT experience spreading over several multinational IT companies including Wang Pacific Ltd., Tandem Computers (Hong Kong) Limited, Honeywell Limited and Stratus Computer (HK) Limited. Mr. Ho used to be a member of the Communication Association of Hong Kong participating as the president of the Fixed Network Group & Value Added Service Group and a member of Telecommunications Numbering Advisory Committee in OFCA. He has been an official mediator in the Customer Complaint Settlement Scheme since 7 March 2013. Mr. Ho received his bachelor's degree of science from the University of California, Berkeley in June 1976.

**Mr. Lam Yu Lung**, aged 49, was appointed as an Independent Non-Executive Director on 20 May 2014. Mr. Lam is the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee. Mr. Lam is a Certified Public Accountant (Practising) in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. He has 25 years of experience in the accountancy profession and is the sole proprietor of a certified public accountant firm. Mr. Lam received his bachelor degree in social sciences from the University of Hong Kong in November 1988. Mr. Lam has been an independent non-executive director of Arts Optical International Holdings Limited (stock code: 1120) since 30 September 2011.

## Senior Management

**Ms. Lee Wing Tsz**, aged 45, was appointed as the Chief Financial Officer of the Group in September 2013 and is primarily responsible for the financial management of the Group. Ms. Lee worked for Telecom Digital Services Limited as group financial controller from September 2009 to August 2012. She was appointed as the chief financial officer of TSO Holdings from August 2012 to September 2013. Ms. Lee also worked for SHINEWING Tax and Business Advisory Limited as tax manager from May 2006 to August 2009. Ms. Lee had worked for The Law Debenture Corporation (H.K.) Limited as assistant trust manager from November 2002 to September 2005. She was a tax manager of Ernst & Young Tax Services Limited from February 1994 to November 2002. Ms. Lee received her bachelor's degree of art in accountancy from the Hong Kong Polytechnic University in November 2002.

## Corporate Governance Practices

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the GEM Listing Rules, the Company has established an audit committee, a nomination committee and a remuneration committee with specific written terms of reference.

During the period from the date of listing of shares of the Company on GEM of the Stock Exchange (i.e. 30 May 2014) (the "Listing Date") and up to the date of this annual report (the "Period"), the Company has complied with the CG Code as set out in Appendix 15 to the GEM Listing Rules, except the deviation as disclosed under the section headed "Functions of the Board" below.

## Directors' Securities Transactions

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the Period, they were in compliance with the required provisions set out in the Required Standard of Dealings. All Directors declared that they have complied with the Required Standard of Dealings throughout the Period.

## Board of Directors

### Composition of the Board of Directors

The Board currently comprises four Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. The composition of the Board is as follows:

#### *Executive Directors*

Mr. Cheung King Shek (re-designated as Chairman and Executive Director on 21 March 2014)
Mr. Cheung King Fung Sunny (re-designated as Executive Director on 21 March 2014)
Ms. Mok Ngan Chu (appointed on 21 March 2014)
Mr. Wong Wai Man (appointed on 21 March 2014)

#### *Non-Executive Directors*

Mr. Cheung King Shan (re-designated as Non-Executive Director on 21 March 2014)
Mr. Cheung King Chuen Bobby (re-designated as Non-Executive Director on 21 March 2014)

#### *Independent Non-Executive Directors*

Mr. Hui Ying Bun (appointed on 20 May 2014)
Mr. Ho Nai Man Paul (appointed on 20 May 2014)
Mr. Lam Yu Lung (appointed on 20 May 2014)

The biographical details of all Directors and Senior Management of the Company are set out on pages 9 to 11 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among members of the Board.

## Functions of the Board

The principal function of the Board is to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function, monitor the implementation of these policies and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business and the Board delegates the authority and responsibility for implementing the Group's policies and strategies.

According to the code provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Period, the Executive Directors and Chief Financial Officer have provided and will continue to provide to all Non-Executive Directors updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.

## Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the Period, one board meeting was held. Details of the attendance of Directors are as follows:

| Directors | Attendance/ Number of General Meeting entitled to attend | Attendance/ Number of Board Meetings entitled to attend |
|---|---|---|
| **Executive Directors** | | |
| Mr. Cheung King Shek (re-designated as Chairman and Executive Director on 21 March 2014) | 0/0 | 1/1 |
| Mr. Cheung King Fung Sunny (re-designated as Executive Director on 21 March 2014) | 0/0 | 1/1 |
| Ms. Mok Ngan Chu (appointed on 21 March 2014) | 0/0 | 1/1 |
| Mr. Wong Wai Man (appointed on 21 March 2014) | 0/0 | 1/1 |
| **Non-Executive Directors** | | |
| Mr. Cheung King Shan (re-designated as Non-Executive Director on 21 March 2014) | 0/0 | 1/1 |
| Mr. Cheung King Chuen Bobby (re-designated as Non-Executive Director on 21 March 2014) | 0/0 | 1/1 |
| **Independent Non-Executive Directors** | | |
| Mr. Hui Ying Bun (appointed on 20 May 2014) | 0/0 | 1/1 |
| Mr. Ho Nai Man Paul (appointed on 20 May 2014) | 0/0 | 1/1 |
| Mr. Lam Yu Lung (appointed on 20 May 2014) | 0/0 | 1/1 |

## Directors' Appointment, Re-election and Removal

Under the code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term.

The Executive Directors have entered into a service contract with the Company for an indefinite term commencing from 30 May 2014 until terminated by not less than three months notice in writing to the other party and subject to the early termination provisions contained therein.

Each of the Non-Executive Directors and Independent Non-Executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 30 May 2014 subject to early removal from office in accordance with the articles of association of the Company, and retirement and re-election provisions in the articles of association of the Company.

In compliance with the code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. By virtue of article 112 of the articles of association of the Company, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting of the Company. 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.

In compliance with the code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 108(a) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election.

The re-election of each of those Independent Non-Executive Directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by the shareholders of the Company at the relevant Annual General Meeting; and (ii) further information being given to shareholders of the Company together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

## Independent Non-Executive Directors

The Company has three Independent Non-Executive Directors to comply with Rule 5.05 of the GEM Listing Rules. Furthermore, among the three Independent Non-Executive Directors, Mr. Lam Yu Lung has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules. In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its Independent Non-Executive Directors the written confirmation of his/her independence. The Company, based on such confirmations, considers Mr. Hui Ying Bun, Mr. Ho Nai Man Paul and Mr. Lam Yu Lung to be independent.

## Chairman and Chief Executive

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. Cheung King Shek, the Chairman of the Company, is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. The day-to-day operations of the Group are delegated to the other Executive Directors and the management responsible for different aspects of the business.

## Delegation of Powers

The Board delegates day-to-day operations of the Group to the Executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

## Continuing Professional Development

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some training for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 March 2014, all the Directors have participated in continuous professional development and the relevant details are set out below:

| **Directors** | **Types of training** *(Notes)* |
|---|---|
| **Executive Directors** | |
| Mr. Cheung King Shek | (a) & (b) |
| Mr. Cheung King Fung Sunny | (a) & (b) |
| Ms. Mok Ngan Chu | (a) |
| Mr. Wong Wai Man | (a) |
| **Non-Executive Directors** | |
| Mr. Cheung King Shan | (a) & (b) |
| Mr. Cheung King Chuen Bobby | (a) & (b) |
| **Independent Non-Executive Directors** | |
| Mr. Hui Ying Bun | (a) & (b) |
| Mr. Ho Nai Man Paul | (a) |
| Mr. Lam Yu Lung | (a) |

*Notes:*

(a) attending seminars and/or conferences and/or forums

(b) reading journals, updates, articles and/or materials, etc.

## Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and the Company Secretary that may arise out in the corporate activities to comply with the CG Code. The insurance coverage is reviewed on an annual basis.

## Board Committees

### Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 20 May 2014 with written terms of reference in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

The Audit Committee comprises three Independent Non-Executive Directors, namely, Mr. Hui Ying Bun, Mr. Ho Nai Man Paul and Mr. Lam Yu Lung. Mr. Lam Yu Lung is the chairman of the Audit Committee.

One Audit Committee Meeting was held during the Period. Details of the attendance of members of the Audit Committee Meetings are as follows:

| Members | Attendance/ Number of Audit Committee Meetings entitled to attend |
|---|---|
| Mr. Lam Yu Lung *(Chairman)* (appointed on 20 May 2014) | 1/1 |
| Mr. Hui Ying Bun (appointed on 20 May 2014) | 1/1 |
| Mr. Ho Nai Man Paul (appointed on 20 May 2014) | 1/1 |

The following is a summary of work performed by the Audit Committee during the Period:

(a) reviewed the annual financial statements before submission to the Board;

(b) reviewed the Group's financial controls, internal control and risk management systems;

(c) approved the remuneration and the appointment and the terms of engagement of the external auditor; and

(d) reviewed the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards.

### Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 20 May 2014 with written terms of reference in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of Non-Executive Directors and the remuneration package of the Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee comprises three Independent Non-Executive Directors, namely, Mr. Hui Ying Bun, Mr. Ho Nai Man Paul and Mr. Lam Yu Lung. Mr. Ho Nai Man Paul is the chairman of the Remuneration Committee.

One Remuneration Committee Meeting was held during the Period to review the remuneration packages of all the Directors and senior management of the Company. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

| Members | Attendance/ Number of Remuneration Committee Meetings entitled to attend |
|---|---|
| Mr. Ho Nai Man Paul *(Chairman)* (appointed on 20 May 2014) | 1/1 |
| Mr. Hui Ying Bun (appointed on 20 May 2014) | 1/1 |
| Mr. Lam Yu Lung (appointed on 20 May 2014) | 1/1 |

## Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration package of the Executive Directors is to enable the Group to retain and motivate the Executive Directors by linking their compensation with performance as measured against corporate objectives achieved. The Executive Directors are entitled to the remuneration packages including basic salaries and discretionary bonuses.

The share option scheme of the Company (the "Share Option Scheme") was adopted by all Shareholders by way of written resolution on 20 May 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best qualifying personnel for development of the Group's business; to provide additional incentive to employees (full-time and part-time), company secretary, directors, consultant, agent, representative, adviser, customer, contractor, business partner/ally/alliance, joint venture partner or supplier of the Group (collectively, the "Eligible Person") and 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 and to promote the long term financial success of the Group by aligning the interests of option holders to Shareholders.

The Company believes that by offering the Eligible Persons a shareholding stake in the Company, the interests of the Eligible Persons and the Company become aligning and thereby the Eligible Persons have additional incentives to improve the Company's performance.

## Nomination Committee

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

The nomination committee of the Company (the "Nomination Committee") was established on 20 May 2014 with written terms of reference in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive of the Company.

The Nomination Committee comprises three Independent Non-Executive Directors, namely, Mr. Hui Ying Bun, Mr. Ho Nai Man Paul and Mr. Lam Yu Lung. Mr. Hui Ying Bun is the chairman of the Nomination Committee.

One Nomination Committee Meeting was held during the Period. Details of the attendance of the members of the Nomination Committee meeting are as follows:

| Members | Attendance/ Number of Nomination Committee Meeting entitled to attend |
|---|---|
| Mr. Hui Ying Bun *(Chairman)* (appointed on 20 May 2014) | 1/1 |
| Mr. Ho Nai Man Paul (appointed on 20 May 2014) | 1/1 |
| Mr. Lam Yu Lung (appointed on 20 May 2014) | 1/1 |

The following is a summary of work performed by the Nomination Committee during the Period:

(a) reviewed the structure, size and composition of the Board;

(b) assessed the independence of Independent Non-Executive Directors; and

(c) reviewed the Board Diversity Policy of the Company.

### *Board Diversity Policy*

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board during the Period. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

# Accountability and Audit

## Directors' and Auditor's Responsibilities for the Combined Financial Statements

All Directors acknowledges their responsibility to prepare the Group's combined financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the combined financial statements for the year ended 31 March 2014, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the combined financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the combined financial statements is set out in the Independent Auditor's Report. The Directors continue to adopt the going concern approach in preparing the combined financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## Auditor's Remuneration

During the year ended 31 March 2014, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, in respect of their audit and non-audit services was as follows:

| | HK$ |
|---|---|
| Audit service | 820,000 |
| Non-audit services | 2,200,000 |
| Total | 3,020,000 |

# Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the policies and practices on corporate governance of the Group and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- to review the Company's compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules and disclosure in the corporate governance report of the Company.

During the Period, the Board held one meeting regarding the corporate governance functions of the Company.

## Internal Control

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Company has reviewed the effectiveness of the system of internal control of the Group, covering all material controls, including financial and operation for the year ended 31 March 2014.

## Investors and Shareholders Relations

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. Enquiries and suggestions from shareholders or investors are welcomed, and enquiries from shareholders may be put to the Board through by mail to the Company's principal place of business at 19/F., YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Hong Kong.

The Company uses a number of formal communications channel to account to shareholders and investors for the performance of the Company. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its shareholders' views and inputs, and address shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. According to article 64 of the articles of association of the Company, one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a shareholder wishes to propose a person (the "Candidate") for election as a director of the Company at a general meeting, he/she shall deposit a written notice (the "Written Notice") to the Company's principal place of business in Hong Kong at 19/F., YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Hong Kong.

The Written Notice (i) must include the personal information of the Candidate as required by Rule 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of the publication of his/her personal information.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Company's shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a director of the Company without adjourning the general meeting, shareholders are urged to submit and lodge the Written Notice as early as practicable preferably at least 15 business days prior to the date of the general meeting appointed for such election.

In order to promote effective communication, the Company also maintains website (http://www.tdhl.cc) which includes the latest information relating to the Group and its businesses.

## Company Secretary

Ms. Chan Yi Kan has been appointed the company secretary of the Company with effect from 20 May 2014. She is a certified public accountant as defined in the Professional Accountants Ordinance.

The Directors submit herewith their report together with the audited combined financial statements of the Company and its subsidiaries for the year ended 31 March 2014.

## Corporate Reorganisation and Placing

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 November 2002. Pursuant to a reorganisation to rationalise the group structure in preparation for the listing of the issued ordinary shares of HK$0.01 each in the capital of the Company on the GEM, the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company's shares were listed on GEM on 30 May 2014.

## Principal Place of Business in Hong Kong

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is 19/F., YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Hong Kong.

## Principal Activities

The principal activity of the Company and its subsidiaries is telecommunications and related business in Hong Kong. The principal activities and other particulars of the subsidiaries of the Company are set out in note 37 to the combined financial statements.

## Results

The results of the Group for the financial year ended 31 March 2014 and the state of affairs of the Group as at that day are set out in the combined financial statements on pages 56 to 125.

## Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014 (2012/13: nil).

## Interim Dividend

Subsequent to 31 March 2014, an interim dividend amounted of HK$138,000,000 was declared and paid by the Company to its then shareholders on 20 May 2014.

## Annual General Meeting and Closure of Register of Members

The forthcoming annual general meeting (the "Annual General Meeting") of the Company is scheduled to be held on 11 August 2014. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company on 30 June 2014.

The register of members of the Company will be closed from 7 to 11 August 2014 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to attend and vote at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 6 August 2014.

## Deed of Non-competition

The deed of non-competition dated 20 May 2014 and entered into by CKK Investment, Amazing Gain Limited ("Amazing Gain"), Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the "Cheung Brothers"), and J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust) in favour of the Company (for itself and as trustee for its subsidiaries) regarding certain non-competition undertakings given by the controlling shareholders in favour of the Company. The details of the deed of non-competition have been disclosed in the Prospectus.

## Use of Proceeds from the Company's Placing

The net proceeds from the Company's issue of 100,000,000 new shares at the placing price of HK$1.0 per share at the time of the Listing, after deducting related expenses, amounted to approximately HK$77.7 million. The Group intends to apply such net proceeds as follows:

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

As the date of this annual report, the Directors do not anticipate any change to the plan as to use of proceeds. Up to the date of this annual report, approximately HK$52,122,000 has been used for acquisition of properties on 12 June 2014 out of the net proceeds from the Listing.

As at the date of this report, the unused net proceeds were placed with banks in Hong Kong as short-term deposits.

## Major Customers and Suppliers

During the year, the Group's top five customers accounted for approximately 37.3% of the revenue. The top five suppliers accounted for approximately 86.3% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 14.9% of the revenue and the Group's largest supplier accounted for approximately 38.9% of the total purchases for the year.

For the financial year ended 31 March 2014, the Cheung Brothers, who are Directors and controlling shareholders of the Company, have an indirect interest in New World Mobility Limited ("NWM"), which was one of the five largest customers of the Group. The revenue attributable to NWM amounted to approximately HK$178,409,000, representing 14.9% of the Group's revenue for the financial year ended 31 March 2014.

Save as disclosed above, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

## Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the combined statement of changes in equity and statement of changes in equity respectively.

## Distributable Reserves

As at 31 March 2014, there was no reserve available for distribution to Shareholders.

## Plant and Equipment

Details of movements in the plant and equipment of the Group are set out in note 16 to the combined financial statements.

## Share Capital

Details of movements in the share capital of the Company during the year ended 31 March 2014 are set out in note 28 to the combined financial statements.

## Directors

Up to the date of this annual report, the Directors were:

### Executive Directors

Mr. Cheung King Shek (re-designated as Chairman and Executive Director on 21 March 2014)
Mr. Cheung King Fung Sunny (re-designated as Executive Director on 21 March 2014)
Ms. Mok Ngan Chu (appointed on 21 March 2014)
Mr. Wong Wai Man (appointed on 21 March 2014)

### Non-Executive Directors

Mr. Cheung King Shan (re-designated as Non-Executive Director on 21 March 2014)
Mr. Cheung King Chuen Bobby (re-designated as Non-Executive Director on 21 March 2014)

### Independent Non-Executive Directors

Mr. Hui Ying Bun (appointed on 20 May 2014)
Mr. Ho Nai Man Paul (appointed on 20 May 2014)
Mr. Lam Yu Lung (appointed on 20 May 2014)

By virtue of article 108(a) of the articles of association of the Company, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

By virtue of article 112 of the articles of association of the Company, Ms. Mok Ngan Chu, Mr. Wong Wai Man, Mr. Hui Ying Bun, Mr. Ho Nai Man Paul and Mr. Lam Yu Lung shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting.

## Directors' Service Contracts

Each of the Executive Directors has entered into a service contract with the Company for an indefinite term commencing from 30 May 2014 until terminated by not less than three months notice in writing to the other party and subject to the early termination provisions contained therein.

Each of the Non-Executive Directors and Independent Non-Executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 30 May 2014 subject to early removal from office in accordance with the articles of association of the Company, and retirement and re-election provisions in the articles of association of the Company.

None of the Directors (including those proposed for re-election at the forthcoming annual general meeting) has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

## Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme adopted by the written resolutions of the all Shareholders passed on 20 May 2014 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

### (a) Purpose of the Share Option Scheme

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) Participants of the Share Option Scheme

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 ("Secondee");

(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.

"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) Total number of Shares available for issue under the Share Option Scheme

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the shares in issue as at the Listing Date.

As at the date of this annual report, the outstanding number of options available for grant under the Share Option Scheme is 40,000,000 options to subscribe for shares, representing 10% of the issued share capital of the Company.

## (d) The maximum entitlement of each participant under the Share Option Scheme

The total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

## (e) Timing for exercising option

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).

## (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 21 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) The basis of determining the exercise price of option

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.

### (h) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

Up to the date of this annual report, there is no option outstanding, granted, exercised, cancelled and lapsed.

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this annual report, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### The Company

Long Position:

| Name of Directors | Nature of interest | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Cheung King Shek | Beneficial owner | 20,000,000 | 5% |
| | Beneficiary of a trust *(Note A)* | 220,000,000 | 55% |
| Mr. Cheung King Shan | Beneficial owner | 20,000,000 | 5% |
| | Beneficiary of a trust *(Note A)* | 220,000,000 | 55% |
| Mr. Cheung King Chuen Bobby | Beneficial owner | 20,000,000 | 5% |
| | Beneficiary of a trust *(Note A)* | 220,000,000 | 55% |
| Mr. Cheung King Fung Sunny | Beneficial owner | 20,000,000 | 5% |
| | Beneficiary of a trust *(Note A)* | 220,000,000 | 55% |

*Note A:*

The 220,000,000 shares representing 55% of the issued share capital of the Company are held by CKK Investment. CKK Investment is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Ltd., which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

Save as disclosed above, as at the date of this annual report, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules.

## Directors' Right to Acquire Shares

Save as disclosed above, at no time during the Period was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this annual report, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Long Position:

| Name of shareholders | Capacity/Nature of interest | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| CKK Investment Limited *(Note A above)* | Beneficial owner | 220,000,000 | 55% |
| Amazing Gain Limited *(Note A above)* | Interest in a controlled corporation | 220,000,000 | 55% |
| J. Safra Sarasin Trust Company (Singapore) Limited *(Note A above)* | Trustee (other than a bare trustee) | 220,000,000 | 55% |
| Ms. Law Lai Ying Ida *(Note B)* | Interest of spouse | 240,000,000 | 60% |
| Ms. Tang Fung Yin Anita *(Note B)* | Interest of spouse | 240,000,000 | 60% |
| Ms. Yeung Ho Ki *(Note B)* | Interest of spouse | 240,000,000 | 60% |

*Note B:*

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. Pursuant to the Part XV of 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 240,000,000 shares held by the Cheung Family Trust.

Save as disclosed above, as at the date of this annual report, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Sufficiency of Public Float

From information publicly available to the Company and within the knowledge of the Directors, during the Period, the Company has maintained the public float required by the GEM Listing Rules.

## Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 13 to the combined financial statements. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2014.

## Directors' Interests in Contracts

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2014.

## Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2014.

## Directors' Interests in Competing Business

As at 31 March 2014, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 March 2014 are set out in note 26 to the combined financial statements.

## Retirement Benefits Plans

Particulars of retirement benefits plans of the Group as at 31 March 2014 are set out in note 34 to the combined financial statements.

## Confirmation of Independence

The Company has received from each of the Independent Non-Executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the Independent Non-Executive Directors were independent during the period from their respective appointments and up to the date of this annual report.

## Connected Transactions

The related party transactions of the Company are set out in note 36 to the combined financial statements. Other than disclosed below, the related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

### Non-Exempt Continuing Connected Transactions

The Group has entered into the following transactions, each of which, upon Listing, constituted a non-exempt continuing connected transaction for the Company subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules (the "Non-exempt Continuing Connected Transactions"). 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.

#### *1. Purchase of goods by TDD from Radiotex*

Telecom Digital Data Limited ("TDD") has been purchasing from Radiotex International Limited ("Radiotex") goods including pagers, Mango Devices and related parts. On 22 May 2014, Radiotex and TDD entered into a master agreement (the "Master Agreement with Radiotex") setting out the governing terms and conditions in relation to such purchase of goods from the Listing Date to 31 March 2017, pursuant to which separate agreements and/or purchase orders in terms not contrary to the Master Agreement with Radiotex would be entered into between Radiotex and TDD from time to time. The price of such goods would be determined at cost plus certain percentage of the value of the orders, with reference to the current market rate of similar goods.

Radiotex is a wholly-owned subsidiary of Sun Asia Pacific Limited ("Sun Asia"), which is ultimately owned by the Cheung Brothers (the Company's Controlling Shareholders and Directors). Therefore Radiotex is an associate of the Cheung Brothers and a connected person of the Company as defined under the GEM Listing Rules.

The aggregate amount of goods from Radiotex for the year ended 31 March 2014 was approximately HK$11,398,000. The approved annual caps for the three years ending 31 March 2015, 2016 and 2017 are HK$11,680,000, HK$3,000,000 and HK$3,000,000 respectively.

## 2. *Leasing of properties by certain subsidiaries of East-Asia to the Group*

The Group has been leasing certain properties in Hong Kong and Macau from certain wholly-owned subsidiaries of East-Asia Pacific Limited ("East-Asia") for the use by the Group as shops, cell sites, office premises and warehouses.

East-Asia is a direct wholly-owned subsidiary of Amazing Gain (the Company's Controlling Shareholder). Each of the following wholly-owned subsidiaries of East-Asia, namely, (a) Glossy Enterprises Limited, (b) Glossy Investment Limited, (c) Oceanic Rich Limited, (d) Silicon Creation Limited, (e) Telecom Properties Investment Limited (formerly known as "Telecom Digital Holdings Limited (incorporated in Hong Kong)"), (f) Telecom Service Limited and (g) H.K. Magnetronic Company Limited, being a party to the respective existing tenancy agreements, is an associate of Amazing Gain and a connected person of the Company as defined under the GEM Listing Rules. On 22 May 2014, East-Asia and the Company entered into a master agreement (the "Master Agreement with East-Asia") setting out the basic terms and conditions of leasing of properties in Hong Kong and Macau from the Listing Date to 31 March 2017, pursuant to which separate tenancy agreements in terms not contrary to the Master Agreement with East-Asia would be entered into between subsidiaries of East-Asia (the "East-Asia Group") and the Group from time to time.

East-Asia and the aforesaid subsidiaries of East-Asia are principally engaged in property holding.

Set out below are the existing tenancy agreements between the Group and the East-Asia Group.

| | Address | Usage | Term under existing tenancy agreement | Monthly rent<br>HK$ |
|---|---|---|---|---|
| 1 | Roof of 17/F,<br>Cheron Court,<br>Hunghom, Kowloon | Cell site | 1 April 2013–31 March 2016 *(Note C)* | 3,175 |
| 2 | Shop G5, G/F.,<br>Commercial Podium Sincere House,<br>83 Argyle Street, Kowloon | Shop | 1 April 2014–31 March 2017 | 120,000 |
| 3 | Room 1–2,<br>36/F, Tower 2,<br>Metroplaza, Kwai Fong,<br>New Territories | Office | 1 April 2014–31 March 2017 | 114,000 |
| 4 | Unit C, 10/F, YHC Tower,<br>No. 1 Sheung Yuet Road,<br>Kowloon Bay, Kowloon | Office | 1 May 2014–31 March 2016 *(Note C)* | 38,725 |
| 5 | Unit 1808, 18/F,<br>Riley House,<br>88 Lei Muk Road,<br>Kwai Chung, New Territories | Office | 1 April 2013–31 March 2016 *(Note C)* | 30,400 |

| | Address | Usage | Term under existing tenancy agreement | Monthly rent HK$ |
|---|---|---|---|---|
| 6 | Unit D, 10/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon | Office | 1 May 2014–31 March 2016(Note C) | 44,400 |
| 7 | Unit B, 23/F, Kyoto Plaza, Nos. 491–499, Lockhart Road, Wanchai, Hong Kong | Shop | 1 June 2014–31 March 2016(Note C) | 34,925 |
| 8 | Shop A4, G/F, Kam Wah Mansion, No. 226–242 Cheung Sha Wan Road, Kowloon | Shop | 1 April 2013–31 March 2016(Note C) | 60,000 |
| 9 | Portion of Shop 4, G/F., 93 Lion Rock Road, Kowloon City, Kowloon | Shop | 1 April 2014–31 March 2017 | 40,000 |
| 10 | 19/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon | Office | 1 May 2014–31 March 2016(Note C) | 313,200 |
| 11 | Room & Portion of Roof top of Flat G, 5/F, Silver Centre Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories | Cell site | 1 April 2013–31 March 2016(Note C) | 4,800 |
| 12 | Flat C and Roof, 23/F, Tung Po Building, 485 King's Road, North Point, Hong Kong | Cell site | 1 April 2013–31 March 2016(Note C) | 6,000 |
| 13 | Office No. 1, 29/F, Portion of R/F, Ho King Commercial Centre, No. 2–16 Fa Yuen Street, Mongkok, Kowloon | Cell site | 1 April 2013–31 March 2016(Note C) | 3,500 |
| 14 | Radio Station & Antenna on Portion of the Roof of 4 Wing Lee Street, Peng Chau, New Territories | Cell site | 1 April 2013–31 March 2016(Note C) | 6,000 |

| | Address | Usage | Term under existing tenancy agreement | Monthly rent HK$ |
|---|---|---|---|---|
| 15 | Portion of R/T of Flat G, 5/F, Silver Center Building, 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories | Cell site | 1 April 2013–31 March 2016 (Note C) | 7,200 |
| 16 | Unit A025, 1/F., Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, New Territories | Shop | 1 April 2013–31 March 2016 (Note C) | 60,000 |
| 17 | Shop C28 & C29, 1/F, Kingswood Richly Plaza, 1 Tin Wu Road, New Territories | Shop | 1 April 2014–31 March 2017 | 59,000 |
| 18 | Roof Level of Flat E on 22/F of Block 5, Hong Kong Garden (Phase 1), 101 Castle Peak Road, Tsing Lung Tau, New Territories | Cell site | 1 April 2013–31 March 2016 (Note C) | 1,750 |
| 19 | Roof Level of Unit 3407, New Trend Centre, 704 Prince Edward Road East, San Po Kong, Kowloon | Cell site | 1 April 2013–31 March 2016 (Note C) | 7,584 |
| 20 | Shop 6, Wing Light Building, 68–76 Castle Peak Road, Yuen Long, New Territories | Shop | 1 April 2013–31 March 2016 (Note C) | 60,000 |
| 21 | Rua de Pequim, n°s 170–174, Edifício Centro Comercial Kong Fat, 16° andar E, Macau | Office | 1 April 2014–31 March 2017 | 11,480 |

*Note C:*

Pursuant to the Master Agreement with East-Asia, the parties under the existing tenancy agreement will enter into a new separate tenancy agreement for a term of one year from 1 April 2016 to 31 March 2017.

The aggregate rents paid by the Group to the East-Asia Group for the year ended 31 March 2014 was approximately HK$9,865,000.

The approved annual caps for the three years ending 31 March 2015, 2016 and 2017 are HK$11,878,000, HK$12,338,000 and HK$13,168,000 respectively.

### 3. *Transactions with TD Securities*

Telecom Digital Securities Limited ("TD Securities") is a wholly-owned subsidiary of Sun Asia, which is ultimately owned by the Cheung Brothers (the Company's Controlling Shareholders and Directors). Therefore, TD Securities is an associate of the Cheung Brothers and a connected person of the Company as defined under the GEM Listing Rules.

TD Securities is a brokerage firm licensed by the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO and admitted as participating member of The Hong Kong Stock Exchanges and Clearing Limited to provide financial information and stock trading service.

On 22 May 2014, TD Securities and our Company entered into a master agreement (the "Master Agreement with TD Securities") setting out the basic terms and conditions in relation to the following transactions from the Listing Date to 31 March 2017.

a. Sub-leasing/sub-licensing of properties by the Group to TD Securities

b. Provision of various services by the Group to TD Securities

    i. Advertising services

    ii. Promotional services

    iii. Consultancy services (including management information system and information technology support)

    iv. Paging services and Mobitex based services

    v. Software application development services

The historical amounts of rental income and service income received by the Group from TD Securities for the year ended 31 March 2014 are HK$564,000 and HK$1,641,000 respectively, i.e. the total income received from TD Securities for the year ended 31 March 2014 is HK$2,205,000.

The annual caps for the aggregate income receivable by the Group from TD Securities are set out below:

| | Rental income<br>HK$ | Service income<br>HK$ | Annual cap of aggregate income receivable from TD Securities<br>HK$ |
|---|---|---|---|
| Year ending 31 March 2015 | 230,000 | 2,000,000 | 2,230,000 |
| Year ending 31 March 2016 | 220,000 | 2,170,000 | 2,390,000 |
| Year ending 31 March 2017 | 220,000 | 2,340,000 | 2,560,000 |

### 4. *Transactions with TSO*

Telecom Service One Limited ("TSO", a wholly-owned subsidiary of TSO Holdings) is principally engaged in providing repair and refurbishment services for mobile phones and other personal electronic products. TSO is controlled by East-Asia, a direct wholly-owned subsidiary of Amazing Gain (the Company's Controlling Shareholder). TSO is therefore an associate of Amazing Gain and a connected person of the Company as defined under the GEM Listing Rules.

On 22 May 2014, the Company entered into a master agreement with TSO (the "Master Agreement with TSO") setting out the governing terms and conditions in relation to the following services provided by TSO and the Group to each other for an extended term up to 31 March 2017.

#### a. Provision of repair and refurbishment services by TSO to the Group

TSO has been providing repair and refurbishment services for pagers and Mango Devices to the Group. The amount of repair and refurbishment service fee paid by the Group to TSO for the year ended 31 March 2014 is HK$9,980,000.

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 annual caps for the aggregate repair and refurbishment service fees payable by the Group to TSO for the three years ending 31 March 2015, 2016 and 2017 are HK$10,000,000 respectively.

#### b. Provision of various services by the Group to TSO

The Group have been providing the following various services to TSO.

(i) Consignment of accessories for mobile phones and personal electronic products of TSO

TSO has been selling accessories for mobile phones and personal electronic products of certain brands (the "TSO Accessories") at its service centres.

Telecom Digital Mobile Limited ("TDM"), being a wholly-owned subsidiary of the Company, is principally engaged in the provision of operation services to New World Mobility Limited. Prior to May 2013, the Group also sold an immaterial amount of mobile phones accessories in its retail shops. In connection with the listing of TSO Holdings and in order to avoid potential competition between TSO and the Group, in May 2013, the Cheung Brothers entered into a deed of non-competition with TSO Holdings pursuant to which TDM has ceased to engage in the sale of TSO Accessories. Since December 2012, TDM has allowed TSO to sell the TSO Accessories at our retail shops on a consignment basis in consideration of a consignment fee. The consignment fee, which is based on a fixed percentage of the sales of consigned goods, shall be paid to TDM for the consignment arrangement.

On 13 December 2013, TDM ceased to be involved in the consignment sales of TSO Accessories, and TDS (being also a subsidiary of the Group) has been responsible for such consignment arrangement and accordingly, TSO entered into a consignment agreement with TDS on terms materially the same as with TDM previously.

(ii) Provision of logistic services to TSO

Telecom Service Network Limited ("TSN"), being a wholly-owned subsidiary of the Company, has been providing logistic services for delivery of goods (for example, defective devices for repair and refurbishment) between the office, service centres and collection points of TSO. The fees charged by TSN are on a "per delivery" basis.

The amounts of logistic service fee and consignment fee received by the Group from TSO are HK$725,000 and HK$1,543,000 for the year ended 31 March 2014 respectively.

The annual caps for the aggregate of consignment fee and logistic service fee receivable by the Group from TSO are set out below:

| | Consignment fee<br>HK$ | Logistic service fee<br>HK$ | Total service fees receivable from TSO<br>HK$ |
|---|---|---|---|
| Year ending 31 March 2015 | 3,800,000 | 850,000 | 4,650,000 |
| Year ending 31 March 2016 | 4,000,000 | 900,000 | 4,900,000 |
| Year ending 31 March 2017 | 4,200,000 | 950,000 | 5,150,000 |

In respect of the connected transactions and continuing connected transactions, the Company has complied with the disclosure requirements under the GEM Listing Rules in force from time to time.

The Company was not listed during the period up to 31 March 2014 and accordingly requirements under the GEM Listing Rules relating to connected transactions and continuing connected transactions did not apply to the Company during the period.

## Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

## Purchase, Sale or Redemption of Listed Securities of the Company

As the shares of the Company were not yet listed on the GEM as at 31 March 2014, the Company is not required to disclose the details of purchase, sale or redemption of the shares of the Company by the Group during the period in accordance with Rule 18.78(2) of the GEM Listing Rules.

## Interests of Compliance Adviser

As notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Guotai Junan in May 2014) as at the date of this report.

## Corporate Governance

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 12 to 22. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

## Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out in the three years financial summary on page 126 of this annual report.

## Events after the Reporting Period

Details of significant events occurring after the reporting period are set out in note 38 to the combined financial statements.

## Auditor

The financial statements for the year ended 31 March 2014 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
**Cheung King Shek**
*Chairman*
Hong Kong, 24 June 2014

# INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S FINANCIAL STATEMENTS

信永中和
ShineWing

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

**TO THE MEMBERS OF TELECOM DIGITAL HOLDINGS LIMITED**
**電訊數碼控股有限公司**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements of Telecom Digital Holdings Limited (the "Company") set out on pages 42 to 53, which comprise the statement of financial position as at 31 March 2014 and the statement of profit or loss and other comprehensive income, and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2014 and of the Company's loss for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Wong Chuen Fai**
Practising Certificate Number: P05589

Hong Kong
24 June 2014

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Other operating expenses | | **(10,731)** | (19) |
| Loss before tax | | **(10,731)** | (19) |
| Income tax expense | 7 | **—** | — |
| Loss and total comprehensive expense for the year | 8 | **(10,731)** | (19) |

# STATEMENT OF FINANCIAL POSITION

*As at 31 March 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Current asset | | | |
| Prepayment | | **3,504** | — |
| Current liabilities | | | |
| Other payables | | **9,803** | — |
| Amounts due to related companies | 10 | **4,670** | 238 |
| | | **14,473** | 238 |
| | | **(10,969)** | (238) |
| Capital and reserves | | | |
| Share capital | 11 | **—** | — |
| Accumulated losses | | **(10,969)** | (238) |
| | | **(10,969)** | (238) |

The financial statements on pages 42 to 53 were approved and authorised for issue by the board of directors on 24 June 2014 and are signed on its behalf by:

*Director* *Director*

# STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2014*

| | Share capital HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2012 | — | (219) | (219) |
| Loss and total comprehensive expense for the year | — | (19) | (19) |
| At 31 March 2013 and 1 April 2013 | — | (238) | (238) |
| Loss and total comprehensive expense for the year | — | (10,731) | (10,731) |
| At 31 March 2014 | — | (10,969) | (10,969) |

## 1. Corporate Information and Basis of Preparation of Financial Statements

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate Information" to the annual report.

Pursuant to a group reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the Company acquired the equity interests of entities under common control and became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation were set out in the prospectus of the Company dated 26 May 2014 (the "Prospectus").

The directors of the Company consider the immediate holding company and ultimate holding company are CKK Investment Limited ("CKK Investment") and Amazing Gain Limited respectively, which are incorporated in the British Virgin Islands (the "BVI"). 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 "Cheung Brothers"). The Company is engaged in investment holding while the principal subsidiaries now comprising the Group are principally engaged in retail business, distribution business, provision of paging and other telecommunications services and provision of operation services.

The financial statements are presented in Hong Kong Dollars which is also the functional currency of the Company.

No statement of cash flows has been presented as the Company had no cash transactions during the both reporting periods.

## 2. Basis of Preparation

The Company had net liabilities of approximately HK$10,969,000 as at 31 March 2014. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Company will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period, since the placing of 100,000,000 new shares at the placing price of HK$1.00 each for total gross proceeds of approximately HK$100,000,000 was completed on 30 May 2014. The directors of the Company also anticipate that future dividends will be distributed from its subsidiaries since these subsidiaries are expected to generate positive cash flows from their operations.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the financial statements.

## 3. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

The Company has applied all the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Company's financial year beginning on 1 April 2013.

The Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle[2] |
| HKFRS 9 | Financial Instruments[3] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[4] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptance Methods of Depreciation and Amortisation[4] |
| Amendments to HKAS 19 | Defined Benefit Plans — Employee Contributions[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HK(IFRIC)-Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application is permitted.
3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company anticipate that, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Company.

## 4. Significant Accounting Policies

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

### Financial instruments

Financial assets and financial liabilities are recognised in the statement 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 liabilities and equity instruments*

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

The financial liabilities are classified into other financial liabilities.

**Equity instruments**

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

#### *Financial liabilities*

**Other financial liabilities**

Other financial liabilities including other payables, amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

## 4. Significant Accounting Policies (continued)

### Financial instruments (continued)

#### *Financial liabilities (continued)*

**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.

### Taxation

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax is recognised in profit or loss.

## 5. Capital Risk Management

The Company manages its capital to ensure that entities in the Company 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 Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of 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 Company 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

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| **Financial liabilities** | | |
| Other financial liabilities at amortised cost | **14,473** | 238 |

### (b) Financial risk management objectives and policies

The Company's major financial instruments include other payables and amounts due to related companies. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include liquidity risk. The policies on how to mitigate this risk are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Liquidity risk*

The Company is exposed to liquidity risk. As at 31 March 2014, the Company had net liabilities of approximately HK$10,969,000. As detailed in note 2 to the financial statements, the directors of the Company believe that the Company will be able to operate as a going concern.

The directors of the Company have given careful consideration on the measure currently undertaken in respect of the Company's liquidity position. As detailed in note 2, the directors of the Company believe that the Company will be able to meet its financial obligations as they fall due in the foreseeable future.

## 6. Financial Instruments (continued)

### (b) Financial risk management objectives and policies (continued)

***Liquidity risk (continued)***

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

All financial liabilities are non-interest bearing and their maturity dates are repayable on demand or within one year at the end of the reporting period.

### (c) Fair value

The directors of the Company consider that the carrying amounts of financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to their immediate or short-term maturities.

## 7. Income Tax Expense

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company had no assessable profit during both years.

## 8. Loss for the Year

| | **2014<br>HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| Loss for the year is arrived at after charging: | | |
| Directors' emoluments | **–** | – |
| Auditors' remuneration | **100** | – |

## 9. Dividend

No dividend has been paid or declared by the Company during the years ended 31 March 2014 and 2013.

Pursuant to the resolution passed on 20 May 2014, an interim dividend of HK$138,000,000 was declared and paid by the Company to its then shareholders.

The directors of the Company did not recommend the payment of a final dividend in respect of the year ended 31 March 2014 (2013: nil).

## 10. Amounts due to Related Companies

Cheung Brothers, the directors of the Company have direct or indirect beneficial interests in the related companies. Amounts due to related companies were unsecured, non-interest bearing and repayable on demand.

## 11. Share Capital

| | Number of shares | Share capital |
|---|---|---|
| | | HK$ |
| **Authorised** | | |
| Ordinary share of HK$0.01 each as at 1 April 2012, 31 March 2013, 2014 | 38,000,000 | 380,000 |
| **Issued and fully paid** | | |
| Ordinary share of HK$0.01 each as at 1 April 2012, 31 March 2013, 2014 | 1 | 0.01 |

Pursuant to the written resolution passed on 20 May 2014, the authorised share capital of the Company was increased to HK$100,000,000 with 10,000,000,000 shares of HK$0.01 each by the creation of an additional 9,962,000,000 new shares of HK$0.01 each.

On 7 May 2014, CKK Investment, the immediate holding company of the Company, entered into a subscription agreement with the Company pursuant to which CKK Investment agreed to subscribe for 43 new shares of HK$0.01 each, at par value, at a total subscription price of HK$0.43.

On 20 May 2014, the Company acquired the entire interests in TD Investment in consideration of and in exchange for which the Company allotted and issued 16 shares in aggregate, credited as fully paid, to Cheung Brothers.

On 20 May 2014, pursuant to the resolution of the then shareholders of the Company, it was approved to issue 299,999,940 ordinary shares of HK$0.01 each to the shareholders by way of capitalisation of HK$2,999,999 from the share premium account arose from the placing of 100,000,000 ordinary shares of the Company. Such shares were issued on 27 May 2014, being the date of completion of placing.

On 27 May 2014, the Company issued a total of 100,000,000 ordinary shares HK$0.01 each at a price of HK$1.0 per share as a result of the completion of the placing. Of the total gross proceeds, HK$100,000,000, HK$1,000,000 representing the par value credit to the Company's share capital and HK$99,000,000, before the share issue expenses, credit to the share premium account. The Company's total number of issued shares was increased to 400,000,000 shares upon completion of the placing.

## 12. Events after the Reporting Period

### (a) Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange. Details of the Reorganisation are set out in the section headed "Reorganisation" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 20 May 2014.

On 20 May 2014, the Company completed the Reorganisation in preparation of the Listing. Details of the companies have become subsidiaries of the Company since 20 May 2014 are as follows:

| Name of subsidiaries | Place and date of incorporation or establishment/ operation | Class of shares held | Issued and fully paid share capital | Percentage of equity interest attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|---|
| Telecom Digital Investment Limited | BVI 12 March 2014 | Ordinary | US$1 | 100% | — | Investment holding |
| Carries Technology Limited | Hong Kong 30 June 1987 | Ordinary | HK$300,000 | — | 100% | Installation, provision of maintenance and management services for paging transmission stations |
| Mango Limited | Hong Kong 5 August 2002 | Ordinary | HK$1,000 | — | 100% | Provision of technical support activities |
| Telecom Digital 2 Limited | Hong Kong 7 August 2002 | Ordinary | HK$1,000 | — | 100% | Provision of telecommunications services |
| Telecom Digital Services Limited | Hong Kong 17 September 2001 | Ordinary | HK$1,000 | — | 100% | Provision of management consultancy and professional services, sales of telecommunications products and provision of telecommunications services |
| Telecom Digital Mobile Limited | Hong Kong 27 August 2001 | Ordinary | HK$1,000 | — | 100% | Trading of telecommunications products and provision of operation services |
| Telecom Digital Data Limited | Hong Kong 3 September 1999 | Ordinary | HK$5,000,000 | — | 100% | Trading of telecommunications products and provision of paging services, maintenance services and two-way wireless data services |
| Telecom (Macau) Limited | Macau 15 June 1977 | Ordinary | MOP100,000 | — | 100% | Trading of telecommunications products and provision of paging services |
| Telecom Service Network Limited | Hong Kong 3 September 1999 | Ordinary | HK$1,000 | — | 100% | Provision of distribution services |
| CKK Properties Limited (formerly known as "Telecom Digital Corporate Limited") | Hong Kong 19 January 1990 | Ordinary | HK$1,000 | — | 100% | Trading of telecommunications products and provision of paging services, maintenance services and two-way wireless data services |

## 12. Events after the Reporting Period (continued)

### (b) Increase authorised share capital and issuance of shares

As detailed in note 11, there were increase in authorised share capital and issuance of shares by way of capitalisation and placing.

### (c) Share option scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 20 May 2014, the Company has conditionally adopted a share option scheme, details of which are set out in section headed "Share Option Scheme" in Appendix V to the Prospectus dated 26 May 2014.

### (d) Interim dividend

Subsequent to 31 March 2014, an interim dividend amounted of HK$138,000,000 was declared and paid by the Company to its then shareholders in accordance with a resolution passed on 20 May 2014.

### (e) Completion of listing

On 30 May 2014, the shares of the Company have been listed on the GEM of the Stock Exchange.

# INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS

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

**TO THE MEMBERS OF TELECOM DIGITAL HOLDINGS LIMITED**
**電訊數碼控股有限公司**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the combined financial statements of Telecom Digital Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 56 to 125, which comprise the combined statement of financial position as at 31 March 2014, and the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Combined Financial Statements

The directors of the Company are responsible for the preparation of the combined financial statements in accordance with the basis of preparation and the accounting policies set out in notes 1 and 3 to the combined financial statements and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the combined financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the combined financial statements.

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

## Opinion

In our opinion, the combined financial statements for the year ended 31 March 2014 have been properly prepared in accordance with the basis of preparation and significant accounting policies set out in notes 1 and 3 to the combined financial statements and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Wong Chuen Fai**
Practising Certificate Number: P05589

Hong Kong
24 June 2014

# COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Revenue | 7 | **1,198,346** | 1,091,089 |
| Cost of inventories sold | | **(832,569)** | (747,514) |
| Staff costs | 12 | **(109,882)** | (119,051) |
| Depreciation | 12 | **(17,707)** | (12,996) |
| Other income | 9 | **12,261** | 6,825 |
| Other operating expenses | | **(182,454)** | (182,089) |
| Reversal of impairment loss recognised in respect of interest in an associate | | **–** | 9,646 |
| Share of results of an associate | | **23,295** | 12,983 |
| Finance costs | 10 | **(4,123)** | (4,352) |
| Profit before tax | | **87,167** | 54,541 |
| Income tax expense | 11 | **(6,429)** | (4,157) |
| Profit for the year attributable to the owners of the Company | 12 | **80,738** | 50,384 |
| Other comprehensive (expenses) income | | | |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial loss on long service payment obligations | 27 | **(568)** | (268) |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translating a foreign operation | | **74** | (45) |
| Other comprehensive expenses for the year | | **(494)** | (313) |
| Total comprehensive income for the year attributable to the owners of the Company | | **80,244** | 50,071 |
| Earnings per share (HK$) | | | |
| Basic and diluted | 15 | **0.27** | 0.17 |

# COMBINED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Plant and equipment | 16 | **47,688** | 37,622 |
| Investment property | 17 | **—** | 586 |
| Deferred tax assets | 18 | **1** | 1 |
| Deposit paid for acquisition of plant and equipment | | **—** | 4,320 |
| Club debenture | 19 | **1,560** | 1,560 |
| Interest in an associate | 20 | **34,044** | 22,629 |
| | | **83,293** | 66,718 |
| Current assets | | | |
| Inventories | 21 | **82,396** | 66,097 |
| Trade and other receivables | 22 | **43,123** | 236,792 |
| Amounts due from related companies | 36(a) | **55,931** | 268,595 |
| Amount due from an associate | 36(c) | **5,796** | 7,612 |
| Amounts due from directors | 23 | **116,366** | 29,100 |
| Tax recoverable | | **—** | 267 |
| Pledged bank deposits | 24 | **9,761** | 7,657 |
| Bank balances and cash | 24 | **12,236** | 15,374 |
| | | **325,609** | 631,494 |
| Current liabilities | | | |
| Trade and other payables | 25 | **110,276** | 310,632 |
| Amounts due to related companies | 36(a) | **862** | 130,825 |
| Bank overdrafts | 24 | **7,447** | 6,304 |
| Bank borrowings | 26 | **143,268** | 183,942 |
| Tax payables | | **2,072** | 3,065 |
| | | **263,925** | 634,768 |
| Net current assets (liabilities) | | **61,684** | (3,274) |
| Total assets less current liabilities | | **144,977** | 63,444 |

## COMBINED STATEMENT OF FINANCIAL POSITION (continued)

*As at 31 March 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Long service payment obligations | 27 | **1,570** | 1,232 |
| Deferred tax liabilities | 18 | **4,873** | 3,922 |
| | | **6,443** | 5,154 |
| Net assets | | **138,534** | 58,290 |
| Capital and reserves | | | |
| Share capital | 28 | **5,404** | 5,404 |
| Reserves | | **133,130** | 52,886 |
| | | **138,534** | 58,290 |

The combined financial statements on pages 56 to 125 were approved and authorised for issue by the board of directors on 24 June 2014 and are signed on its behalf by:

*Director* *Director*

# COMBINED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2014*

| | Share capital HK$'000 | Exchange reserve HK$'000 | Legal reserve HK$'000 *(note)* | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2012 | 5,404 | (141) | 91 | 2,865 | 8,219 |
| Profit for the year | — | — | — | 50,384 | 50,384 |
| Other comprehensive expense: | | | | | |
| Actuarial loss on long service payment obligations | — | — | — | (268) | (268) |
| Exchange differences arising on translating a foreign operation | — | (45) | — | — | (45) |
| Total comprehensive (expense) income for the year | — | (45) | — | 50,116 | 50,071 |
| At 31 March 2013 and 1 April 2013 | 5,404 | (186) | 91 | 52,981 | 58,290 |
| Profit for the year | — | — | — | 80,738 | 80,738 |
| Other comprehensive (expense) income: | | | | | |
| Actuarial loss on long service payment obligations | — | — | — | (568) | (568) |
| Exchange differences arising on translating a foreign operation | — | 74 | — | — | 74 |
| Total comprehensive income for the year | — | 74 | — | 80,170 | 80,244 |
| At 31 March 2014 | 5,404 | (112) | 91 | 133,151 | 138,534 |

*Note:*

In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.

# COMBINED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2014*

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before tax | 87,167 | 54,541 |
| Adjustments for: | | |
| Allowance for inventories | — | 2,163 |
| Interest income | (579) | (385) |
| Depreciation of plant and equipment | 17,690 | 12,979 |
| Depreciation of investment property | 17 | 17 |
| Finance costs | 4,123 | 4,352 |
| Loss on written off of plant and equipment | 1,668 | 1,892 |
| Gain on disposal of plant and equipment | (1,208) | (160) |
| Gain on disposal of investment property | (5,434) | — |
| Provision for long service payment | 365 | 436 |
| Reversal of impairment loss recognised in respect of interest in an associate | — | (9,646) |
| Reversal of allowances for inventories | — | (1,490) |
| Share of results of an associate | (23,295) | (12,983) |
| Operating cash inflows before movements in working capital | 80,514 | 51,716 |
| Increase in inventories | (22,254) | (11,450) |
| Decrease (increase) in trade and other receivables | 193,669 | (189,627) |
| (Decrease) increase in trade and other payables | (200,356) | 168,805 |
| Decrease in long service payment obligations | (595) | (28) |
| Decrease (increase) in amount due from an associate | 1,816 | (2,358) |
| Cash generated from operations | 52,794 | 17,058 |
| Hong Kong Profit Tax (paid) refunded | (5,919) | 104 |
| Macau Complementary Income Tax paid | (287) | (475) |
| NET CASH FROM OPERATING ACTIVITIES | 46,588 | 16,687 |
| INVESTING ACTIVITIES | | |
| Purchase of plant and equipment | (19,996) | (20,776) |
| Advance to directors | (87,266) | (29,100) |
| Repayment from (advance to) related companies | 56,534 | (22,864) |
| Placement of deposit paid for acquisition of plant and equipment | — | (4,320) |
| Placement of pledged bank deposits | (5,110) | (5,427) |
| Withdrawal of pledged bank deposits | 3,006 | 2,419 |
| Dividend received from an associate | 11,880 | — |
| Proceed from disposal of plant and equipment | 2,054 | 160 |
| Proceed from disposal of investment property | 6,000 | — |
| Interest received | 579 | 385 |
| NET CASH USED IN INVESTING ACTIVITIES | (32,319) | (79,523) |

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| FINANCING ACTIVITIES | | |
| Bank borrowings raised | 621,785 | 67,677 |
| Repayment to directors | — | (1,300) |
| Advance from related companies | 26,167 | 63,668 |
| Repayment of bank borrowings | (662,459) | (53,460) |
| Interest paid | (4,123) | (4,352) |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | (18,630) | 72,233 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (4,361) | 9,397 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 9,070 | (280) |
| Effect of foreign exchange rate changes | 80 | (47) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by | 4,789 | 9,070 |
| Bank balances and cash | 12,236 | 15,374 |
| Bank overdrafts | (7,447) | (6,304) |
| | 4,789 | 9,070 |

## 1. Corporate Information and Basis of Preparation of Financial Statements

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate Information" to the annual report.

Pursuant to a group reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the Company acquired the equity interests of entities under common control and became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation were set out in the prospectus of the Company dated 26 May 2014 (the "Prospectus").

The shares of the Company have been listed on the Stock Exchange with effect from 30 May 2014.

The directors of the Company consider the immediate holding company and ultimate holding company are CKK Investment Limited and Amazing Gain Limited respectively, which are incorporated in the British Virgin Islands (the "BVI"). 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 "Cheung Brothers") since 1 April 2012. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in retail business, distribution business, provision of paging and other telecommunications services and provision of operation services.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency. Other than the subsidiary established in Macau whose functional currency is Macau Pataca ("MOP"), the functional currency of the Company and other subsidiaries is HK$.

Although the Group resulting from the above mentioned Reorganisation did not exist until 20 May 2014, the directors of the Company consider that meaningful information as regards to the historical performance of the Group, which includes entities under common control, is provided by treating the Group resulting from the Reorganisation as a continuing entity as if the group structure as at 20 May 2014 had been in existence from the beginning of the year ended 31 March 2013.

The combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement 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 since 1 April 2012. The combined statement of financial position of the Group as at 31 March 2013 and 2014 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

## 2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied all the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2013.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle[2] |
| HKFRS 9 | Financial Instruments[3] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[4] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptance Methods of Depreciation and Amortisation[4] |
| Amendments to HKAS 19 | Defined Benefit Plans — Employee Contributions[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HK(IFRIC)-Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application is permitted.
3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

## 2. Application of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

### HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## 2. Application of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

### Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

### Amendments to HKAS 19 Defined Benefit Plans — Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 19 will have no material impact to the Group.

## 2. Application of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

### Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

### Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash generating unit was determined based on its fair value less costs of disposal.

If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is catergorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application. The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

## 2. Application of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

### HK(IFRIC)-Int 21 Levies

HK(IFRIC)-Int 21 provides guidance on when to recognise a liability for a levy imposed by a government for levies that are accounted for in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and levies where the timing and amount is certain. Under HK(IFRIC)-Int 21, a liability is recognised for a levy when the activity that triggers payment as identified by the relevant legislation occurs. HK(IFRIC)-Int 21 excludes income tax within the scope of HKAS 12 Income Taxes, fines and other penalties.

HK(IFRIC)-Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted and require retrospective application. In the opinion of the directors of the Company, the application of HK(IFRIC)-Int 21 will not have material impact on the Group.

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 combined financial position of the Group.

## 3. Significant Accounting Policies

The combined financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the combined financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The combined financial statements have been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

## 3. Significant Accounting Policies (continued)

The principal accounting policies are set out below.

### Basis of combination

The combined financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements 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.

## 3. Significant Accounting Policies (continued)

### Investment property

Investment property is held to earn rentals and/or for capital appreciation.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's interest in an associate is accounted for in the combined financial statements using the equity method. Under the equity method, interest in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in combined financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

## 3. Significant Accounting Policies (continued)

### Plant and equipment

Plant and equipment including buildings held for administrative purposes are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Club debenture

Club debenture is carried at cost less accumulated impairment losses, if any.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Cash and cash equivalents

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

For the purpose of the combined statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above and bank overdraft. Bank overdrafts are shown in current liabilities on the combined statement of financial position.

## 3. Significant Accounting Policies (continued)

### Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

#### *Financial assets*

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, an associate and directors, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

## 3. Significant Accounting Policies (continued)

### Financial instruments (continued)

***Financial assets (continued)***

**Impairment loss on 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 ranged from 7 to 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amounts are reduced through the use of allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the respective allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# 3. Significant Accounting Policies (continued)

## Financial instruments (continued)

### *Financial liabilities and equity instruments*

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

The Group's financial liabilities are classified into other financial liabilities.

#### Equity instruments

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

#### Effective interest method

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

Interest expense is recognised on an effective interest basis.

#### Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related companies, bank borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

#### Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## 3. Significant Accounting Policies (continued)

### Financial instruments (continued)

***Financial liabilities and equity instruments (continued)***

**Derecognition (continued)**

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

### Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount reported in the combined financial statements when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income from provision of telecom services, paging and information broadcasting services and logistic services are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

## 3. Significant Accounting Policies (continued)

### Revenue recognition (continued)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### Employee benefits

#### *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

#### *Employment Ordinance long service payments*

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorised as follows:

- service cost;
- net interest expense; and
- remeasurement.

## 3. Significant Accounting Policies (continued)

### Employee benefits (continued)

#### *Sick leave and maternity leave*

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

#### *Retirement benefit costs*

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

### Foreign currencies

In preparing the combined 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 at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the combined financial statements, 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 the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### Borrowing costs

Borrowing costs recognised in profit or loss in the period in which they are incurred.

## 3. Significant Accounting Policies (continued)

### Taxation

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax is recognised in profit or loss.

### Impairment losses on tangible assets

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

## 3. Significant Accounting Policies (continued)

### Impairment losses on tangible assets (continued)

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

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

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

## 4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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.

## 4. Key Sources of Estimation Uncertainty (continued)

### Key sources of estimation uncertainty (continued)

#### *Estimated impairment loss of plant and equipment*

The Group assesses annually whether plant and equipment has any indication of impairment. The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates such as future revenue and discount rates. As at 31 March 2014, the carrying values of plant and equipment were approximately HK$47,688,000 (2013: HK$37,622,000). There were no impairment losses recognised as at 31 March 2014 and 2013.

#### *Income taxes*

At 31 March 2014, the Group had unused tax losses of approximately HK$17,923,000, (2013: HK$49,371,000) available for offset against future profits. No deferred tax assets has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

#### *Estimated allowance for inventories*

The Group makes the allowance for inventories based on assessments of the net realisable value and ageing analysis of inventories and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2014, the carrying amounts of inventories were approximately HK$82,396,000 (2013: HK$66,097,000), net of accumulated allowance for inventories of approximately nil (2013: HK$4,376,000).

#### *Estimated impairment loss of trade and other receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2014, the carrying amounts of trade and other receivables were approximately HK$43,123,000 (2013: HK$236,792,000), net of accumulated impairment loss of HK$64,000 as at 31 March 2014 (2013: HK$64,000).

#### *Estimated impairment loss of club debenture*

The management of the Company reviews the impairment of club debenture at the end of the reporting period. Management estimates the fair value of the club debenture with reference to recent selling prices. In making the estimation, the Group considers comparable debentures recently sold in the market. As at 31 March 2014, the carrying amount of the club debenture was approximately HK$1,560,000 (2013: HK$1,560,000). There was no impairment loss recognised as at 31 March 2014 (2013: nil).

## 4. Key Sources of Estimation Uncertainty (continued)

### Key sources of estimation uncertainty (continued)

***Provision for long service payment***

The Group's provision for long service payments is determined with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions including: pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability rate. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes to these assumptions will impact the carrying amount of provision for long service payments and the results and financial position of the Group. As at 31 March 2014, the carrying amounts of long service payment obligations were approximately HK$1,570,000 (2013: HK$1,232,000).

***Estimated impairment loss of interest in an associate***

Determining whether the interest in an associate is impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2014, the carrying amount of Group's interest in an associate are approximately HK$34,044,000 (2013: HK$22,629,000), there was no impairment loss recognised as at 31 March 2014 (2013: nil).

## 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 from prior year.

The capital structure of the Group consists of bank borrowings, bank overdraft, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

## 6. Financial Instruments

### (a) Categories of financial instruments

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including bank balances and cash) | **235,999** | 561,398 |
| **Financial liabilities** | | |
| Amortised cost | **236,113** | 602,465 |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) related companies, an associate and directors, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Market risk*

**Currency risk**

Certain bank balances and cash are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Assets | |
|---|---|---|
| | 2014<br>HK$'000 | 2013<br>HK$'000 |
| RMB | **5** | 4,985 |

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against the RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit where HK$ strengthens 5% against the RMB. For a 5% weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

## 6. Financial Instruments (continued)

### (b) Financial risk management objectives and policies (continued)

***Market risk (continued)***

**Currency risk (continued)**

**Impact of RMB**

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Profit after tax | – | (208) |

**Interest rate risk**

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable rate bank borrowings and bank overdrafts carried at prevailing market rates. However, the exposure in pledged bank deposits and bank balances is minimal to the Group as the pledged bank deposits and bank balances are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated pledged bank deposits, bank borrowings and bank overdrafts.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used for the year ended 31 March 2014 and 2013 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 year ended 31 March 2014 and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$580,000 (2013: HK$718,000). 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 for both years ended 31 March 2014 and 2013.

# 6. Financial Instruments (continued)

## (b) Financial risk management objectives and policies (continued)

### *Credit risk*

As at 31 March 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from

- the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 31.

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 the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit quality of the counterparties in respect of amounts due from related companies, directors and an associate is assessed by taking into account their financial position, credit history and other factors. The directors of the Company are of the opinion that the risk of default by these counterparties is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers and spread across diverse industries.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, as all trade receivables as at 31 March 2014 and 2013 are due from customers located in Hong Kong.

### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

## 6. Financial Instruments (continued)

### (b) Financial risk management objectives and policies (continued)

***Liquidity risk (continued)***

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 the reporting period.

| | On demand or within 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|
| **As at 31 March 2014** | | | |
| Trade and other payables | 84,536 | 84,536 | 84,536 |
| Amounts due to related companies | 862 | 862 | 862 |
| Bank borrowings | 144,304 | 144,304 | 143,268 |
| Bank overdrafts | 7,447 | 7,447 | 7,447 |
| Financial guarantee contracts | 87,460 | 87,460 | — |
| | 324,609 | 324,609 | 236,113 |

| | On demand or within 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|
| **As at 31 March 2013** | | | |
| Trade and other payables | 281,394 | 281,394 | 281,394 |
| Amounts due to related companies | 130,825 | 130,825 | 130,825 |
| Bank borrowings | 184,211 | 184,211 | 183,942 |
| Bank overdrafts | 6,304 | 6,304 | 6,304 |
| Financial guarantee contracts | 87,460 | 87,460 | — |
| | 690,194 | 690,194 | 602,465 |

# 6. Financial Instruments (continued)

## (b) Financial risk management objectives and policies (continued)

Bank loans with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 March 2014, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$143,268,000 (2013: HK$183,942,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$145,507,000 (2013: HK$186,671,000).

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## (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 combined financial statements approximate their fair values due to their immediate or short-term maturities.

## 7. Revenue

Revenue represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts. An analysis of the Group's revenue is as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Sales of goods | 894,200 | 796,873 |
| Service income | 304,146 | 294,216 |
| | 1,198,346 | 1,091,089 |

## 8. Segment Information

The Group's chief operating decision maker has been identified as the executive directors of the Company. The information reported to the chief operating decision maker for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

| | | |
|---|---|---|
| Retail business | — | Sales of mobile phones and pre-paid SIM cards and related services |
| Distribution business | — | Distribution of mobile phones and related services |
| Paging and other telecommunications services | — | Sales of pagers and Mango Devices and provision of paging services, maintenance services and two-way wireless data services |
| Operation services | — | Provision of operation services |

# 8. Segment Information (continued)

## Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

**For the year ended 31 March 2014**

| | Retail business HK$'000 | Distribution business HK$'000 | Paging and other tele-communications services HK$'000 | Operation services HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 467,975 | 436,985 | 133,469 | 159,917 | – | 1,198,346 |
| Inter-segment sales | – | 206,291 | – | – | (206,291) | – |
| **Segment revenue** | 467,975 | 643,276 | 133,469 | 159,917 | (206,291) | 1,198,346 |
| **Segment results** | 35,625 | 13,683 | 12,220 | 14,717 | | 76,245 |
| Interest income | | | | | | 579 |
| Finance costs | | | | | | (4,123) |
| Share of results of an associate | | | | | | 23,295 |
| Gain on disposal of investment property | | | | | | 5,434 |
| Corporate expenses | | | | | | (14,263) |
| **Profit before tax** | | | | | | 87,167 |

## 8. Segment Information (continued)

### Segment revenues and results (continued)

**For the year ended 31 March 2013**

| | Retail business HK$'000 | Distribution business HK$'000 | Paging and other tele-communications services HK$'000 | Operation services HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 479,775 | 318,971 | 179,147 | 113,196 | — | 1,091,089 |
| Inter-segment sales | — | 148,617 | — | — | (148,617) | — |
| **Segment revenue** | 479,775 | 467,588 | 179,147 | 113,196 | (148,617) | 1,091,089 |
| **Segment results** | 34,832 | 7,950 | 29,102 | (26,475) | | 45,409 |
| Interest income | | | | | | 385 |
| Finance costs | | | | | | (4,352) |
| Reversal of impairment loss recognised in respect of interest in an associate | | | | | | 9,646 |
| Share of results of an associate | | | | | | 12,983 |
| Corporate expenses | | | | | | (9,530) |
| **Profit before tax** | | | | | | 54,541 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represented the profit earned/loss from each segment without allocation of interest income, finance costs, reversal of impairment loss recognised in respect of interest in an associate, share of results of an associate, gain on disposal of investment property, corporate expenses and directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

## 8. Segment Information (continued)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Segment assets** | | |
| Retail business | 75,005 | 69,140 |
| Distribution business | 58,698 | 44,854 |
| Paging and other telecommunications services | 35,781 | 227,094 |
| Operation services | 6,016 | 11,357 |
| Total segment assets | 175,500 | 352,445 |
| Unallocated corporate assets | 233,402 | 345,767 |
| Total assets | 408,902 | 698,212 |
| **Segment liabilities** | | |
| Retail business | 15,850 | 7,587 |
| Distribution business | 48,116 | 68,095 |
| Paging and other telecommunications services | 35,339 | 228,970 |
| Operation services | 774 | 5,580 |
| Total segment liabilities | 100,079 | 310,232 |
| Unallocated corporate liabilities | 170,289 | 329,690 |
| Total liabilities | 270,368 | 639,922 |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to segments other than investment property, deferred tax assets, club debenture, interest in an associate, amounts due from directors and related companies, tax recoverable, other receivables, pledged bank deposits, bank balances managed on central basis and corporate assets; and
- all liabilities are allocated to segments other than other payables, tax payables, deferred tax liabilities, amounts due to related companies, bank overdrafts and bank borrowings, long services payment obligations and corporate liabilities.

## 8. Segment Information (continued)

The segment information is as follows:

**For the year ended 31 March 2014**

| | Retail business HK$'000 | Distribution business HK$'000 | Paging and other tele-communications services HK$'000 | Operation services HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | |
| Depreciation of plant and equipment | 5,945 | 713 | 10,891 | 29 | 112 | 17,690 |
| Addition to non-current assets *(note)* | 7,023 | 1,858 | 15,385 | 50 | – | 24,316 |
| (Gain)/loss on disposal of plant and equipment | (128) | (1,136) | 56 | – | – | (1,208) |
| Loss on written off of plant and equipment | – | – | 1,668 | – | – | 1,668 |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: | | | | | | |
| Interest in an associate | – | – | – | 34,044 | – | 34,044 |
| Depreciation of investment property | – | – | – | – | 17 | 17 |
| Gain on disposal of investment property | – | – | – | – | (5,434) | (5,434) |
| Interest income | (3) | (576) | – | – | – | (579) |
| Interest expenses | 684 | 3,325 | 114 | – | – | 4,123 |
| Income tax expense | 4,726 | 1,499 | 204 | – | – | 6,429 |
| Share of result of an associate | – | – | – | (23,295) | – | (23,295) |

## 8. Segment Information (continued)

### For the year ended 31 March 2013

| | Retail business HK$'000 | Distribution business HK$'000 | Paging and other tele-communications services HK$'000 | Operation services HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | |
| Depreciation of plant and equipment | 3,959 | 827 | 8,013 | 52 | 128 | 12,979 |
| Addition to non-current assets *(note)* | 15,163 | 464 | 9,469 | – | – | 25,096 |
| Gain on disposal of plant and equipment | (150) | – | (10) | – | – | (160) |
| Loss on written off of plant and equipment | – | – | 1,892 | – | – | 1,892 |
| Reversal of allowance for inventories | – | – | (1,490) | – | – | (1,490) |
| Allowance for inventories | – | – | 2,163 | – | – | 2,163 |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: | | | | | | |
| Interest in an associate | – | – | – | 22,629 | – | 22,629 |
| Depreciation of investment property | – | – | – | – | 17 | 17 |
| Interest income | (5) | (380) | – | – | – | (385) |
| Interest expenses | 1,389 | 2,788 | 175 | – | – | 4,352 |
| Income tax expense | 2,006 | 754 | 1,397 | – | – | 4,157 |
| Reversal of impairment loss recognised in respect of interest in an associate | – | – | – | (9,646) | – | (9,646) |
| Share of result of an associate | – | – | – | (12,983) | – | (12,983) |

*Note:* Non-current assets excluded deferred tax assets.

## 8. Segment Information (continued)

### Geographical information

The Group's operations are located in Hong Kong and Macau.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about its non-current assets is presented based on the geographical location of these assets.

**Revenue from external customers**

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Hong Kong (country of domicile) | 1,195,522 | 1,087,159 |
| Macau | 2,824 | 3,930 |
| | 1,198,346 | 1,091,089 |

**Non-current assets**

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Hong Kong (country of domicile) | 83,100 | 66,061 |
| Macau | 192 | 656 |
| | 83,292 | 66,717 |

*Note:* Non-current assets excluded deferred tax assets.

## 8. Segment Information (continued)

### Information about major customers

Details of the customers contributing over 10% of total revenue of the Group are as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Customer A[1] | 159,917 | 113,786 |
| Customer B[2] | 148,048 | N/A[3] |

1 Revenue from operation services.
2 Revenue from distribution business.
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

## 9. Other Income

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Interest income: | | |
| Bank interest income | 47 | 26 |
| Interest income from related companies | 532 | 359 |
| | 579 | 385 |
| Consultancy income | 300 | 300 |
| Gain on disposal of plant and equipment | 1,208 | 160 |
| Gain on disposal of an investment property | 5,434 | — |
| Rental income | 3,480 | 3,559 |
| Warehouse storage income | 344 | 95 |
| Others | 916 | 2,326 |
| | 12,261 | 6,825 |

## 10. Finance Costs

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Interest expenses on: | | |
| — bank borrowings and bank overdrafts wholly repayable within five years | **4,123** | 4,230 |
| — amount due to a related company | **—** | 122 |
| | **4,123** | 4,352 |

## 11. Income Tax Expense

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Macau Complementary Income Tax | | |
| — current year | **683** | 288 |
| Hong Kong Profits Tax | | |
| — current year | **4,831** | 3,805 |
| — over-provision in prior years | **(36)** | (49) |
| | **5,478** | 4,044 |
| Deferred tax | | |
| — current year | **951** | 113 |
| Total income tax expense for the year | **6,429** | 4,157 |

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

During the both years ended 31 March 2014 and 2013, Macau Complementary Income Tax is charged at the progressive rate on the estimate assessable profit.

During the both years ended 31 March 2014 and 2013, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

## 11. Income Tax Expense (continued)

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

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Profit before tax | **87,167** | 54,541 |
| Tax expense at rates applicable to profits in the jurisdictions concerned | **13,938** | 8,939 |
| Tax effect of share of results of an associate | **(3,844)** | (2,142) |
| Tax effect of expenses not deductible for tax purpose | **1,729** | 98 |
| Tax effect of income not taxable for tax purpose | **(96)** | (1,655) |
| Tax effect of tax losses not recognised | **1,577** | 206 |
| Tax effect of deductible temporary difference not recognised | **32** | 4 |
| Tax exemption *(note)* | **(40)** | (40) |
| Over-provision in prior years | **(36)** | (49) |
| Utilisation of tax losses previously not recognised | **(6,766)** | (1,141) |
| Utilisation of deductible temporary difference previously not recognised | **(65)** | (63) |
| Income tax expense for the year | **6,429** | 4,157 |

*Note:*

During years ended 31 March 2014 and 2013, four Hong Kong subsidiaries were entitled to 75% tax deduction on Hong Kong Profit Tax with a cap at HK$10,000.

Details of deferred taxation are set out in note 18.

## 12. Profit for the Year

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Profit for the year is arrived at after charging (crediting): | | |
| Directors' emoluments (*note 13)* | | |
| — salaries, allowances and other benefits | 3,388 | 8,738 |
| — contribution to retirement benefits scheme | 120 | 106 |
| | 3,508 | 8,844 |
| Other staff costs | | |
| — salaries and other allowance | 101,631 | 105,976 |
| — contribution to retirement benefits scheme | 4,378 | 3,795 |
| — provision for long service payments | 365 | 436 |
| | 106,374 | 110,207 |
| Total staff costs | 109,882 | 119,051 |
| Auditors' remuneration | 820 | 609 |
| Depreciation of plant and equipment | 17,690 | 12,979 |
| Depreciation of investment property | 17 | 17 |
| | 17,707 | 12,996 |
| Loss on written off of plant and equipment | 1,668 | 1,892 |
| Allowance for inventories (included in cost of inventories sold) | — | 2,163 |
| Reversal of allowances for inventories (included in cost of inventories sold) | — | (1,490) |
| Exchange losses, net | 41 | 164 |
| Share of income tax expense of an associate | 3,298 | 3,243 |
| Operating lease rentals in respect of: | | |
| — rented premises | 40,037 | 34,219 |
| — transmission stations | 13,431 | 14,655 |
| | 53,468 | 48,874 |

## 13. Directors' and Employees' Emoluments

### (a) Directors' and Chief Executive's emoluments

The details remuneration of each director and chief executive are as follows:

| | Directors' fees HK$'000 | Salaries, allowances and other benefits HK$'000 | Discretionary bonus HK$'000 | Contribution to retirement benefits scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2014** | | | | | |
| Directors: | | | | | |
| Mr. Cheung King Shek *(note i)* | – | 1,015 | – | 34 | 1,049 |
| Mr. Cheung King Fung Sunny *(note ii)* | – | 863 | – | 20 | 883 |
| Ms. Mok Ngan Chu *(note iii)* | – | – | – | – | – |
| Mr. Wong Wai Man *(note iii)* | – | – | – | – | – |
| Mr. Cheung King Shan *(note iv)* | – | 755 | – | 33 | 788 |
| Mr. Cheung King Chuen Bobby *(note iv)* | – | 755 | – | 33 | 788 |
| Total | – | 3,388 | – | 120 | 3,508 |

## 13. Directors' and Employees' Emoluments (continued)

### (a) Directors' and Chief Executive's emoluments (continued)

| | Directors' fees HK$'000 | Salaries, allowances and other benefits HK$'000 | Discretionary bonus HK$'000 | Contribution to retirement benefits scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2013** | | | | | |
| Directors: | | | | | |
| Mr. Cheung King Shek | — | 1,436 | 1,030 | 29 | 2,495 |
| Mr. Cheung King Fung Sunny | — | 1,105 | — | 19 | 1,124 |
| Mr. Cheung King Shan | — | 656 | 1,902 | 29 | 2,587 |
| Mr. Cheung King Chuen Bobby | — | 656 | 1,953 | 29 | 2,638 |
| Total | — | 3,853 | 4,885 | 106 | 8,844 |

Discretionary bonuses are based on the Group's performance for such financial year.

Mr. Cheung King Shek is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

## 13. Directors' and Employees' Emoluments (continued)

### (a) Directors' and Chief Executive's emoluments (continued)

No directors or chief executive waived or agreed to waive any emolument paid by the Group during the years ended 31 March 2014 and 2013. No emoluments were paid by the Group to any of the directors or chief executive as an incentive payment to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2014 and 2013.

On 20 May 2014, Mr. Hui Ying Bun, Mr. Ho Nai Man Paul and Mr. Lam Yu Lung have been appointed as the independent non-executive directors of the Company.

*Notes:*

(i) Re-designated as Chairman and Executive Director on 21 March 2014.

(ii) Re-designated as Executive Director on 21 March 2014.

(iii) Appointed on 21 March 2014.

(iv) Re-designated as Non-Executive Director on 21 March 2014.

### (b) Employees' emoluments

The five highest paid individuals of the Group included four directors of the Company during both years ended 31 March 2014 and 2013 respectively, whose emoluments are included in the analysis presented above. Details of emoluments paid to the remaining one individual of the Group during the years ended 31 March 2014 and 2013 were as follows:

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | **1,084** | 1,080 |
| Contribution to retirement benefits scheme | **15** | 15 |
| | **1,099** | 1,095 |

Their emoluments were within the following bands:

| | **2014**<br>**No. of**<br>**employees** | 2013<br>No. of<br>employees |
|---|---|---|
| HK$1,000,000 to HK$1,500,000 | **1** | 1 |

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2014 and 2013.

## 14. Dividends

Pursuant to the resolution passed on 20 May 2014, an interim dividend of HK$138,000,000 was declared and paid by the Company to its then shareholders.

The directors of the Company did not recommend the payment of a final dividend in respect of the year ended 31 March 2014 (2013: nil).

## 15. Earnings Per Share

The calculation of basic earnings per share attributable to owners of the Company is based on the following:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share | 80,738 | 50,384 |

| | 2014<br>'000 | 2013<br>'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 300,000 | 300,000 |

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2014 and 2013.

The weighted average number of ordinary shares in issue during the year ended 31 March 2014 and 2013 represents 300,000,000 ordinary shares in issue before the Listing as if such shares were issued during the two years ended 31 March 2014 after taking into account the capitalisation issue pursuant to the Reorganisation as stated in the Prospectus and placing of shares as stated in note 28.

## 16. Plant and Equipment

| | Radio and transmitting equipment HK$'000 | Tele-communication devices HK$'000 | Motor vehicles HK$'000 | Leasehold improvement HK$'000 | Furniture and fixtures HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| As at 1 April 2012 | 64,846 | 15,961 | 17,080 | 17,073 | 47,336 | 162,296 |
| Additions | 2,928 | 1,514 | 6,410 | 5,361 | 4,563 | 20,776 |
| Disposal | — | — | (693) | — | — | (693) |
| Written off | — | (6,051) | — | — | — | (6,051) |
| Exchange realignment | — | — | — | 12 | 31 | 43 |
| As at 31 March 2013 and 1 April 2013 | 67,774 | 11,424 | 22,797 | 22,446 | 51,930 | 176,371 |
| Transferred from inventories | — | 5,955 | — | — | — | 5,955 |
| Additions | 6,207 | 7,948 | 1,976 | 2,689 | 5,496 | 24,316 |
| Disposal | — | (89) | (5,297) | — | — | (5,386) |
| Written off | — | (6,096) | — | — | — | (6,096) |
| Exchange realignment | — | — | — | (8) | (18) | (26) |
| As at 31 March 2014 | 73,981 | 19,142 | 19,476 | 25,127 | 57,408 | 195,134 |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| As at 1 April 2012 | 55,917 | 8,331 | 9,707 | 13,538 | 43,086 | 130,579 |
| Provided for the year | 3,694 | 1,757 | 3,167 | 1,851 | 2,510 | 12,979 |
| Eliminated in disposal | — | — | (693) | — | — | (693) |
| Eliminated in written off | — | (4,159) | — | — | — | (4,159) |
| Exchange realignment | — | — | — | 12 | 31 | 43 |
| As at 31 March 2013 and 1 April 2013 | 59,611 | 5,929 | 12,181 | 15,401 | 45,627 | 138,749 |
| Provided for the year | 4,669 | 4,157 | 3,573 | 2,705 | 2,586 | 17,690 |
| Eliminated in disposal | — | (7) | (4,533) | — | — | (4,540) |
| Eliminated in written off | — | (4,428) | — | — | — | (4,428) |
| Exchange realignment | — | — | — | (7) | (18) | (25) |
| As at 31 March 2014 | 64,280 | 5,651 | 11,221 | 18,099 | 48,195 | 147,446 |
| **CARRYING VALUES** | | | | | | |
| As at 31 March 2014 | 9,701 | 13,491 | 8,255 | 7,028 | 9,213 | 47,688 |
| As at 31 March 2013 | 8,163 | 5,495 | 10,616 | 7,045 | 6,303 | 37,622 |

## 16. Plant and Equipment (continued)

The above plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Radio and transmitting equipment | 5 years |
| Tele-communication devices | 5 years |
| Motor vehicles | 5 years |
| Leasehold improvement | Over the shorter of lease term or 5 years |
| Furniture and fixtures | 5 years |

## 17. Investment Property

| | HK$'000 |
|---|---|
| COST | |
| At 1 April 2012 | 841 |
| Exchange realignment | 2 |
| At 31 March 2013 and1 April 2013 | 843 |
| Disposal | (840) |
| Exchange realignment | (3) |
| At 31 March 2014 | — |
| DEPRECIATION | |
| At 1 April 2012 | 240 |
| Provided for the year | 17 |
| At 31 March 2013 and1 April 2013 | 257 |
| Provided for the year | 17 |
| Eliminated on disposal | (274) |
| At 31 March 2014 | — |
| CARRYING VALUES | |
| At 31 March 2014 | — |
| At 31 March 2013 | 586 |

## 17. Investment Property (continued)

Investment property located in Macau held for earning rentals and/or appreciation purposes were measured using the cost model.

The fair value of the Group's investment property at 31 March 2013 was HK$6,160,000. The fair values had been arrived at based on valuations carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent valuers not connected with the Group.

In estimating the fair values of the property, the highest and best use of the property was its current use.

The carrying value of investment property shown above was situated in Macau and held under medium-term lease.

Details of the Group's investment property and information about the fair value hierarchy as at the end of each reporting period are as follows:

| | | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|---|
| Property located in Macau | Level 2 | **–** | 6,160 |

The valuation technique used in valuating the investment property was direct comparison method. Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.

The above investment property was depreciated on a straight-line basis at depreciate rate of 2% per annum.

During the year ended 31 March 2014, Telecom (Macau) Limited ("Telecom Macau") entered into a sale and purchase agreement with an independent third party, pursuant to which Telecom Macau agreed to sell the investment property to an independent third party at a cash consideration of HK$6,000,000 which was determined with reference to market value. The transaction was completed on 26 March 2014.

## 18. Deferred Taxation

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Deferred tax assets | **1** | 1 |
| Deferred tax liabilities | **(4,873)** | (3,922) |
| | **(4,872)** | (3,921) |

## 18. Deferred Taxation (continued)

The following are the major deferred tax (liabilities) and assets recognised and movements thereon during the year:

| | Accelerated tax depreciation HK$'000 | Estimated tax losses HK$'000 | Deferred employee benefits HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| As at 1 April 2012 | (2,899) | 120 | (1,029) | (3,808) |
| (Charged) credited to the combined statement of profit or loss and other comprehensive income *(note 11)* | (144) | (119) | 150 | (113) |
| As at 31 March 2013 and 1 April 2013 | (3,043) | 1 | (879) | (3,921) |
| (Charged) credited to the combined statement of profit or loss and other comprehensive income *(note 11)* | (1,105) | — | 154 | (951) |
| As at 31 March 2014 | (4,148) | 1 | (725) | (4,872) |

At 31 March 2014, the Group had unused tax losses of approximately HK$17,923,000 (2013: HK$49,371,000) available for offset against future profits. No deferred tax assets has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

At 31 March 2014, the Group had deductible temporary differences of HK$939,000 (2013: HK$739,000). At 31 March 2014, no deferred asset has been recognised in relation to such deductible temporary difference.

## 19. Club Debenture

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Club membership, at cost | **1,560** | 1,560 |

The directors of the Company consider no impairment identified with reference to the second hand market price of the club debenture as at the end of the reporting period.

## 20. Interest in an Associate

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Cost of interest in an associate — unlisted | **16,640** | 16,640 |
| Share of post-acquisition results, net of dividends received | **17,404** | 5,989 |
| | **34,044** | 22,629 |

*Note:*

Prior to the year ended 31 March 2012, the Group recognised impairment loss of approximately HK$9,646,000 in relation to the interest in New World Mobility Limited ("NWM") as NWM had continuously incurred substantial losses. During the year ended 31 March 2013, the directors of the Company reviewed the carrying amount of interest in NWM, impairment loss recognised in prior year was reversed because of the expected profit streams would be generated by NWM and distribution of dividend from NWM.

As at 31 March 2014 and 2013, the Company had interests in the following associate:

| Name of company | Form of entity | Place of incorporation and operation | Class of shares held/paid-up capital | Proportion of ownership interest and voting rights held by the Group | Principal activity |
|---|---|---|---|---|---|
| NWM | Incorporated | Hong Kong | Ordinary shares/ HK$1,000 | 40% | Provision of mobile services including voice and data products |

The associate was accounted for using the equity method in these combined financial statements.

## 21. Inventories

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Merchandises | **82,396** | 66,097 |

During the year ended 31 March 2013, certain impaired inventories were sold at gross profit. Reversal of allowance for inventories approximately HK$1,490,000 have been recognised and included in cost of sales. There has been no reversal of allowance for inventories during the year ended 31 March 2014.

## 22. Trade and Other Receivables

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Trade receivables | **13,039** | 19,115 |
| Other receivables | **5,390** | 8,686 |
| Deposits | **17,544** | 205,323 |
| Prepayment | **7,214** | 3,732 |
| | **43,187** | 236,856 |
| Less: impairment loss recognised in respect of trade receivables | **(64)** | (64) |
| | **43,123** | 236,792 |

The Group does not hold any collateral over these balances.

## 22. Trade and Other Receivables (continued)

The Group allows an average credit period of ranged from 7 to 30 days to its trade customers. The following is an aged analysis of trade receivables, net of accumulated impairment loss, presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Within 90 days | 12,783 | 18,703 |
| 91–180 days | 146 | 289 |
| 181–365 days | 1 | 44 |
| Over 365 days | 45 | 15 |
| | 12,975 | 19,051 |

The movement in the impairment loss of trade receivables were as follow:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| At the beginning and the end of the year | 64 | 64 |

At 31 March 2014 and 2013, the aged analysis of trade receivables that were past due but not impaired are as follows:

| | Within 30 days<br>HK$'000 | 31–90 days<br>HK$'000 | 91–180 days<br>HK$'000 | 181–365 days<br>HK$'000 | Over 365 days<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|---|---|
| As at 31 March 2014 | 1,041 | 897 | 146 | 1 | 45 | 2,130 |
| As at 31 March 2013 | 975 | 575 | 289 | 44 | 15 | 1,898 |

The Group has not recognised any impairment loss in respect of trade receivables which are past due as there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

At 31 March 2013, included in deposits were refundable deposit paid to manufacturer (the "Manufacturer") for acquisition of specialised equipment for an independent third party of approximately HK$190,080,000. In relation of the transaction, the Group had also received HK$192,000,000 as receipt in advance (note 25). The transaction was terminated and deposit was refunded during the year ended 31 March 2014.

## 23. Amounts due from Directors

| Name of directors | As at 31 March | | Maximum amount outstanding During the year ended 31 March | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Due from: | | | | |
| Cheung King Fung Sunny | **26,962** | 6,635 | **26,962** | 6,635 |
| Cheung King Chuen Bobby | **33,197** | 7,600 | **33,197** | 7,600 |
| Cheung King Shan | **26,467** | 7,600 | **26,467** | 7,600 |
| Cheung King Shek | **29,740** | 7,265 | **29,740** | 7,265 |
| | **116,366** | 29,100 | | |

The amounts are unsecured, interest-free and repayable on demand.

## 24. Pledged Bank Deposits/Bank Balances and Cash/Bank Overdrafts

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. All bank deposits have been pledged to secure bank overdrafts and bank borrowings. The pledged deposits carried interest at prevailing market rates ranging from 0.02% to 0.16% per annum during the year ended 31 March 2014 (2013: 0.02% to 0.16%).

During the year ended 31 March 2014, bank balances carried interest at prevailing market rates ranging from 0.01% to 0.17% (2013: 0.01% to 0.17%) per annum.

During the year ended 31 March 2014, bank overdrafts carried interest at 1-month HIBOR plus 0.25% (2013: 1-month HIBOR plus 0.25%) per annum.

All the bank overdrafts were secured by bank deposits with aggregate principal amount of not less than HK$2,423,000 and continuing unlimited personal guarantees from the directors of the Group during the year ended 31 March 2014 (2013: HK$2,048,000). Subsequent to the reporting period, the personal guarantees provided from the directors were released.

## 24. Pledged Bank Deposits/Bank Balances and Cash/Bank Overdrafts (continued)

The Group's bank balances and cash that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| RMB | 5 | 4,985 |
| JPY | 3 | 3 |
| USD | 13 | 12 |

## 25. Trade and Other Payables

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Trade payables | 55,008 | 70,843 |
| Receipt in advance | 25,740 | 221,238 |
| Accrued expenses and other payables | 29,528 | 18,551 |
| | 110,276 | 310,632 |

The average credit period on trade payables is 30 days. The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Within 60 days | 52,564 | 69,921 |
| 61–90 days | 1,012 | 65 |
| Over 90 days | 1,432 | 857 |
| | 55,008 | 70,843 |

At 31 March 2013, included in receipt in advance were receipt from an independent third party for acquisition of plant and equipment on its behalf of approximately HK$192,000,000. In relation of the transaction, the Group had also paid HK$190,080,000 to the Manufacturer as prepayment (note 22). The transaction was terminated and the receipt in advance was refunded to the independent third party during the year ended 31 March 2014.

## 26. Bank Borrowings

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Variable rate bank borrowings | **61,342** | 118,332 |
| Variable rate trust receipt borrowings | **81,926** | 65,610 |
| | **143,268** | 183,942 |
| Secured | **10,000** | 26,252 |
| Unsecured | **133,268** | 157,690 |
| | **143,268** | 183,942 |

The amounts due are based on scheduled repayment dates set out in the loan agreements:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Within one year | **136,279** | 164,998 |
| After one year but within two years | **2,979** | 9,931 |
| After two years but within five years | **4,010** | 9,013 |
| | **143,268** | 183,942 |
| Carrying amount of bank borrowings that are repayable on demand or within one year | **136,279** | 164,998 |
| Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | **6,989** | 18,944 |
| | **143,268** | 183,942 |

(a) All the bank borrowings carried interest at floating rates. The ranges of effective interest rates per annum on the Group's bank borrowings are as follows:

| | 2014 | 2013 |
|---|---|---|
| Variable rate bank borrowings | **0.81%–1.96%** | 0.77%–3.08% |

## 26. Bank Borrowings (continued)

(b) The bank borrowings are all denominated in HK$.

(c) As at 31 March 2014, the bank borrowings of approximately HK$9,942,000 (2013: HK$16,484,000) was guaranteed by the Government of the Hong Kong Special Administrative Region for an amount equivalent to 50% to 80% of the respective bank borrowing amount granted by the banks to the Group.

(d) As at 31 March 2014 and 2013, all bank borrowings were guaranteed by the directors of the Company. Subsequent to the reporting period, the personal guarantee provided from the directors were released.

(e) As at 31 March 2014, bank borrowings of approximately HK$143,268,000 (2013: HK$118,669,000) were secured by certain investment properties of the Group's related companies. Subsequent to the reporting period, the investment properties pledged by the related companies were released.

(f) As at 31 March 2014, secured bank borrowings of approximately HK$10,000,000 (2013: HK$26,252,000) were secured by pledged bank deposits with carrying amounts of approximately HK$9,761,000 (2013: HK$7,657,000).

## 27. Long Service Payment Obligations

The Group made provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance, as further in note 3. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK$390,000 per employee. The provision represented the management's best estimate of the Group's liability at the end of the reporting period.

The Group exposes to actuarial risks such as interest rate risk, longevity risk and salary risk.

| | |
|---|---|
| Interest risk | A decrease in the bond interest rate will increase the plan liability. |
| Longevity risk | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2014 by Asset Appraisal Limited. The present value of the defined benefit obligation, and the related service cost, were measured using the Projected Unit Credit Method.

## 27. Long Service Payment Obligations (continued)

Movement of present value of provision for long service payment is as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| At beginning of the year | 1,232 | 556 |
| Charged to profit or loss | 365 | 436 |
| Actuarial loss recognised in other comprehensive income | 568 | 268 |
| Paid during the year | (595) | (28) |
| At end of the year | 1,570 | 1,232 |

Movement of present value of the defined benefit obligations is as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| At beginning of the year | 1,232 | 556 |
| Current service cost | 334 | 430 |
| Interest cost | 31 | 6 |
| Remeasurement loss: | | |
| Actuarial loss recognised in other comprehensive income | 568 | 268 |
| Benefit paid during the year | (595) | (28) |
| At end of the year | 1,570 | 1,232 |

Amounts recognised in combined statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Current service cost | 334 | 430 |
| Net interest expense | 31 | 6 |
| Components of defined benefit costs recognised in profit or loss (included in staff costs) | 365 | 436 |

## 27. Long Service Payment Obligations (continued)

Remeasurement on the net defined benefit liability:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Actuarial loss arising from changes in financial assumptions | **568** | 268 |
| Components of defined benefit costs recognised in other comprehensive income | **568** | 268 |

The amounts recognised in combined statement of profit or loss and other comprehensive income are as follows:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Cumulative amount of actuarial loss (gains) at the beginning of the year | **170** | (98) |
| Net actuarial loss during the year | **568** | 268 |
| Cumulative amount of actuarial losses at the end of the year | **738** | 170 |

As at 31 March 2014 and 2013, the amount is calculated based on the principal assumptions stated as below:

| | **2014** | 2013 |
|---|---|---|
| Annual salary increment | **3.70%** | 3.70% |
| Turnover rate | **4.75% to 13.14%** | 5.00% to 12.90% |
| MPF return rate | **4.10%** | 4.00% |
| Discount rate | **0.19% to 2.57%** | 0.15% to 1.38% |

Significant actuarial assumptions for the determination of the long service payment obligations are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 100 basis points higher (lower), the long service payment obligations would decrease by approximately HK$1,000 (increase by HK$26,000) (2013: decrease by HK$11,000 (increase by HK$12,000)).

If the expected salary growth increases (decreases) by 100 basis points, the long service payment obligations would increase by approximately HK$53,000 (decrease by HK$28,000) (2013: increase by HK$32,000 (decrease by HK$31,000)).

## 27. Long Service Payment Obligations (continued)

If the life expectancy increases (decreases) by one year for both men and women, the long service payment obligations would increase approximately HK$68,000 (decrease by HK$35,000) (2013: increase HK$64,000 (decrease by HK$53,000)).

The sensitivity analysis presented above may not be representative of the actual change in the long service payment obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the long service payment obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the long service payment obligations liability recognised in the combined statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The weighted average duration of the long service payment obligations is 25 (2013: 25) years.

## 28. Share Capital

As at 31 March 2014 and 2013, the share capital of the Group represented the sum of amount of share capital of the Company and the subsidiaries now comprising the Group.

Pursuant to the written resolution passed on 20 May 2014, the authorised share capital of the Company was increased to HK$100,000,000 with 10,000,000,000 shares of HK$0.01 each by the creation of an additional 9,962,000,000 new shares of HK$0.01 each.

On 7 May 2014, CKK Investment, the immediate holding company of the Company, entered into a subscription agreement with the Company pursuant to which CKK Investment agreed to subscribe for 43 new shares of HK$0.01 each, at par value, at a total subscription price of HK$0.43.

On 20 May 2014, the Company acquired the entire interests in TD Investment in consideration of and in exchange for which the Company allotted and issued 16 shares in aggregate, credited as fully paid, to Cheung Brothers.

On 20 May 2014, pursuant to the resolution of the then shareholders of the Company, it was approved to issue 299,999,940 ordinary shares of HK$0.01 each to the shareholders by way of capitalisation of HK$2,999,999 from the share premium account arose from the placing of 100,000,000 ordinary shares of the Company. Such shares were issued on 27 May 2014, being the date of completion of placing.

On 27 May 2014, the Company issued a total of 100,000,000 ordinary shares HK$0.01 each at a price of HK$1.0 per share as a result of the completion of the placing. Of the total gross proceeds, HK$100,000,000, HK$1,000,000 representing the par value credit to the Company's share capital and HK$99,000,000, before the share issue expenses, credit to the share premium account. The Company's total number of issued shares was increased to 400,000,000 shares upon completion of the placing.

## 29. Operating Leases

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Within one year | 44,873 | 29,929 |
| In the second to fifth year, inclusive | 29,446 | 13,569 |
| | 74,319 | 43,498 |

The Group leases certain of its office premises, cell sites and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three years with fixed rentals as at 31 March 2014 and 2013.

### The Group as lessor

Sub-letting income earned during the year ended 31 March 2014 was HK$3,480,000 (2013: HK$3,559,000). The office premises, transmission stations, warehouse and service outlets are sub-let to third parties under operating lease with leases negotiated for a term of one to three years as at 31 March 2014.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Within one year | 1,800 | 2,088 |
| In the second to fifth year, inclusive | 1,838 | 868 |
| | 3,638 | 2,956 |

## 30. Capital Commitments

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the combined financial statements | – | 1,080 |

## 31. Contingent Liabilities

At 31 March 2014, the Group has financial guarantees given to banks in respect of mortgage loans granted to certain related companies for acquisition of properties of approximately HK$87,460,000 (2013: HK$87,460,000).

At the end of the reporting period, the directors of the Company considered that the fair value of the financial guarantee is insignificant.

Subsequent to the reporting period, the financial guarantees provided by the Group were released.

## 32. Major Non-cash Transactions

During the year ended 31 March 2014, an amount of approximately HK$156,130,000 included in amounts due from related companies was set off with the same amount included in amounts due to related companies.

During the year ended 31 March 2013, an amount of approximately HK$2,120,000 included in trade and other payables was taken up by related companies of same amount and which amount was included in amounts due to related companies.

During the year ended 31 March 2013, an amount of approximately HK$6,255,000 included in amounts due from related companies was set off with the same amount included in amounts due to related companies.

## 33. Financial Assets and Financial Liabilities Subject to Offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's combined statement of financial position.

The Group currently has a legally enforceable right to set off the amounts due from related companies and amounts due to related companies, and the Group intends to settle these balances on a net basis.

**As at 31 March 2014**

| Description | Gross amounts of recognised financial assets (liabilities) HK$'000 | Gross amounts of recognised financial (assets) liabilities set off in the combined statement of financial position HK$'000 | Net amounts of financial assets (liabilities) presented in the combined statement of financial position HK$'000 |
|---|---|---|---|
| Amounts due from related companies | 212,061 | (156,130) | 55,931 |
| Amounts due to related companies | (156,992) | 156,130 | (862) |

## 33. Financial Assets and Financial Liabilities Subject to Offsetting (continued)

**As at 31 March 2013**

| **Description** | Gross amounts of recognised financial assets (liabilities) HK$'000 | Gross amounts of recognised financial (assets) liabilities set off in the combined statement of financial position HK$'000 | Net amounts of financial assets (liabilities) presented in the combined statement of financial position HK$'000 |
|---|---|---|---|
| Amounts due from related companies | 274,850 | (6,255) | 268,595 |
| Amounts due to related companies | (137,080) | 6,255 | (130,825) |

## 34. Retirement Benefit Scheme Contributions

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and its employees makes monthly contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month and HK$1,250 per month since June 2012.

Employees employed by the Group's operations in Macau Special Administration Region ("MSAR") are members of government-managed retirement benefits schemes operated by the MSAR government. The MSAR operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the MSAR government is to make the required contributions under the schemes.

During the year ended 31 March 2014, the total costs charged to the combined statement of profit or loss and other comprehensive income of approximately HK$4,498,000 (2013: HK$3,901,000) represented contributions payable to the scheme by the Group.

## 35. Summarised Financial Statements of an Associate

The summarised financial statements in respect of the associate as extracted from the financial statements prepared in accordance with HKFRSs.

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Non-current assets | **591** | 178 |
| Current assets | **212,302** | 160,786 |
| Current liabilities | **(127,783)** | (104,392) |
| Net assets | **85,110** | 56,572 |
| Revenue | **528,017** | 373,723 |
| Profit and total comprehensive income for the year | **58,238** | 32,458 |
| Dividends received from the associate during the year | **11,880** | — |

Reconciliation of the above summarised financial statements to the carrying amount of the interest in the associate recognised in the combined financial statements:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Net assets of an associate | **85,110** | 56,572 |
| Proportion of the Group's ownership interest in an associate | **34,044** | 22,629 |
| Carrying amount of the Group's interest in an associate | **34,044** | 22,629 |

## 36. Related Party Transactions and Balances

(a) In addition to the balances elsewhere in the combined financial statements, the Group had the following material transactions and balances with related parties:

| Name of company | Nature of transactions | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|---|
| **Related companies** | | | | |
| Telecom Digital Securities Limited | Technical support service income received | (i) & (iii) | **120** | 120 |
| | Promotion service income received | (i) & (iii) | **142** | 225 |
| | Consultancy fee income received | (i) & (iii) | **300** | 300 |
| | Subscription fee income received | (i) & (iii) | **637** | 517 |
| | Rental expense paid thereto | (ii) & (iii) | **317** | 235 |
| | Sub-letting income received | (ii) & (iii) | **564** | 680 |
| | Advertising and promotion fee received | (i) & (iii) | **442** | 355 |
| Radiotex International Limited | Purchase of goods therefrom | (i) & (iii) | **11,398** | 12,833 |
| Telecom Service Limited | Rental expenses paid thereto | (ii) & (iii) | **832** | 832 |
| | Interest paid | (i) & (iii) | **—** | 122 |
| Glossy Enterprises Limited | Rental expenses paid thereto | (ii) & (iii) | **1,963** | 2,017 |
| | Interest income received | (i) & (iii) | **347** | 134 |
| Telecom Properties Investment Limited (formerly known as "Telecom Digital Holdings Limited (HK)") | Rental expenses paid thereto | (ii) & (iii) | **1,658** | 1,322 |
| | Interest income received | (i) & (iii) | **3** | 48 |
| Glossy Investment Limited | Rental expenses paid thereto | (ii) & (iii) | **413** | 942 |
| | Interest income received | (i) & (iii) | **107** | 1 |
| Telecom Service One Limited | Repairs and maintenance fee paid thereto | (i) & (iii) | **9,980** | 10,040 |
| | Telecommunications service income received | (i) & (iii) | **33** | 89 |
| | Sales of goods | (i) & (iii) | **1** | 21 |
| | Consignment fee received | (i) & (iii) | **1,543** | 590 |
| | Licensing fee received | (i) & (iii) | **26** | 44 |
| | Purchase of motor vehicle therefrom | (i) & (iii) | **—** | 2,500 |
| | Logistic fee income received | (i) & (iii) | **725** | 783 |

## 36. Related Party Transactions and Balances (continued)

(a) In addition to the balances elsewhere in the combined financial statements, the Group had the following material transactions and balances with related parties: *(continued)*

| Name of company | Nature of transactions | *Notes* | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|---|
| **Related companies** (continued) | | | | |
| NWM | Service fee income received | (i) & (iii) | **178,409** | 132,348 |
| Oceanic Rich Limited | Rental expenses paid thereto | (ii) & (iii) | **953** | 1,040 |
| | Interest income received | (i) & (iii) | **8** | 8 |
| Telecom Digital Media Limited | Purchase of coupons | (i) & (iii) | **–** | 10 |
| Silicon Creation Limited | Rental expenses paid thereto | (ii) & (iii) | **4,046** | 4,438 |
| | Interest income received | (i) & (iii) | **67** | 167 |
| Elite Benefit Limited | Rental expenses paid thereto | (ii) & (iii) | **–** | 264 |
| Asia King Investment Limited | Rental expenses paid thereto | (ii) & (v) | **1,000** | 2,592 |
| Chief Plus Limited | Rental expenses paid thereto | (ii) & (iv) | **260** | 780 |

| Name of director | Nature of transaction | *Note* | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|---|
| Cheung King Shek | Rental expenses paid thereto | (ii) | **–** | 660 |

## 36. Related Party Transactions and Balances (continued)

(a) In addition to the balances elsewhere in the combined financial statements, the Group had the following material transactions and balances with related parties: *(continued)*

Details of amounts due from related companies are as follows:

| | | | | Maximum amount | |
|---|---|---|---|---|---|
| | | As at 31 March | | During the year ended 31 March | |
| | | **2014** | 2013 | **2014** | 2013 |
| | *Notes* | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Chief Asia Pacific Limited | (vi) & (vii) | **–** | 5 | **5** | 5 |
| Sun Asia Pacific Limited | (iii) & (vii) | **–** | 31,237 | **31,237** | 31,237 |
| East-Asia Pacific Limited | (iii) & (vii) | **55,931** | 85,938 | **187,127** | 89,434 |
| Hellomoto Limited | (iii) & (vii) | **–** | 2,861 | **2,861** | 2,861 |
| H.K. Magnetronic Company Limited | (iii) & (vii) | **–** | 2,015 | **2,015** | 3,124 |
| Kawi King Limited | (vi) & (vii) | **–** | 10 | **10** | 10 |
| Marina Trading Limited | (iii) & (vii) | **–** | 62 | **62** | 62 |
| Oceanic Rich Limited | (iii) & (viii) | **–** | – | **–** | 2,938 |
| Pin International Holdings Limited | (iii) & (vii) | **–** | 39 | **39** | 39 |
| Smart King Group Limited | (vi) & (vii) | **–** | 11 | **11** | 11 |
| Telecom Digital Limited | (iii) & (vii) | **–** | 29 | **29** | 29 |
| Telecom Digital Limited (Macau) | (iii) & (vii) | **–** | – | **–** | 1 |
| Yiutai Industrial Company Limited | (iii) & (vii) | **–** | 131 | **131** | 131 |
| Glossy Enterprises Limited | (iii) & (viii) | **–** | 37,957 | **37,957** | 43,898 |
| Telecom Properties Investment Limited (formerly known as "Telecom Digital Holdings Limited (HK)") | (iii) & (viii) | **–** | 15,756 | **15,756** | 15,866 |
| Silicon Creation Limited | (iii) & (viii) | **–** | 62,471 | **62,471** | 62,471 |
| Telecom Digital Limited | (iii) & (vii) | **–** | 51 | **51** | 51 |
| Txtcom Limited | (iii) & (vii) | **–** | 15 | **15** | 15 |
| TSN (Macau) Limited | (iii) & (vii) | **–** | 202 | **202** | 202 |
| Smart Nation Limited | (iii) & (vii) | **–** | 3 | **3** | 3 |
| Telecom Digital Media Limited | (iii) & (vii) | **–** | 13,158 | **13,158** | 13,158 |
| Hellomoto (Macau) Limited | (iii) & (vii) | **–** | 1,474 | **1,474** | 1,474 |
| Main Force Limited | (iii) & (vii) | **–** | 12 | **12** | 12 |
| Telecom Digital Securities Limited | (iii) & (vii) | **–** | 57 | **165** | 193 |
| Dragon Spirit Limited | (iii) & (vii) | **–** | 15,101 | **15,101** | 15,101 |
| | | **55,931** | 268,595 | | |

## 36. Related Party Transactions and Balances (continued)

(a) In addition to the balances elsewhere in the combined financial statements, the Group had the following material transactions and balances with related parties: *(continued)*

Details of amounts due to related companies are as follows:

| | *Notes* | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|---|
| Telecom Service Limited | (iii) & (viii) | **–** | 32,861 |
| Telecom Paging Limited | (iii) & (vii) | **–** | 1,226 |
| Oceanic Rich Limited | (iii) & (vii) | **–** | 62,798 |
| Glossy Investment Limited | (iii) & (vii) | **–** | 12,686 |
| Telecom Service One Limited | (iii) & (vii) | **862** | 1,400 |
| Telecom Service One (Macau) Limited | (iii) & (vii) | **–** | 3,169 |
| Kung Wing Enterprises Limited | (iii) & (vii) | **–** | 107 |
| Radiotex International Limited | (iii) & (vii) | **–** | 16,578 |
| | | **862** | 130,825 |

*Notes:*

(i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.

(ii) The rental income, sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.

(iii) Cheung Brothers, the directors of the Company have direct or indirect beneficial interests in the relevant parties.

(iv) Mr. Cheung King Shek, the director of the Company, has beneficial interests in the relevant party.

(v) Mr. Cheung King Fung Sunny, the director of the Company, has beneficial interests in the relevant party.

(vi) Mr. Cheung King Shek, Mr. Cheung King Fung, Mr. Cheung King Chuen Bobby, the directors of the Company, have beneficial interests in the company.

(vii) The amounts are unsecured, interest-free and repayable on demand.

(viii) The amount is unsecured, repayable on demand and carried interest at 1 month HIBOR per annum.

(ix) The amounts due from related parties were fully settled subsequent to the reporting period.

## 36. Related Party Transactions and Balances (continued)

### (b) Banking facilities

In addition to the pledge of the Group's bank deposits referred to in note 24, certain banking facilities of the Group during the years ended 31 March 2014 and 2013 were secured by the followings:

- Unlimited guarantees given by the directors of the Company;
- Unlimited corporate guarantees given by certain related companies of the Group; and
- Charge over properties of certain related companies situated in Hong Kong as at 31 March 2014 and 2013.

Subsequent to the reporting period, the guarantee provided by the directors and related companies, the charge over the properties of certain related companies were released.

(c) The amount due from an associate is trade in nature, unsecured, interest-free with 7 days credit term and aged within 30 days.

### (d) Compensation of key management personnel

The remuneration of key management during the years ended 31 March 2014 and 2013 was as follow:

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| Short-term benefits | **7,317** | 12,403 |
| Post-employment benefits | **279** | 161 |
| | **7,596** | 12,564 |

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.

## 37. Particulars of Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 March 2014 and 2013 are as follow:

| Name of subsidiaries | Place and date of incorporation or establishment/ operation | Class of shares held | Issued and fully paid share capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Telecom Digital Investment Limited | BVI 12 March 2014 | Ordinary | US$1 | 100% | — | Investment holding |
| Carries Technology Limited | Hong Kong 30 June 1987 | Ordinary | HK$300,000 | — | 100% | Installation, provision of maintenance and management services for paging transmission stations |
| Mango Limited | Hong Kong 5 August 2002 | Ordinary | HK$1,000 | — | 100% | Provision of technical support activities |
| Telecom Digital 2 Limited | Hong Kong 7 August 2002 | Ordinary | HK$1,000 | — | 100% | Provision of telecommunications services |
| Telecom Digital Services Limited | Hong Kong 17 September 2001 | Ordinary | HK$1,000 | — | 100% | Provision of management consultancy and professional services, sales of telecommunications products and provision of telecommunications services |
| Telecom Digital Mobile Limited | Hong Kong 27 August 2001 | Ordinary | HK$1,000 | — | 100% | Trading of telecommunications products and provision of operation services |
| Telecom Digital Data Limited | Hong Kong 3 September 1999 | Ordinary | HK$5,000,000 | — | 100% | Trading of telecommunications products and provision of paging services, maintenance services and two-way wireless data services |
| Telecom Macau | Macau 15 June 1977 | Ordinary | MOP100,000 | — | 100% | Trading of telecommunications products and provision of paging services |
| Telecom Service Network Limited | Hong Kong 3 September 1999 | Ordinary | HK$1,000 | — | 100% | Provision of distribution services |
| CKK Properties Limited (formerly known as "Telecom Digital Corporate Limited") | Hong Kong 19 January 1990 | Ordinary | HK$1,000 | — | 100% | Trading of telecommunications products and provision of paging services, maintenance services and two-way wireless data services |

None of the subsidiaries had any debt securities issued subsisting at the end of both years ended or any time during both years.

## 38. Events after the Reporting Period

### (a) Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange. Details of the Reorganisation are set out in the section headed "Reorganisation" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 20 May 2014.

### (b) Increase authorised share capital and issuance of shares

As detailed in note 28, there were increase in authorised share capital and issuance of shares by way of capitalisation and placing.

### (c) Share option scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 20 May 2014, the Company has conditionally adopted a share option scheme, details of which are set out in section headed "Share Option Scheme" in Appendix V to the Prospectus dated 26 May 2014.

### (d) Interim dividend

Subsequent to 31 March 2014, an interim dividend of HK$138,000,000 was declared and paid by the Company to its then shareholders in accordance with a resolution passed on 20 May 2014.

### (e) Completion of listing

On 30 May 2014, the shares of the Company have been listed on the GEM of the Stock Exchange.

### (f) Acquisition of office premises

Pursuant to the announcement made by the Company on 12 June 2014, the Group had entered into sales and purchase agreements with an independent third party to purchase certain office premises with aggregated considerations of approximately HK$86,870,000. As at the date of this report, the transaction was not yet completed.

# FINANCIAL SUMMARY

| | Year ended 31 March | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 |
| Revenue | **1,198,346** | 1,091,089 | 840,181 |
| Cost of inventories sold | **(832,569)** | (747,514) | (549,410) |
| Staff costs | **(109,882)** | (119,051) | (99,513) |
| Depreciation | **(17,707)** | (12,996) | (11,927) |
| Other income | **12,261** | 6,825 | 12,734 |
| Other operating expenses | **(182,454)** | (182,089) | (182,657) |
| Reversal of impairment loss recognised in respect of interest in an associate | **—** | 9,646 | — |
| Share of results of an associate | **23,295** | 12,983 | — |
| Finance costs | **(4,123)** | (4,352) | (3,021) |
| Profit before tax | **87,167** | 54,541 | 6,387 |
| Income tax (expense) credit | **(6,429)** | (4,157) | 520 |
| Profit for the year attributable to the owners of the Company | **80,738** | 50,384 | 6,907 |
| Other comprehensive (expenses) income | | | |
| *Item that will not be reclassified subsequently to profit or loss:* | | | |
| Actuarial (loss) gains on long service payments | **(568)** | (268) | 98 |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translating a foreign operation | **74** | (45) | (74) |
| Other comprehensive (expenses) income for the year | **(494)** | (313) | 24 |
| Total comprehensive income for the year attributable to the owners of the Company | **80,244** | 50,071 | 6,931 |
| Earnings per share (HK$) | | | |
| Basic and diluted | **0.27** | 0.17 | 0.02 |

| | As at 31 March | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 |
| **ASSETS AND LIABILITIES** | | | |
| Total assets | **408,902** | 698,212 | 403,075 |
| Total liabilities | **(270,368)** | (639,922) | (394,856) |
| | **138,534** | 58,290 | 8,219 |
| Equity attributable to owners of the Company | **138,534** | 58,290 | 8,219 |