SiS Mobile Holdings Limited
新龍移動集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1362

GLOBAL OFFERING

Sole Sponsor, Sole Global Coordinator and Sole Bookrunner

海通國際
HAITONG

* For identification purpose only

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

SiS Mobile Holdings Limited
新龍移動集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**44,800,000 Shares (subject to the Offer Size Adjustment Option)**
Number of Hong Kong Offer Shares	**:**	**4,480,000 Shares (subject to reallocation and the Offer Size Adjustment Option, and including 448,000 Employee Reserved Shares)**
Number of International Placing Shares	**:**	**40,320,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**
Offer Price	**:**	**Not more than HK$0.90 per Offer Share and expected to be not less than HK$0.73 per Offer Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)**
Nominal value	**:**	**HK$0.10 per Share**
Stock code	**:**	**1362**

Sole Sponsor

海通國際 HAITONG

Sole Global Coordinator and Sole Bookrunner

海通國際 HAITONG

Joint Lead Managers

海通國際 HAITONG

華晉證券資產管理有限公司 China Rise Securities Asset Management Co. Limited

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

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

The final Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Wednesday, 7 January 2015 and in any event, not later than Wednesday, 14 January 2015. The Offer Price will not be more than HK$0.90 and is currently expected to be not less than HK$0.73. If, for any reason, the final Offer Price is not agreed by Wednesday, 14 January 2015 between the Sole Global Coordinator (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Grounds for termination" in this prospectus.

* *For identification purpose only*

31 December 2014

We will issue an announcement in Hong Kong to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offering.

	2015 *(Note 1)*
Latest time for lodging **PINK** Application Forms at our Company's head office at 4/F, Contempo Place, 81 Hung To Road, Kwun Tong, Kowloon	12:00 noon on Tuesday, 6 January
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk** *(Note 2)*	11:30 a.m. on Wednesday, 7 January
Application lists open *(Note 3)*	11:45 a.m. on Wednesday, 7 January
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 7 January
Latest time to give **electronic application instructions** to HKSCC *(Note 4)*	12:00 noon on Wednesday, 7 January
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 7 January
Application lists close	12:00 noon on Wednesday, 7 January
Expected Price Determination Date *(Note 5)*	Wednesday, 7 January
Announcement of the final Offer Price, indication of the levels of interest in the International Placing, the basis of allotment and the results of applications in the Hong Kong Public Offering and the Employee Preferential Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) our website at **www.sismobile.com.hk** and the website of the Stock Exchange at **www.hkex.com.hk** on or before	Wednesday, 14 January

Announcement of results of allocations in the Hong Kong Public Offering and the Employee Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at **www.sismobile.com.hk** and the website of the Stock Exchange at **www.hkex.com.hk** (for further details, please refer to "How to apply for Hong Kong Offer Shares and Employee Reserved Shares — 11. Publication of Results" in this prospectus) from	Wednesday, 14 January
Results of allocations in the Hong Kong Public Offering and the Employee Preferential Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function on	Wednesday, 14 January
Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/ refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering or the Employee Preferential Offering on or before *(Notes 6 to 8)*	Wednesday, 14 January
Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering, the Employee Preferential Offering and to Parentco Qualifying Shareholders who are entitled to receive Shares under the Distribution on or before	Wednesday, 14 January
Dealings in the Shares on the Stock Exchange expected to commence on	9:00 a.m. on Thursday, 15 January
Despatch of cheques to Parentco Excluded Shareholders of the net proceeds of the sale of the Shares which they would otherwise receive pursuant to the Distribution on or before *(Note 9)*	Thursday, 29 January

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "**black**" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 7 January 2015, the application lists will not open on that day. For further details, please refer to "How to apply for Hong Kong Offer Shares and Employee Reserved Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to apply for Hong Kong Offer Shares and Employee Reserved Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

5. The Price Determination Date is expected to be on or around Wednesday, 7 January 2015. If, for any reason, the Offer Price is not agreed by 12:00 noon on Wednesday, 14 January 2015 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly and the Distribution will not be made.

6. Share certificates for the Offer Shares and the Shares to be distributed under the Distribution are expected to be issued on or before Wednesday, 14 January 2015 but will only become valid certificates of title at 8:00 a.m. on Thursday, 15 January 2015 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

7. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms and have provided all information required by their Application Forms may collect their refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 January 2015 or any other day that we publish in the newspaper as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

   Individuals who is eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which is eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

   Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Auto Refund payment instructions; Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

   Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to apply for Hong Kong Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

8. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$0.90 per Offer Share.

9. Parentco Excluded Shareholders will be entitled to the Distribution but will not receive the Shares. Instead, the Shares which they would otherwise receive pursuant to the Distribution will be sold by Parentco on their behalf as soon as reasonably practicable after commencement of dealings in the Shares on the Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale. For details of the Distribution, please refer to the section headed "The Spin-off and Distribution — The Distribution" in this prospectus.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to the section headed "Structure of the Global Offering" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Information contained in our website, located at www.sismobile.com.hk does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

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

OVERVIEW

We will be in a net loss position for the year ending 31 December 2014

Our net profit decreased from approximately HK$18.0 million in the six months ended 30 June 2013 to approximately HK$2.2 million in the six months ended 30 June 2014.

We are one of the leading distributors of mobile phones in Hong Kong with extensive distribution channels. According to the Ipsos Report, we were the largest distributors of mobile phones in Hong Kong in terms of revenue in 2013 with a market share of approximately 21.7%. During the three years ended 31 December 2013 and the six months ended 30 June 2014, we sold more than 157,000 units, 378,000 units, 318,000 units and 243,000 units of mobile phones, respectively.

During the Track Record Period, the majority of our revenue was derived from distribution of mobile phones of internationally renowned brands, such as the Renowned Korean Brand, Blackberry, Acer, Sugar and Alcatel One Touch. We act as the non-exclusive distributors of our suppliers and procure products from them in Hong Kong. We then sell and deliver these products to our distribution customers, who are wholesale customers, telecommunications services operators and chain retailers, in Hong Kong.

The table below sets forth our breakdown of revenue contribution and their percentage of our total revenue for each of the three years ended 31 December 2013 and each of the six months ended 30 June 2013 and 30 June 2014 respectively:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Mobile phones	455,751	88.7	1,232,678	89.5	1,127,614	88.5	535,021	89.0	749,652	88.5
Others *(Note)*	57,849	11.3	143,897	10.5	147,231	11.5	66,001	11.0	97,071	11.5
Total	513,600	100.0	1,376,575	100.0	1,274,845	100.0	601,022	100.0	846,723	100.0

Note: Others include (i) sales of tablets and service income from provision of customer support services for certain brands of products and (ii) sales of mobile phone accessories, TVs, home theatres, blu-ray players, digital still cameras, monitors and printers at our Partner Stores which were opened in 2013.

We are currently a wholly-owned subsidiary of Parentco, which will remain our Controlling Shareholder immediately following completion of the Spin-off. The Parentco Group is a technology product distribution and investment holding company which has been listed on the Main Board of the Stock Exchange since 1992.

Loss warning for the year ending 31 December 2014

Despite the improved gross profit margin during the four months ended 31 October 2014 as compared to the six months ended 30 June 2014, our Group's financial performance for the year ending 31 December 2014 will be adversely affected by (i) weaken demand from our wholesale customers brought by the prodemocracy Occupy Central protests, as approximately 24, 27, 32 and 37 of our wholesale customers in our distribution business for the three years ended 31 December 2013 and the six months ended 30 June 2014, which accounted for approximately 6.3%, 15.1%, 17.2% and 11.1% of our revenue during the same period, are operating in Mongkok area where some streets have been blocked by the protesters for an extended period of time, which in turn affected our sales; (ii) the decrease in gross profit and gross profit margin for the six months ended 30 June 2014 as compared to that for the six months ended 30 June 2013 (please refer to the section headed "Financial Information — Review of Historical Results of Operation" in this prospectus for reasons of decrease in gross profit and gross profit margin for six months ended 30 June 2014); (iii) the increase in rental expense for retail shops and higher staff costs to support increased level of sales activities; (iv) the non-recurring expenses incurred in relation to the Listing as detailed in the section headed "Summary — Listing expenses" in this prospectus. Our Group expects that listing expenses amounting to HK$22.1 million will be charged to our consolidated income statement for the year ending 31 December 2014. The said listing expenses are based on a current estimate and are for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions; (v) the launching of key new mobile phone models by a major competitor of the Renowned Korean Corporation in September 2014; and (vi) the relatively fewer supply of key newly launched mobile phone models of our major suppliers during the four months ended 31 October 2014 compared to the corresponding period in 2013. Taking into account of the above factors, we consider that our Group's financial performance will be adversely affected and **we will be in a net loss position for the year ending 31 December 2014**.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

- One of the market leaders in the mobile phones distribution business in Hong Kong supported by a sizable and growing distribution network
- Established relationship with our major suppliers
- Wide and diversified customer base with long and established relationships with our distribution customers
- Experienced management team with proven track record and focus on human capital

BUSINESS STRATEGIES

We aim to maintain our leading position in Hong Kong. We will continue to seek market share by pursuing the following strategies:

- Continue to broaden our product offerings and brand portfolio
- Further expand our distribution network and strengthen the quality of customer services provided by our sales team
- Enhance our management capability and efficiency by implementing a new ERP system
- Acquisition of premises as our new office and warehouse to reduce operating costs

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business, risks relating to the industry and risks relating to the Global Offering. In particular, since we rely heavily on a few suppliers for our business, including the Renowned Korean Corporation, if such suppliers unilaterally terminate their relationship with us, it could jeopardize our ability to deliver products to our customers and result in cancellation of orders and loss of our revenue and market share. In addition, certain of our suppliers provide various sales incentive and price protection compensation and reduction in such sales incentive and price protection compensation may cause our gross profit to decline. Moreover, a substantial amount of our Group's revenue was derived from our major customers. If there is any change in the industry landscape such that our major customers and suppliers choose to deal with one another directly, our competitiveness may be affected. Furthermore, our revenue and profitability depend on customer preferences and spending patterns, which are outside of our control and extremely difficult to predict. Our products by their nature are subject to short life cycle which depends on the level of competition, the launch of other new mobile phone models and the pace of technological development, which we have no control over.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed "Risk Factors" in this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in the press articles, research analysts' reports or other media regarding us and the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

OUR SUPPLIERS

We have two types of suppliers, namely suppliers of mobile phones and tablets which we act for them as authorised distributors and suppliers of mobile phone accessories, electronic products and electrical appliances. As at 31 December 2011, 2012 and 2013 and 30 June 2014, we had in total 6, 9, 8 and 8 suppliers for mobile phones, respectively.

During the Track Record Period, the aggregate purchases attributable to our five largest suppliers represented approximately 98.6%, 99.3%, 98.9% and 99.7% of our total purchases, respectively. For the same periods, the purchases attributable to our largest supplier, represented approximately 55.6%, 86.8%, 86.1% and 96.0% of our total purchases, respectively. We have maintained business relationships for more than 4 years with most of our five largest suppliers during each of the three years ended 31 December 2013 and the six months ended 30 June 2014.

OUR CUSTOMERS

We have two types of customers, namely (a) distribution customers, which include wholesale customers, telecommunications services operators and chain retailers, and (b) retail customers. A majority of our revenue was contributed from our sales to wholesale customers during the Track Record Period. For the three years ended 31 December 2013 and the six months ended 30 June 2014, we have transacted with an aggregate of 185, 243, 264 and 263 distribution customers, respectively.

During the Track Record Period, our revenue from our five largest customers accounted for approximately 47.6%, 44.1%, 35.9% and 56.9% of our total revenue for the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. Our revenue from our largest customer, accounted for approximately 11.1%, 20.0%, 14.2% and 35.0% of our total revenue during the same periods, respectively. We have maintained business relationships for more than 3 years with most of our five largest customers during each of the three years ended 31 December 2013 and the six months ended 30 June 2014.

The table below sets forth the breakdown of our revenue contribution by sales channel during each of the periods indicated:

	For the year ended 31 December									For the six months ended 30 June					
	2011			2012			2013			2013			2014		
	No. of distribution customers/ Partner Stores	Revenue	Percentage of total revenue	No. of distribution customers/ Partner Stores	Revenue	Percentage of total revenue	No. of distribution customers/ Partner Stores	Revenue	Percentage of total revenue	No. of distribution customers/ Partner Stores	Revenue	Percentage of total revenue	No. of distribution customers/ Partner Stores	Revenue	Percentage of total revenue
		HK$'000	*%*		*HK$'000*	*%*		*HK$'000*	*%*		*HK$'000* (unaudited)	*%*		*HK$'000*	*%*
Distribution															
Wholesale customers	177	342,720	66.7	234	974,009	70.8	254	908,648	71.3	218	424,983	70.7	253	734,877	86.8
Telecommunications services operators and chain retailers	8	170,880	33.3	9	402,566	29.2	10	336,884	26.4	10	172,316	28.7	10	91,058	10.7
Sub-total	185	513,600	100.0	243	1,376,575	100.0	264	1,245,532	97.7	228	597,299	99.4	263	825,935	97.5
Retail															
Partner Stores *(Note)*	—	—	—	—	—	—	2	29,313	2.3	1	3,723	0.6	2	20,788	2.5
Total	185	513,600	100.0	243	1,376,575	100.0	266	1,274,845	100.0	229	601,022	100.0	265	846,723	100.0

Note: These Partner Stores refer to our two stores in Yuen Long and Tseung Kwan O established in 2013 for sales of products of the Renowned Korean Brand. For further details, please refer to the section headed "Our Business — Our relationship with the Renowned Korean Corporation" in this prospectus.

OUR RELATIONSHIP WITH THE RENOWNED KOREAN CORPORATION

In recent years, we focused on the distribution of mobile phones of the Renowned Korean Brand to wholesale customers in Hong Kong. Our revenue generated from our sale of products of the Renowned Korean Brand accounted for approximately 51.1%, 85.5%, 85.4% and 95.2% of our total revenue during the three years ended 31 December 2013 and the six months ended 30 June 2014. Synergy, our wholly-owned subsidiary which we acquired from an Independent Third Party in July 2011, commenced business relationship with the Renowned Korean Corporation in 2009, which was before our acquisition of Synergy in 2011. The term of our supply agreement with the Renowned Korean Corporation is one year which will be automatically renewed unless earlier terminated. Either party may terminate the supply agreement in the event that, among others, any party fails to remedy the material breach of contract within 30 days of written notice given by the non-defaulting party (material breach on our part may include distributing the products outside the authorised territory, altering the packaging of the products and failing to settle payment with the Renowned Korean Corporation according to the agreed payment terms) or any party gives a 30-day notice to the other party.

Our focus on the sale of products of the Renowned Korean Brand is in line with our Group's strategy to follow the latest trend in prevailing consumer preference and popularity of products. It is also an industry norm among mobile phone distributors in Hong Kong to focus on the supply and distribution of only a limited numbers of mobile phone brands, according to the Ipsos Report. We are an established distributor of mobile phones in Hong Kong. With our extensive industry knowledge and experience, we have developed and maintained strong successful relationships with a number of suppliers of international renowned brands and have established a wide and diversified sales network in Hong Kong. Based on the aforesaid, in the unlikely event that our current business relationship with the Renowned Korean Corporation deteriorates, we believe that we will be able to adjust our business direction swiftly to face any new challenges. We have from time to time identified potential brands to cooperate with. For instance, we had commenced business relationship with Lenovo since late October 2014 to distribute its products in Hong Kong. As a contingency plan, we would continue to (i) increase the quantity of mobile phones of such brands that we distribute and/or tap into the business of distributing other types of products that they supply; and (ii) explore the possibility of cooperating with and distributing other brands or new brands of mobile phones which we consider has good market potential according to the industry insights of our Directors and our understanding of the prevailing consumer preference and popularity of products.

For further details of our relationship with the Renowned Korean Corporation, please refer to "Our Business — Our Relationship with the Renowned Korean Corporation" in this prospectus.

INFORMATION OF CONTROLLING SHAREHOLDER

Immediately after completion of the Global Offering and Capitalisation Issue, Parentco will beneficially own approximately 52.33% of our issued share capital if the Offer Size Adjustment Option is not exercised, or approximately 51.11% of our issued share capital if the Offer Size Adjustment Option is exercised in full. Parentco was incorporated in Bermuda as an exempted company with limited liability on 8 July 1992, the shares of which have been listed on the Stock Exchange since 18 August 1992. Please refer to the section headed "History and Reorganisation" in this prospectus for further details of Parentco.

THE SPIN-OFF

Parentco submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules ("**PN15**") in relation to the Spin-off and, on 22 September 2014, the Stock Exchange had confirmed that Parentco may proceed with the Spin-off. The reduction of Parentco's shareholding interest in our Company following completion of the Spin-off constitutes a major transaction of Parentco under the Listing Rules. The Spin-off is therefore subject to, among other things, the approval of the shareholders of Parentco under PN15 and the Listing Rules. Our Company will comply with the requirements under PN15 and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

BUSINESS DELINEATION BETWEEN OUR GROUP AND THE REMAINING PARENTCO GROUP

As a result of the Spin-off, our Group will be principally engaged in the distribution of mobile phones products and confines its operation mainly in Hong Kong whereas the Remaining Parentco Group will focus on the following businesses, which include: (i) distribution of I.T. and related products (such as printers and other computer hardware and software products, which are significantly different from mobile phones products) generally in Asia, (ii) investments in real estate properties consisting of hotel, commercial, industrial and residential properties; and (iii) investments in promising businesses and/or I.T. companies. As such, there is clear business delineation between the respective products and/or services supplied by our Group and the Remaining Parentco Group as they are either of a different nature or of a different geographical location. In practice, their respective business operations are independent from each other. Our Group does not rely on the Remaining Parentco Group for its business development, staffing, logistics, administration, finance, I.T., sales and marketing or company secretarial functions. Our Group has its own departments specialising in these respective areas which have been in operations and are expected to continue to operate separately and independently from the Remaining Parentco Group. In addition, our Group has its own headcount of employees for its operations and management for human resources.

For further details of our relationship with the Remaining Parentco Group, please refer to the section headed "Relationship with Controlling Shareholder" in this prospectus.

THE DISTRIBUTION

As part of the Spin-off, the board of directors of Parentco conditionally approved the Distribution on 22 December 2014, under which each Parentco Qualifying Shareholder will be entitled to thirty-two Shares for every one hundred Parentco Shares held as at the close of business on the Distribution Record Date or equivalent cash payment (after deducting expenses) (as appropriate). Based on the issued share capital of Parentco on the Latest Practicable Date and assuming Parentco will not issue new shares prior to the Distribution Record Date, to effect the Distribution, subject to the Global Offering becoming unconditional in all respects, a total of 88,668,443 Shares will be distributed under the Distribution and immediately following such Distribution, Parentco will hold 146,531,557 Shares, representing approximately 52.33% of the entire issued share capital of the Company as enlarged by the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

Parentco Excluded Shareholders (if any) will be entitled to the Distribution but will not receive the Shares. Instead, the Shares which they would otherwise receive pursuant to the Distribution will be sold by Parentco on their behalf as soon as reasonably practicable after commencement of dealings in the Shares on the Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale. The proceeds of such sale, net of expenses, will be paid to the Parentco Excluded Shareholders in Hong Kong dollars. Such payment is expected to be made on or before 29 January 2015.

The Distribution is conditional upon the Global Offering becoming unconditional in all respects. Please refer to the section headed "The Spin-off and Distribution" in this prospectus for further details.

USE OF PROCEEDS

Assuming an Offer Price of HK$0.82, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of approximately HK$9.3 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Offer Size Adjustment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

(i) approximately 11.0%, or HK$1.0 million, will be used for implementation of a new ERP system to further improve our operational management capability. Total cost for the upgrade of our information system is estimated at about HK$1.3 million which we intend to finance by the net proceeds of HK$1.0 million from the Global Offering and the remaining by internal resources;

(ii) approximately 79.7%, or HK$7.4 million, will be used for acquisition of property as our new office and warehouse. Total capital expenditure for the purchase of premises and the expansion of our office and warehouse is estimated at about HK$57.0 million which we intend to finance by the net proceeds of HK$9.4 million from the Global Offering in about 3 years after Listing and the remaining by bank mortgage loan and internal resources; and

(iii) approximately 9.3%, or HK$0.9 million, will be used for working capital and other general corporate purposes.

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

SUMMARY OF FINANCIAL INFORMATION

Highlights of combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	Amount	**Amount**	**Amount**	**Amount**	**Amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	513,600	1,376,575	1,274,845	601,022	846,723
Cost of sales	(496,027)	(1,309,630)	(1,218,869)	(573,222)	(823,157)
Gross profit	17,573	66,945	55,976	27,800	23,566
Profit before tax	6,571	53,001	38,196	20,664	3,893
Income tax expense	(1,446)	(8,304)	(4,705)	(2,619)	(1,661)
Profit and total comprehensive income attributable to owners of our Company for the year/period	5,125	44,697	33,491	18,045	2,232

Our revenue increased by approximately HK$863.0 million or 168.0% to approximately HK$1,376.6 million for the year ended 31 December 2012 from approximately HK$513.6 million for the year ended 31 December 2011. Such increase was mainly because less than half year's revenue contribution was recorded in 2011 from our major subsidiary Synergy as it became a member of our Group since July 2011.

Our gross profit decreased by approximately HK$4.2 million or approximately 15.1% from approximately HK$27.8 million for the six months ended 30 June 2013 to approximately HK$23.6 million for the six months ended 30 June 2014, which was mainly caused by the special discounted price offered to certain of our distribution customers who purchased mobile phones in bulk. We had offered special discounted price to certain of our distribution customers for the sales of certain mobile phones in bulk during each of the three years ended 31 December 2013. We conducted more bulk sales during the six months ended 30 June 2014 as compared to the same period in 2013 to boost profit as fewer new mobile phone models were launched during such period. Our gross profit margin decreased from approximately 4.6% for the six months ended 30 June 2013 to approximately 2.8% for the six months ended 30 June 2014, which was mainly due to decrease in gross profit margin of our distribution business driven by the fact that fewer new mobile phone models launched during the six months ended 30 June 2014 as compared to the same period in 2013 to boost the gross profit, as such, we conduct more bulk sales, which was with lower gross profit margin. Our profit for the period decreased by approximately HK$15.8 million or approximately 87.7% to approximately HK$2.2 million for the six months ended 30 June 2014 from approximately HK$18.0 million for the six months ended 30 June 2013. Such decrease was attributable to (i) the decrease in our gross profit margin, (ii) the change from fair value gain to loss of derivative financial instruments, (iii) the increase in rental expenses, and (iv) the proportion of the listing expenses incurred in the first half of 2014.

The following table sets forth, for the periods indicated, a breakdown of our cost of sales by nature:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Cost of inventories sold	511,763	103.2	1,338,185	102.2	1,300,853	106.7	595,387	103.9	946,777	115.0
Less:										
Sales incentive	(14,883)	(3.0)	(24,625)	(1.9)	(75,133)	(6.1)	(20,617)	(3.6)	(118,914)	(14.4)
Price protection compensation	(853)	(0.2)	(3,930)	(0.3)	(6,851)	(0.6)	(1,548)	(0.3)	(4,706)	(0.6)
Total	496,027	100.0	1,309,630	100.0	1,218,869	100.0	573,222	100.0	823,157	100.0

Sales incentive we received represents price discount offered by some of our suppliers in respect of sales of specified models of mobile phones based on the volume of products sold by us to our customers within a specified period so as to encourage our sales. Sales incentive recognised for each of the three years ended 31 December 2013 was mainly driven by the marketing strategy of the relevant supplier to encourage our purchases from such supplier and our sales of certain models of mobile phones to our customers during the period. The increase in sales incentive amount for the year ended 31 December 2013 as compared to the corresponding period in 2012 and for the year ended 31 December 2012 as compared to the corresponding period in 2011 was mainly attributable to the increase in sales incentive programs offered by Renowned Korean Corporation as a result of (i) the accumulated mobile phone models available for sales since 2011; and (ii) its business strategy to expand its market share due to the fierce competition. The increase in sales incentive recognised for the six months ended 30 June 2014 was mainly attributable to the significant increase in demand from certain customers for back-to-back bulk sales of certain products which we were offered sales incentive from the Renowned Korean Corporation. Such sales incentive is unilaterally determined by the Renowned Korean Corporation and is determined on a case by case basis with reference to various factors such as the then market conditions and the marketing strategy of the supplier with respect to the relevant product and the amount of sales incentive is determined with reference to the volume of products sold by us.

Price protection compensation mechanism allows us to claim decrease of value on inventories when the supplier decides to reduce the retail price of a mobile phone product. Under the supply agreement between us and the Renowned Korean Corporation, we are entitled to claim, within a prescribed period, price protection compensation from the Renowned Korean Corporation upon reduction of a retail price of any mobile phone that we purchased from them excluding those for demonstration purpose. The increase in the amount of price protection compensation during the Track Record Period was driven by the increase in the frequency and magnitude of the price reductions of the relevant mobile phone models which in turn was affected by the market acceptance of relevant mobile phone model at the material time. Such price protection compensation is unilaterally determined by our suppliers. The Renowned Korean Corporation normally would inform us the new suggested retail price and the amount of price protection compensation for each mobile phone model on a case by case basis as determined by them a few days before such retail price reduction becomes effective. There are no consistent factors which explained the Renowned Korean Corporation's unilateral determination of the amount of price protection compensation. However, the Company is aware of that factors which have been taken into account by the Renowned Korean Corporation when determining such price protection compensation are the amount of reduction in retail price and our procurement quantity within a prescribed period prior to the retail price reduction.

Our gross profit will be adversely affected if the amount of sales incentive or price protection compensation is not taken into account when assessing our financial performance. Based on our industry knowledge and our prior experience in dealings with the suppliers, our Directors are of the view that the mechanism for provision of sales incentive by our suppliers and price protection compensation by Renowned Korean Corporation in the foreseeable future will not be materially different from the existing mechanism adopted.

For details, please refer to the section headed "Financial Information — Review of Historical Results of Operation" in this prospectus.

Gross profit and gross profit margin by sales channel

	For the year ended 31 December						For six months ended 30 June			
	2011		2012		2013		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Distribution	17,573	3.4	66,945	4.9	50,858	4.1	27,014	4.5	19,603	2.4
Retail	—	—	—	—	5,118	17.5	786	21.1	3,963	19.1
Total	17,573	3.4	66,945	4.9	55,976	4.4	27,800	4.6	23,566	2.8

Sales volume and average selling price of mobile phones

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Sales Volume	Average Selling price	Sales Volume	Average Selling price	Sales Volume	Average Selling price	Sales Volume	Average Selling price	Sales Volume	Average Selling price
	units	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*
Mobile phones	157,972	2,885	378,637	3,256	318,837	3,537	145,566	3,675	243,015	3,085

Our sales volume of mobile phone increased significantly from 2011 to 2012 due to the acquisition of Synergy as explained above. The average selling price decreased from HK$3,675 for the six months ended 30 June 2013 to HK$3,085 for the same period in 2014, which was mainly attributable to the special discounted price offered to certain distribution customers We had offered special discounted price to certain of our distribution customers for the sales of certain mobile phones in bulk during each of the three years ended 31 December 2013. We conducted more bulk sales during the six months ended 30 June 2014 as compared to the same period in 2013 to boost profit as fewer new mobile phone models were launched during such period.

Highlights of combined statements of financial position

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total non-current assets	121	2,009	2,015	1,610
Total current assets	123,058	132,628	220,444	201,950
Total current liabilities	115,315	82,076	136,407	115,276
Net current assets	7,743	50,552	84,037	86,674
Total equity	7,864	52,561	86,052	88,284

We recorded net current assets of approximately HK$7.7 million, HK$50.6 million, HK$84.0 million and HK$86.7 million as at 31 December 2011, 2012, 2013 and 30 June 2014, respectively. Our Group's net current assets increased from approximately HK$7.7 million as at 31 December 2011 to approximately HK$50.6 million as at 31 December 2012, mainly due to the combined effect of (i) an increase in inventories of approximately HK$21.3 million to facilitate our business expansion; and (ii) a decrease in amount due to related companies of approximately HK$27.5 million as we repaid the advances from related companies.

Highlights of combined statements of cash flows

	For the year ended 31 December			For six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash (used in) from operating activities	(23,996)	27,438	52	(16,688)	(628)
Net cash from (used in) investing activities	3,367	(3,281)	(1,030)	(625)	(241)
Net cash from (used in) financing activities	41,811	(27,513)	13,012	22,007	(1,583)
Net increase (decrease) in cash and cash equivalents	21,182	(3,356)	12,034	4,694	(2,452)
Cash and cash equivalents at the beginning of the year/period	441	21,623	18,267	18,267	30,301
Cash and cash equivalents at the end of the year/period	21,623	18,267	30,301	22,961	27,849

We have recorded negative net cash flow from operating activities of approximately HK$24.0 million, HK$16.7 million and HK$0.6 million for the years ended 31 December 2011 and the six months ended 30 June 2013 and 30 June 2014, respectively. Our negative operating cash flow for the years ended 31 December 2011 and the six months ended 30 June 2013 and 2014 was mainly due to procurement of our products. We recorded net cash generated from operating activities of approximately HK$27.4 million and HK$52,000 for the years ended 31 December 2012 and 2013, respectively. For details of fluctuation of our cash flow from operating activities during the Track Record Period, please refer to the section headed "Financial Information — Liquidity and Capital Resources" in this prospectus.

Our key financial ratios

The following table sets forth our key financial ratios as of the dates or for the period as indicated:

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
Gross profit margin (%)	3.4	4.9	4.4	2.8
Net profit margin (%)	1.0	3.2	2.6	0.3
Net profit margin excluding the fair value on derivative financial instruments (%)	2.1	2.9	1.9	0.5
Return on equity (%)	65.2	85.0	38.9	N/A
Return on total assets (%)	4.2	33.2	15.1	N/A

	As at 31 December			As at 30 June
	2011	2012	2013	2014
Current ratio	1.1	1.6	1.6	1.8
Gearing ratio (%)	977.6	103.2	80.9	79.5
Net debt to equity ratio (%)	702.7	68.4	45.7	48.0

The return on equity and return on total asset increased during the period from 2011 to 2012, which was mainly attributable to the percentage increase in net profit, contributed by the significant increase in our revenue, outweighed the percentage increase in shareholders' equity and the total assets. These ratios then decreased during the period from 2012 to 2013 due to the decrease in net profit and the increase in total equity and asset resulting from profit accumulation. The higher gearing ratio and net debt to equity ratio in 2011 was mainly attributable to our limited amount of equity and the significant amount due to related companies in respect of advances from related companies to support our business in the early stage. These ratios decreased during the Track Record Period as a result of the repayment of amounts due to related companies and the increase in total equity resulting from the accumulation of profit. Please refer to the section headed "Financial Information — Key Financial Ratios" in this prospectus for detailed description of the calculation of the above ratios.

Listing expenses

Assuming an Offer Price of HK$0.82 per Offer Share, being the mid-point of the indicative Offer Price range, the listing expenses to be borne by our Company are currently estimated to be approximately HK$27.4 million, of which approximately HK$5.3 million is directly attributable to the Global Offering to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK$22.1 million is to be charged to the combined income statement, of which approximately HK$1.5 million was charged to the combined income statement for the six months ended 30 June 2014, and approximately HK$20.6 million is expected to be charged to our consolidated statement of profit or loss for the year ending 31 December 2014.

RECENT DEVELOPMENT

Based on our unaudited management accounts, our revenue for the four months ended 31 October 2014 decreased by approximately 15.7% as compared to the corresponding period in 2013. The decrease in revenue was primarily due to (i) the anticipated launching of key new mobile phone models by major competitor of Renowned Korean Corporation in September 2014 which in turn affected the sales of the brands of mobile phones that we distributed during the four months ended 31 October 2014. The impact brought by the launching of key new mobile phone models by such competitor in September 2014 was more significant than the launching of key new mobile phone models by the same competitor in September 2013; and (ii) relatively fewer supply of key newly launched mobile phone models of our major suppliers during the four months ended 31 October 2014 compared to the corresponding period in

2013. Our gross profit margin improved during the four months ended 31 October 2014 as compared to the six months ended 30 June 2014. Such improved financial performance was mainly attributable to more sales incentive and price protection compensation claims obtained from our suppliers.

We note that there were various articles as appeared in certain websites (including reputable research agencies) reporting the recent performance of the Renowned Korean Brand as below:

- *The Renowned Korean Brand was the only company among the top five to see its global shipment volume decline year over year.*

- *One of the flagship mobile phones of the Renowned Korean Brand has suffered in the high-end market from the popularity of the key new mobile phone models of its major competitor, while its dominance in the other mobile phones segment has been challenged by the Chinese handset makers.*

- *As part of its strategy under the intense market competition environment and to focus on the development of its flagship models, according to the management of the Renowned Korean Corporation, the Renowned Korean Corporation plans to decrease the number of mobile phone models to be launched in 2015.*

- *It is announced that the Renowned Korean Corporation will launch new series of mobile phones targeting at mid-range sector in the upcoming months, which is expected to compete against its rivals including the Chinese handset makers.*

- *It was reported that the Renowned Korean Corporation has sold 4.5 million units of its new flagship phablet within 30 days from its launch and is outpacing the sales of its predecessor model, and the holiday shopping season as well as the expanded availability of phablets are drawn to the Renowned Korean Corporation's favour.*

Most of these articles have not disclosed the source of the reported information while certain articles were published by reputable research agencies. As such, the information contained in these articles has not been independently verified by us. We were not aware that the Renowned Korean Corporation has specifically issued any response to the content of these articles on the official website of the Renowned Korean Corporation. Accordingly, no representation is given as to the accuracy of the content of these articles. The Sole Sponsor concurs with our findings. According to the Ipsos Report, the Renowned Korean Brand had a market share of about 25.4% of the retail sales volume of mobile phones in Hong Kong during the nine months ended 30 September 2014.

Recently, there are a few Chinese handset makers adopting an unconventional mobile phones sales model by selling mobiles phones to retailers, chain retailers and/or telecommunications services operators directly without relying on local distributors. Some of them also have stronger reliance on E-commerce channels and social networking sites in sales and marketing than other mainstream mobile phone brands do. According to the Ipsos Report, these Chinese handset makers have adopted a lean chain of distribution model as their current business focuses are on cost-cutting and sales of mid to low-end price range of mobile phones, which are contrary to the mass market strategy of other mainstream mobile phone brands in Hong Kong, including the Renowned Korean Brand. According to the Ipsos Report, it is expected that the conventional distribution channel will continue to remain as the major distribution channel in Hong Kong. Also, these Chinese handset makers have brought very limited impact to the prevailing consumption behavior of retailers in Hong Kong and e-commerce remains as a minor sales channel in the local mobile phones market. Moreover, market share of these Chinese handset makers remained small. Based on the aforesaid, we do not foresee that the new distribution model of Chinese handset makers will bring major changes to the local mainstream mobile phone distribution landscape, and thus we are of the view that the impact to us will be limited.

Our business and prospects are dependent on the popularity of products of the Renowned Korean Brand and the market acceptance of different newly launched products of our suppliers may not be consistent. The Renowned Korean Brand is currently one of the leading brand of mobile phones globally and is expected to remain as one of the leaders in the upcoming future. We believe that our relationship with them is in line with our Group's strategy to follow the prevailing consumer preference and popularity of products and is also in line with the local industry practice to focus on the distribution of a few major brands in order to reinforce the relationship with the key supplier. We are one of the market leaders in the mobile phones distribution business in Hong Kong, supported by a growing distribution network. We have been able to adapt to the market development in light of the changing popularity of brands and mobile phone models and have been able to develop and maintain strong successful relationships with a number of suppliers of internationally renowned brands. We have also maintained dialog with other brands with market potential according to our understanding of the prevailing consumer preference. On the basis of the aforesaid, we believe that our business is sustainable.

Our Directors confirm that as at the Latest Practicable Date, there has been no material build-up in inventory due to price protection compensation and sales incentive.

In the event that our sales of products of the Renowned Korean Brand does not meet our expectation, we believe that we will be able to respond to market challenges in a timely manner and adjust our business direction swiftly to face any new challenges. For more details, please refer to the section headed "Our Business — Sustainability of the Business of our Group" in this prospectus. If we fail to successfully anticipate and respond to changes in consumer demand of the major brand that we distribute and implement effective and responsive merchandising and marketing strategies, we may experience lower sales volumes, excess inventories and lower gross margins. Such could have an adverse effect on our results of operations and financial position.

Save as disclosed in the sub-section headed "Recent Development" in this section, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospectus since 30 June 2014 and there has been no event since 30 June 2014 which would materially affect the information in our consolidated financial statement included in the Accountants' Report set forth in Appendix I to this prospectus.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$0.73	Based on an Offer Price of HK$0.90
Market capitalisation of the Shares(1)	HK$204.4 million	HK$252.0 million
Unaudited pro forma adjusted net tangible assets per Share(2)	HK$0.34	HK$0.37

Notes:

(1) The calculation of market capitalisation is based on each indicative Offer Price and 280,000,000 Shares in issue immediately after completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after the adjustments referred to in the section headed "Financial Information — Unaudited pro forma adjusted net tangible assets" in this prospectus and on the basis of 280,000,000 Shares in issue immediately after completion of the Global Offering.

DIVIDEND AND DIVIDEND POLICY

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

No dividend or distribution has been declared or made by our Company or any of the companies now comprising our Group during the Track Record Period.

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s), **PINK** application form(s) and **GREEN** application form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on 16 December 2014 and as amended from time to time, a summary of which is contained in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "our Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 235,190,000 new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Global Offering as referred to in the section headed "Statutory and General Information — A. Further Information about Our Company — 3. Resolutions in Writing of the Sole Shareholder of Our Company Passed on 16 December 2014" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
"CCASS Custodian Participant(s)"	person(s) admitted to participate in CCASS as custodian participant(s)
"CCASS Investor Participant(s)"	person(s) admitted to participate(s) in CCASS as investor participant(s)
"CCASS Participant(s)"	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)

"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Companies Law"	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "our Company"	SiS Mobile Holdings Limited, an exempted company incorporated in the Cayman Islands on 4 July 2014 under the Companies Law with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Parentco
"Deed of Non-Competition"	the deed of non-competition dated 24 December 2014 given by Parentco in favour of our Company pursuant to which Parentco agreed not to, among other things, engage or participate in any business which is in competition with our business
"Director(s)"	the director(s) of our Company
"Distribution"	(subject to the Global Offering becoming unconditional in all respects) the payment of a special interim dividend by Parentco to the Parentco Shareholders to be satisfied: (a) by way of distribution in specie of such number of Shares to the Parentco Qualifying Shareholders in the proportion of thirty-two Shares for every one hundred Parentco Shares held by them as at the close of business on the Distribution Record Date; and (b) by way of cash payment (after deducting expenses) to the Parentco Excluded Shareholders for such amount which equals to the net proceeds of the sale by Parentco on their behalf of the Shares to which such Parentco Excluded Shareholders would otherwise be entitled to receive. For details of the Distribution, please refer to the section headed "The Spin-off and Distribution — The Distribution" in this prospectus.

"Distribution Record Date"	12 January 2015, being the record date for ascertaining entitlements to the Distribution
"Eligible Employees"	all full-time employees (as defined under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)) of our Group who have joined our Group on or before the Latest Practicable Date and have a Hong Kong address
"Employee Preferential Offering"	the offer of up to 448,000 Hong Kong Offer Shares to Eligible Employees as described in the section "Structure of the Global Offering — Employee Preferential Offering" in this prospectus
"Employee Reserved Shares"	the 448,000 Hong Kong Offer Shares (representing 1% of the Offer Shares initially available under the Global Offering) available in the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Gold Sceptre"	Gold Sceptre Limited, a company incorporated in the BVI on 23 June 1992
"**GREEN** Application Form(s)"	the application form(s) to be completed by the HK eIPO White Form Service Provider
"Group" or "our Group" or "we" or "us"	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Haitong" or "Sole Sponsor"	Haitong International Capital Limited, acting as the sole sponsor of the Global Offering, a licensed corporation to conduct type 6 (advising on corporate finance) of the regulated activity for the purpose of the SFO
"Haitong Securities" or "Sole Global Coordinator" or "Sole Bookrunner"	Haitong International Securities Company Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities for the purpose of the SFO, being the sole global coordinator and sole bookrunner of the Global Offering
"HK$" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

"HK eIPO White Form"	the application of Hong Kong Offer Shares for issue in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by the Company, as specified on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong Legal Advisers"	Cleary Gottlieb Steen & Hamilton (Hong Kong), our legal advisers as to Hong Kong laws
"Hong Kong Offer Shares"	the 4,480,000 new Shares (subject to reallocation and the Offer Size Adjustment Option) initially offered by our Company for subscription in the Hong Kong Public Offering, as described under the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the issue and offer of the Hong Kong Offer Shares for subscription in Hong Kong at the Offer Price (plus brokerage, Stock Exchange trading fee and SFC transaction levy) on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering, whose names are set out under the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 30 December 2014 entered into by, among others, us, the Sole Global Coordinator and the Hong Kong Underwriters relating to the Hong Kong Public Offering
"Independent Third Party(ies)"	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates

"International Placing"	the placing of the International Placing Shares at the final Offer Price to professional, institutional and other investors, as described under the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 40,320,000 Shares initially offered by our Company for subscription under the International Placing, subject to reallocation and the exercise of the Offer Size Adjustment Option, as described under the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	our Group of international underwriters that is expected to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around 7 January 2014 by, among others, us, the Sole Global Coordinator and the International Underwriters relating to the International Placing
"Ipsos"	Ipsos Hong Kong Limited, an Independent Third Party, an independent market research company which prepared the Ipsos Report
"Ipsos Report"	a report dated 29 December 2014 in respect of, among other things, the mobile phone distribution and retail market in Hong Kong, issued by Ipsos and commissioned by us
"Joint Lead Managers"	Haitong International Securities Company Limited and China Rise Securities Asset Management Company Limited
"Latest Practicable Date"	22 December 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Lim's Family"	Mr. Lim Kiah Meng and Mr. Lim Kia Hong (including their respective spouses and children aged below 18) and Mr. Lim Hwee Hai and Madam Lim Hwee Noi
"Listing"	the listing of our Shares on the Stock Exchange
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Date"	the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange, which is expected to be on or about Thursday, 15 January 2015

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Macau"	the Macau Special Administrative Region of the PRC
"Madam Lim Hwee Noi"	Madam Lim Hwee Noi (林慧蓮), the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai
"Main Board"	the stock market operated by the Stock Exchange, which excludes the Growth Enterprise Market of the Stock Exchange and the options market
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
"Mr. Lim Hwee Hai"	Mr. Lim Hwee Hai (林惠海), the non-executive Director and the brother-in-law of Mr. Lim Kiah Meng and Mr. Lim Kia Hong
"Mr. Lim Kiah Meng"	Mr. Lim Kiah Meng (林家名), the executive Director and managing director of our Group, brother of Mr. Lim Kia Hong and brother-in-law of Mr. Lim Hwee Hai
"Mr. Lim Kia Hong"	Mr. Lim Kia Hong (林嘉豐), the non-executive Director and chairman of our Group
"Ms. Chu Chung Yi"	Ms. Chu Chung Yi (朱頌儀), the independent non-executive Director of our Group
"Ms. Fauzijus Tjandra"	Ms. Fauzijus Tjandra who is the spouse of Mr. Lim Kiah Meng
"Ms. Tan Kah Leng"	Ms. Tan Kah Leng who is the spouse of Mr. Lim Kia Hong
"Nomination Committee"	the nomination committee of the Board
"OFCA"	The Office of Communications Authority
"Offer Price"	the offer price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares

"Offer Size Adjustment Option"	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 6,720,000 additional new Shares at the Offer Price, representing 15.0% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to, among other things, cover any excess demand (if any) in the International Placing, as described in the section headed "Structure of the Global Offering" in this prospectus
"Parentco"	SiS International Holdings Limited, a company incorporated in Bermuda with limited liability on 8 July 1992, whose shares are listed on the Main Board (Stock Code: 0529) and our Controlling Shareholder
"Parentco Excluded Shareholder(s)"	(i) Ms. Chu Chung Yi; and (ii) the Parentco Overseas Shareholder(s) in relation to whom the directors of Parentco, having made relevant enquiries, consider its/their exclusion from the entitlement to receive Shares under the Distribution to be necessary or expedient having regard to the number of the Parentco Overseas Shareholders involved in that jurisdiction and the size of their shareholdings in the Parentco
"Parentco Group"	Parentco and its subsidiaries before the Spin-off, which includes our Group
"Parentco Overseas Shareholder(s)"	Parentco Shareholder(s) whose addresses appearing on the register of members of Parentco at the close of business on the Distribution Record Date are in jurisdictions outside Hong Kong
"Parentco Qualifying Shareholder(s)"	Parentco Shareholder(s) whose names(s) appearing on the register of members of Parentco at the close of business on the Distribution Record Date other than the Parentco Excluded Shareholders
"Parentco Shareholder(s)"	holder(s) of the Parentco Shares
"Parentco Shares"	ordinary shares of HK$0.10 each in the share capital of Parentco
"Partner Stores"	our two stores in Yuen Long and Tseung Kwan O established in 2013 for sales of products of the Renowned Korean Brand. For further details, please refer to the section headed "Our Business — Our relationship with the Renowned Korean Corporation" in this prospectus

"**PINK** Application Form(s)"	the application form(s) for use by Eligible Employees to subscribe for Employee Reserved Shares pursuant to the Employee Preferential Offering
"Price Determination Agreement"	the price determination agreement expected to be entered into between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date
"Price Determination Date"	the date, expected to be on or around 7 January 2015 but in any event not later than 14 January 2015, on which the Offer Price will be determined for the purposes of the Global Offering
"Qool"	Qool International Limited, a company incorporated under the laws of Hong Kong with limited liability on 4 June 2010, and a wholly-owned subsidiary of the Company
"Regulation S"	Regulation S under the US Securities Act
"Remaining Parentco Group"	Parentco and its subsidiaries after the Spin-off, which excludes our Group
"Remuneration Committee"	the remuneration committee of the Board
"Renowned Korean Brand"	brand of the products manufactured by the Renowned Korean Corporation
"Renowned Korean Corporation"	a Hong Kong subsidiary of a company listed on the Korea Stock Exchange and London Stock Exchange, principally engaged in the production and sales of mobile phones, tablets, televisions, monitors, printers, air conditioners, refrigerators, network systems and personal computers etc., being a major supplier of our Group
"Reorganisation"	the pre-listing reorganisation of our Group, further details of which are described under the section headed "History and Reorganisation" in this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with par value of HK$0.10 each in the share capital of our Company
"Shareholder(s)"	holder(s) of our Shares

"Share Option Scheme"	the share option scheme adopted by the Company for the benefit of its employees, Directors, customers and suppliers of our Group, business or joint venture partners and certain advisers of our Group and their respective employees, a summary of the principal terms of which is set forth in the section headed "Appendix IV — Statutory and General Information — D. Share Option Scheme" to this prospectus
"SiS Distribution"	SiS Distribution Limited, a company incorporated in the BVI with limited liability on 29 June 1992, a wholly-owned subsidiary of Parentco
"Spin-off"	the separate listing of the Shares on the Main Board, which is expected to be effected by way of the Global Offering together with the Distribution
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Summertown"	Summertown Limited, a company incorporated under the laws of the BVI on 23 June 1992
"Sun Well"	Sun Well Limited (日佳有限公司), a company incorporated under the laws of Hong Kong with limited liability on 15 February 2013, an indirect wholly-owned subsidiary of the Company
"Synergy"	Synergy Technologies (Asia) Limited (formerly known as Smarton Technology Limited and Synergy Technologies (Hong Kong) Limited), a company incorporated under laws of Hong Kong with limited liability on 20 December 2000, and a wholly-owned subsidiary of the Company
"Taiwan"	Taiwan, the Republic of China
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Telecommunications Ordinance"	Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years of our Group ended 31 December 2013 and the six months ended 30 June 2014

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Securities Act"	the United Securities Act of 1933, as amended
"USD", "US dollars" or "US$"	United States dollars, the lawful currency of the United States
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name
"W-Data"	W-Data Technologies Limited, a company incorporated under the laws of the BVI with limited liability on 26 April 2002, an indirect wholly-owned subsidiary of the Company
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme.

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

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"back-to-back bulk sales"	refer to sales made by us to our customers through back-to-back order in bulk at a discounted price
"back-to-back order"	refers to orders we made with the relevant supplier to match requests from our customers for certain specific models of mobile phones at certain price
"DOA"	dead on arrival
"ERP system"	enterprise resource planning system
"e-commerce"	commercial transactions conducted electronically on the internet
"ICT"	information and communications technology
"I.T."	information technology
"LTE-Advanced"	a mobile communication standard and a major enhancement of the Long Term Evolution (LTE) standard
"phablet"	a class of mobile device designed to combine or straddle the functions of a smartphone and tablet
"RD Licence (Unrestricted)"	radio dealer licence unrestricted, issued by OFCA under the Telecommunications Ordinance
"smartphone"	a mobile phone that performs many functions of a computer, typically having a touchscreen interface, internet access and an operating system capable of running downloaded applications
"sq.ft."	square feet
"tablet"	a mobile computer with touch-screen display

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Our Business", "Financial Information", "Future Plans and Use of Proceeds", and "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our profit estimate and other prospective financial information; and
- the regulatory environment and industry outlook for the mobile phone distribution industry.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in Hong Kong relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong;
- macroeconomic policies of the Hong Kong government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this prospectus.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider the following risks before making an investment decision in relation to our Company. The occurrence of any of the following events could harm us. If any of these events occur, the trading price of the Shares could decline and you may lose all or part of our investment.

RISKS RELATING TO OUR GROUP

Our Group will record a net loss position for the year ending 31 December 2014.

As set out in the paragraph headed "Recent Development and No Material Adverse Change" in the section headed "Financial Information" in this prospectus, our Group's financial performance for the year ending 31 December 2014 will be adversely affected by (i) weaken demand from our wholesale customers brought by the prodemocracy Occupy Central protests, which in turn affected our sales; (ii) the decrease in gross profit and gross profit margin for the six months ended 30 June 2014 as compared to that for the six months ended 30 June 2013 (Please refer to the section headed "Financial Information — Review of historical results of operation" in this prospectus for reasons of decrease in gross profit and gross profit margin for six months ended 30 June 2014); (iii) increase in rental expense for retail shops and higher staff costs to support increased level of sales activities; and (iv) the one-off non-recurring listing expenses of approximately HK$22.1 million, which are expected to be charged to our Group's consolidated statement of comprehensive income for the year ending 31 December 2014. Taking into account the above, our Directors estimate that the financial results of our Group for the financial year ending 31 December 2014 is expected to be significantly adversely affected.

Our reliance on the Renowned Korean Brand.

We rely on the Renowned Korean Brand for a significant portion of our revenue

During the Track Record Period, we derived a significant portion of our revenue from sales of products of the Renowned Korean Brand. Our revenue generated from sales of products of the Renowned Korean Brand amounted to approximately HK$262.2 million, HK$1,176.9 million, HK$1,089.2 million and HK$806.1 million for the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively, which accounted for approximately 51.1%, 85.5%, 85.4% and 95.2% of our total revenue for the respective periods. For the three years ended 31 December 2013 and the six months ended 30 June 2014, our purchase of products from the Renowned Korean Corporation accounted for approximately 55.6%, 86.8%, 86.1% and 96.0% of our total purchases respectively. The Renowned Korean Corporation was our largest supplier during each of the three years ended 31 December 2013 and the six months ended 30 June 2014. Consequently, our profitability, performance and financial results rely on, amongst other things, the continued supply of products from the Renowned Korean Corporation and our continued distributorship of products of the Renowned Korean Brand. Further details of cooperation with the Renowned Korean Corporation are set out in the section headed "Our Business — Our Relationship with the Renowned Korean Corporation" in this prospectus.

We rely on the business strategy of Renowned Korean Brand

Our business model is dependent on the business strategy with regard to the distribution channel of our mobile phone suppliers, especially the Renowned Korean Corporation. We understand that the Renowned Korean Corporation does not engage in direct sales activity in Hong Kong but use local telecommunications services operators, local electrical appliances retail chains and local authorised distributors, including us, as well as wholesalers to distribute products in the local retail market, and it currently does not engage in any direct sales on e-commerce platform.

Recently, there are a few Chinese handset makers adopting an unconventional mobile phones sales model by selling mobile phones to retailers, chain retailers and/or telecommunications services operators directly without relying on local distributors. Some of them also have stronger reliance on e-commerce channels and social networking sites in sales and marketing than other mainstream mobile phone brands.

In the event that the Renowned Korean Corporation changes its business strategy and engages in direct sales in Hong Kong, for example, making direct sales to wholesalers, and/or implementing its own e-commerce platform coupled with a mass shift in consumer behaviour of end-customers to making direct purchases of mobile phones on such platform, or if there is a diminishing number of wholesale customers for reasons that they are unable to sustain their business due to significant rise in rental expenses, the Renowned Korean Corporation may reduce the supply of its products to us or terminate our engagement as its authorised distributor in Hong Kong. In such event, we cannot assure you that we can successfully put in place any key product brand that we distribute and our business, profitability, performance, financial condition and results of operations may be materially and adversely affected.

Our business and prospects are dependent on the business and financial performance of the Renowned Korean Corporation and the demand for its products

During the three years ended 31 December 2013 and the six months ended 30 June 2014, our sales of products of the Renowned Korean Brand accounted for approximately 51.1%, 85.5%, 85.4% and 95.2% of our revenue respectively. We rely heavily on the brand awareness, quality and market acceptance of products of the Renowned Korean Brand. For example, the decrease of our revenue for our distribution business during the year ended 31 December 2013 as compared to the year ended 31 December 2012 was primarily attributable to the decrease in sales volume of the Renowned Korean Corporation's certain low-end mobile phone models in 2013 as compared to 2012.

Our business and prospects are dependent on the business and financial performance of the Renowned Korean Corporation and the market demand for the Renowned Korean Brand. If the Renowned Korean Corporation is unable to maintain quality standards or unable to keep abreast of the technological developments or market sentiments and consequently the market demand for the Renowned Korean Brand experience a slowdown due to any of these or other factors, it is likely that demand for their products will decrease significantly and accordingly, we may need to make provisions on the inventories of the Renowned Korean Brand and our business, financial position, and results of operations would be materially adversely affected.

We are also dependent on the market acceptance and commercial success of products of the Renowned Korean Brand as we cannot guarantee that their products will be marketable in the long term. We note that there were articles as appeared in certain websites (including reputable search agencies) reporting the recent performance of the Renowned Korean Brand as below:

- *The Renowned Korean Brand was the only company among the top five to see its global shipment volume decline year over year.*

- *One of the flagship mobile phones of the Renowned Korean Brand has suffered in the high-end market from the popularity of the key new mobile phone models of its major competitor, while its dominance in the other mobile phones segment has been challenged by the Chinese handset makers.*

- *As part of its strategy under the intense market competition environment and to focus on the development of its flagship models, according to the management of the Renowned Korean Corporation, the Renowned Korean Corporation plans to decrease the number of mobile phone models to be launched in 2015.*

Most of these articles have not disclosed the source of the reported information while certain articles were published by reputable research agencies. As such, the information contained in these articles has not been independently verified by us. We were not aware that the Renowned Korean Corporation has specifically issued any response to the content of these articles on the official website of the Renowned Korean Corporation. Accordingly, no representation is given as to the accuracy of the content of these articles. The Sole Sponsor concurs with our findings.

If we fail to successfully anticipate and respond to changes in consumer demand of the major brand that we distribute and implement effective and responsive merchandising and marketing strategies, we may experience lower sales volumes, excess inventories and lower gross margins, which could have an adverse effect on our results of operations and financial position.

Increasing level of competition in the mobile phone industry may affect the sales of mobile phones of the Renowned Korean Brand which in turn may affect our business

The mobile telecommunications industry is characterised by rapid changes. The mobile phones brands that we distribute, including the Renowned Korean Brand, are subject to intense competition from other existing mobile phone brands and new entrants to the local market. For example, recently, there were articles reporting that one of the flagship mobile phones of the Renowned Korean Brand has suffered in the high-end market from the popularity of the key mobile phone models of its major competitor, while its dominance in the other mobile phones segment has been challenged by the Chinese handset makers. Our revenue for the four months ended 31 October 2014 decreased by approximately 15.7% as compared to the corresponding period in 2013 was primarily due to the anticipated launching of key new mobile phone models by major competitor of the Renowned Korean Corporation in September 2014 which in turn affected the sales of the brands of mobile phones that we carried during the four months ended 31 October 2014. If there is any decline in the competitiveness or demand of the mobile phones of the Renowned Korean Brand in Hong Kong, our business, financial position and results of operations would be materially adversely affected.

Stable supply from the Renowned Korean Corporation may not be guaranteed

We consider that our business and results of operation depend on the stable supply of products from the Renowned Korean Corporation. The Renowned Korean Corporation may change its existing sales or marketing strategy in respect of the products supplied to us, including but not limited to, engaging other distributors, directly engaging in the sales of such products in Hong Kong to resellers or end users, changing their strategy in Hong Kong, reducing their sales or increasing selling prices. The prices for purchase of products from the Renowned Korean Corporation are subject to review from time to time. In the event of increase in purchase price, we may not be able to pass on the increase in purchase cost to our customers. In addition, major changes in the economies in which the Renowned Korean Corporation operates, increase in their production cost and disruptions to the business operations of the Renowned Korean Corporation may affect the supply of products to us. The realisation or occurrence of any of the aforementioned risks could have material adverse effect on our business, financial position, and results of operation.

Termination and renewal of supply or distributorship agreements may affect our business

Our distributorship agreement with the Renowned Korean Corporation for supply of products of the Renowned Korean Brand has a term of one year with automatic renewal on an annual basis unless terminated. Our distributorship agreement with the Renowned Korean Corporation for distribution of products may be terminated by giving 30 days written notice to the other party. There is no assurance that our distributorship agreement with the Renowned Korean Corporation will be renewed or will not be terminated.

Our success depends heavily on our continuing ability to comply with the terms of the supply and distributorship agreements entered into between us and the Renowned Korean Corporation. If we fail to comply with the terms of our agreements with the Renowned Korean Corporation, or fail to remedy any breach by us, or if such agreements are terminated prior to their expiry or if we fail to renew such agreements on the same or more favourable terms, our business, financial position and results of operations may be materially and adversely affected.

In the event that the Renowned Korean Corporation alters its existing business arrangements with us on a material basis including not renewing the distributorship agreements with us or terminating our engagement as its authorised distributor in Hong Kong, we cannot assure you that we can successfully put in place any alternative arrangements within a short period of time. In such circumstances, we may lose one of the key product brand that we distribute and our business, profitability, performance, finance position and results of operations may be materially and adversely affected.

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

Our five largest customers contributed approximately 47.6%, 44.1%, 35.9% and 56.9% of our Group's total revenue for each of the three years ended 31 December 2013 and the six months ended 30 June 2014. Among our five largest customers during each of the three years ended 31 December 2013 and the six months ended 30 June 2014, most of them are wholesale customers. Sales to our largest customer, accounted for approximately 11.1%, 20.0%, 14.2% and 35.0% of our Group's total revenue during the same period respectively. While our Group had not experienced any loss of major customers during the Track Record Period, our Group's revenue could be materially and adversely affected if any of our major customers significantly reduces its purchases from our Group. There is no guarantee that our Group's major customers will continue to source mobile phones from our Group at levels and prices comparable to those during the Track Record Period or at all.

Our suppliers and customers may choose to deal with one another directly.

We understand that it is the strategy of our suppliers not to engage in direct sales activity with wholesale customers or consumers and to appoint local distributors like us to distribute their products, in order to lower their operating cost while maintaining a broad market reach through the diversified customer base of the local distributors. On the other hand, mobile phone distribution industry is capital intensive in nature as distributors need to purchase mobile phones in bulk before obtaining payment from the customers. In the event that there is any change in the industry landscape such that more of our suppliers and customers choose to deal with one another directly, our competitiveness may be affected. Such change may materially and adversely affect our business and results of operations.

Our revenue and profitability depend on customer preferences and spending patterns, which are outside of our control and extremely difficult to predict.

We derive a very significant portion of our revenue from sales of mobile phones. For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, sales of mobile phones accounted for approximately 88.7%, 89.5%, 88.5% and 88.5% of our total revenue, respectively. Accordingly, our financial performance depends heavily on the sales of mobile phones.

Our revenue and profitability depend in part on the strength and reputation of the products that we carry. We cannot ensure the success of any of our mobile phone models, because the sales of such products depend on their market acceptance and desirability, which are extremely difficult to predict. All of the products that we sell are designed and produced by the mobile phone manufacturers, over which we have limited or no control. The success of our operations also depends in part on the manufacturers' marketing abilities, our own ability to select new models from our suppliers to gain customer acceptance, and our ability to make available sufficient quantities of attractive and popular products to satisfy customer demand. If we or the manufacturers whose products we sell are unable to respond promptly to changing customer demands, demand for our products may decrease and our sales may be materially and adversely affected. In addition, if we or the manufacturers fail to anticipate increased customer demand for certain models of our products, we may experience inventory shortages, which would result in sales loss and adversely impact our revenues and profitability.

Our operating results are subject to seasonal fluctuations and purchasing patterns of customers.

Our operating results remain subject to a number of seasonal factors in the markets in which we operate. Our revenue and operating results may fluctuate due to factors, including, but not limited to:

- the timing of public holidays and other events affecting consumer demand;
- the timing of the introduction of new products by our suppliers and competitors;
- product availability and pricing;
- promotions and subsidies by our suppliers; and
- changes in spending patterns of customers.

Consumer electronics and retail sales in Hong Kong tend to be seasonal, resulting in uneven sales volumes over the year for us. Our operating results may continue to fluctuate significantly from quarter to quarter in the future. If unanticipated events occur, including delays in securing adequate inventories of competitive products at times of peak sales or the existence of surplus inventory upon the occurrence of a significant drop in demand during these periods, our operating results could be harmed. As a result of these seasonal factors, our interim results may not be indicative of our annual results or comparable to our results in previous periods. If our operating results in one or more periods do not meet market expectations, the price of our Shares could be materially and adversely affected.

Our products are subject to short life cycles.

The selling prices of mobile phones generally decrease over time following launch until the end of their product life cycles. The product life cycle of a particular model of mobile phone depends on the level of competition, the launch of other new mobile phone models and the pace of technological development. Given the increasing number of new mobile phone models offered by different brands and the rapid pace of technological development in recent years, the product life cycles of mobile phones are becoming shorter. Our Group has no control over the timetable of launching new mobile phone models by different brands and as such, our Group's sales and profits may be adversely affected as a result of decreasing selling prices or if our Group was unable to procure new mobile phone models according to the market trend.

Our ability to meet demand for the products we sell or distribute depends on our ability to maintain an optimal level of inventory.

We believe that maintaining an optimal level of inventory is critical to our business. We normally maintain our inventory level at an average of approximately 4 weeks. We may not be able to maintain an optimal level of inventory to control inventory carrying costs and utilise working capital in an efficient manner. In addition, we may not be able to maintain the quality and variety of products available to our customers and we may not be able to adopt new inventory policies in time to match the demands of our customers. If we over-stock inventory, we may have to sell the over-stocked products at a discount and the working capital required to maintain our operations will increase and we may incur additional financing costs. If we under-stock inventory, we may not be able to generate sales that we otherwise would have generated had the products been available.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying amounts of inventories were approximately HK$44.0 million, HK$65.4 million, HK$101.7 million and HK$83.2 million, respectively. Our Group made a provision of about HK$1.3 million, HK$0.8 million, HK$2.6 million and HK$1.7 million for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively of slow moving and obsolete stock. In the event that our Group purchased products that are slow-moving, obsolete and at such selling prices below cost in the future, our Group may need to make provisions in respect thereof, in which event our Group's profitability and financial position could be materially and adversely affected.

The loss or reduction of sales incentive and price protection compensation provided to us by suppliers may cause our gross profit to decline.

Certain of our suppliers provide favorable purchasing terms to us through various sales incentive and price protection compensation. For example, some of our mobile phone suppliers provide us with price protection compensation representing the amount which we receive from the suppliers in case of reduction in price of the products. These sales incentive and price protection compensation, which we believe are common practices in the mobile phone distribution industry, help reduce our costs of inventory.

During the Track Record Period, the net amount of sales incentive and price protection compensation received was approximately HK$15.8 million, HK$28.5 million, HK$82.0 million and HK$123.6 million respectively. As these sales incentive and price protection compensation vary year from year and are subject to review by our suppliers from time to time before the granting of sales incentive and price protection compensation, in the event that there is any change in the arrangement of sales incentive and price protection compensation in the future, our Group's gross profit may decline and our Group's profitability could be materially and adversely affected.

We had negative net operating cash flow for the year ended 31 December 2011 and the six months ended 30 June 2013 and 2014.

We had negative net cash flow from operating activities of HK$24.0 million, HK$16.7 million and HK$0.6 million for the year ended 31 December 2011 and the six months ended 30 June 2013 and 2014, respectively, primarily due to our working capital movements. For details of fluctuation of our cash flow from operating activities during the Track Record Period, please refer to the section headed "Financial Information — Liquidity and Capital Resources" in this prospectus. We cannot assure you that we will not experience negative net cash flow from our operating activities in the future again. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

As a mobile phone distributor, we have low profit margins (excluding fair value gain or losses) and we may not be able to sustain our historical profitability.

As a company principally engaged in the distribution of mobile phones, we have had thin profit margins (excluding fair value gain or losses). During the Track Record Period, our profit margins (excluding fair value gain or losses) was 2.1%, 2.9%, 1.9% and 0.5% respectively. For the same period, our gross profit margin was 3.4%, 4.9%, 4.4% and 2.8%, respectively and our net profit margin was 1.0%, 3.2%, 2.6% and 0.3%, respectively. Our gross and net profit margins mainly depend on a number of factors including the mobile phone models sold by us, the volume of products sold, the selling prices and procurement costs of our products. The selling prices and procurement costs of our products vary according to a combination of factors including our bargaining power relative to our supplier and customer, the demand and supply in the market and the market price trend. As these factors are largely outside of our control, we cannot assure you that we will be able to maintain the current level of profit margins in the future.

We generally grant credit periods to our distribution customers, which could expose us to credit risks and lead to difficulty in the collection of our accounts receivables.

Our Group grants distribution customers to which we supply mobile phones certain credit periods ranging from 0 day to 60 days. The credit periods we grant to our distribution customers are normally based on the credit worthiness of the customer, the size of the customer's order and their scale of operation.

The collection of accounts receivables and our ability to accelerate the collection cycle of accounts receivables may be affected by several factors, including:

- credit worthiness of our distribution customers;
- industry and economic conditions; and
- our operating results, financial position and cash flows and those of our distribution customers.

Adverse developments with respect to any of these factors, many of which are not in our control, could create delays in collection or make such accounts uncollectable, which could impair our cash flows and financial position and adversely affect our results of operations.

As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, our Group's trade receivables were approximately HK$51.8 million, HK$40.1 million, HK$45.3 million and HK$11.5 million, respectively, representing approximately 42.0%, 29.8%, 20.4% and 5.7% of our Group's total assets for the respective periods. Out of the trade receivables of approximately HK$11.5 million as at 30 June 2014, an amount of approximately HK$11.5 million was settled as at the Latest Practicable Date. For details of fluctuation of trade receivable during the Track Record Period, please refer to the section headed "Financial Information — Description of Certain Items of Combined Statements of Financial Position" in this prospectus.

In addition, our distribution customers are subject to market and business risks and other risks. We cannot be certain that our reserve for credit losses will be adequate to cover credit losses in our portfolio because of unanticipated adverse changes in the economy or events adversely affecting specific customers, industries or markets. Any delay or failure to settle trade receivables by our distribution customers would have a material and adverse impact on the working capital and financial position of our Group.

Our business may be affected by quality controls of our suppliers.

As a distributor, we do not directly monitor the quality, design or control procedures of our suppliers. We cannot guarantee the quality of the products provided by our suppliers. We rely entirely on the manufacturers' quality control procedures and standards to ensure the quality of the products that we sell. The products could be defective or damaged during transportation from our suppliers to us and we may reject, return or replace such defective or damaged products. We may experience delays in the repair of such defective products in the future. If any products that we sell or distribute have defects or safety or performance problems, our reputation and ability to sell or distribute other products to customers could suffer and we may be subject to product liability claims arising from such defects or problems. We may also terminate our business relationship with any supplier who provides us with defective products, which may affect our ability to provide certain products or cause disputes with such supplier. All these may materially and adversely affect our business, financial condition and results of operations.

Information technology system failures could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure across our operations to monitor the daily operations and to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and results of operations.

We outsource all of our transport and logistics needs to third parties. Failure of these third parties to fulfill their service obligations may prevent us from fulfilling obligations to our customers and adversely affect our ability to maintain or promote our brand and may limit our future success.

We believe that our customers' recognition of and familiarity with our reputation and brand are important to our business, and our reputation depends on the goodwill associated with our brand. We outsource all of our logistics needs to third parties, which are responsible for delivering products. Disruption to the delivery of products to our warehouse by these third-party providers may occur for reasons such as poor handling, transportation bottlenecks, or labour strikes, which could lead to delayed or lost deliveries or damaged products. As a result, we may not be able to fulfill our obligations to our customers in a timely manner or at all and our brand image and reputation may suffer. This could lead to the erosion of our relationships with potential and existing customers, and our business, financial condition, results of operations and our growth prospects may be materially and adversely affected.

Competition among distributors of mobile phones.

Given the large potential growth in the mobile telecommunications industry in Hong Kong, there is at present fierce competition among the distributors of mobile phones. There were approximately 16 mobile phone distributors in Hong Kong in 2013, comprising major distributors having broad network of downstream retail channels. As at the Latest Practicable Date, all of our Group's distribution agreements with suppliers were on a non-exclusive basis and we will have to compete with other non-exclusive distributors for the same models of mobile phones in terms of more competitive pricing, more effective promotion programmes and better after-sales services. Should any or all of our Group's suppliers proceed to grant additional non-exclusive distribution rights to other distributors who may sell the same models of mobile phones distributed by us and we are unable to maintain our competitive advantages without prejudice to our profit margin, our sales and net profit could be materially and adversely affected.

The mobile phones or accessories sold by us may infringe third-party intellectual property rights.

In the event that the mobile phones or accessories which we sell infringe third-party intellectual property rights, we, in our capacity as a distributor or retailer, may be found liable for the infringement or be compelled to discontinue the sale of offending products and/or pay damages or other fines. A legal dispute between different manufacturers over their intellectual property rights may also have a negative impact on our sales. A court may grant an injunction barring one manufacturer from selling its product which allegedly infringes on the other manufacturer's intellectual property rights. As a result, we may not be able to continue to sell such product, which could materially and adversely affect our business and results of operations.

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

Our revenue generated from retail segment accounted for nil, nil, approximately 2.3% and 2.5% of our total revenue during the three years ended 31 December 2013 and six months ended 30 June 2014. Our retail business depends significantly upon our ability to secure locations with relatively higher commercial activity and easy accessibility for our Partner Stores. These locations are in high demand and there is no assurance that we will be able to renew the tenancy agreements for these locations or to locate and secure additional strategically advantageous locations. For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our rental expenses for our Partner Stores amounted to nil, nil, approximately HK$3.6 million, and HK$2.7 million, respectively, representing nil, nil, approximately 0.3% and 0.3% of our total revenue. The term of tenancies of our Partner Stores ranges from two to three years. If we are unable to renew such lease agreements on favourable terms and conditions, in particular the rental charges, we may be required to relocate to alternative premises (which can potentially be a less desirable location), and we will incur additional and potentially significant costs in doing so. There is no assurance that we will be able to secure or obtain alternative sites at a suitable location or leased on favourable terms. Failure to establish or maintain our shops successfully in such strategic locations on favourable terms may lead to reduced sales and/or increased operating costs of our business carried out at such locations which may in turn have a material and adverse effect on our overall financial position and future growth potential.

We may not be able to maintain and/or obtain approvals and licenses from the relevant Hong Kong authorities necessary to carry out our business or to cope with future regulatory requirements.

We confirm that we have obtained the necessary approvals and licenses under applicable Hong Kong law for the distribution and retail sale of our products as at the Latest Practicable Date. However, in the future, we may need further approvals or licenses, and some permits and business licenses are subject to periodic renewal by the relevant Hong Kong authorities and such authorities may be able to revoke or refuse to grant and/or extend permits, licences, or approvals that are required for us to conduct our business. Future changes in legal compliance requirements, product quality and safety requirements, for example, may result in more stringent requirements and stricter enforcement, increased fines and penalties for non-compliance, increased compliance costs, more stringent government assessments, and heightened responsibility for companies as well as their directors and employees. If any of the activities carried out by us fails to meet the requirements of current or future rules, regulations and standards, or if we fail to obtain the grant or renewal of the required permits, licenses, and approvals, such failure could have material adverse effects on our business, financial position and results of operations.

Increase in unauthorised distributors.

Our mobile phone distribution business faces competition from unauthorised distributors in Hong Kong through parallel import of mobile phones illegally. According to the Ipsos Report, parallel imports of mobile phones in Hong Kong are commonly found and the retail prices of parallel imports sold in Hong Kong were usually 5.0% to 20.0% cheaper than mobile phone products sold by authorised distributors. If mobile phones continue to be imported illegally and being offered for sale in Hong Kong and the government has failed to prevent such illegal channel of distribution of mobile phones, our profitability may be materially and adversely affected.

Failure to achieve business objectives.

Details of our business plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus. Our future business growth depends on the successful implementation of our business plans as well as a number of factors which are beyond our control, such as our ability to obtain financing on acceptable terms, whether products sourced by us are continuously accepted by the market changes in economic environment, government policies and relevant laws and regulations. There is no assurance that our future business plans will materialise, or will materialise within the planned time frame, or that our objectives will be fully or partially accomplished. In the event that we fail to accomplish any of our future business plans or to do so in a timely manner, we may not be able to achieve future business growth and our operating results may be materially and adversely affected.

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

Our Group's success depends, to a large extent, on the continued contributions of our management and other key personnel of our Group. Most of our executive Directors have over 20 years experience in the telecommunication markets with in-depth knowledge of various aspects of telecommunications business development. In addition, the relationships and reputation that our Group's management team have established and maintained with its customers contribute to our Group's ability to maintain good customer relations. Although our Group has entered into employment contracts with all our senior management, these contracts cannot prevent them from terminating their employment. If any or all of these key senior management leaves our Group, it may not be possible for our Group to promptly recruit suitable candidates to replace them or at all. In such circumstances, the business of our Group could be materially and adversely affected.

Our Group will also need to recruit further personnel with relevant experience as our business grows and diversifies but there can be no assurance that those personnel we employ in the future will be integrated into our management and operation or make contribution to our business. Competition for personnel in the telecommunications industry in particular, is intense. If our Group is unable to recruit and/or retain suitable personnel, the growth of our Group may be materially and adversely affected.

We derive our revenues in Hong Kong and any downturn in the Hong Kong economy, material adverse change in the social, political or legal systems could have a material adverse effect on our business and financial condition.

During the Track Record Period, we conduct all of our business operations in Hong Kong and all of our revenues are generated in Hong Kong. We anticipate that our revenues generated in Hong Kong will continue to represent a substantial proportion of our total revenues in the near future. Any significant decline in the condition of Hong Kong economy could adversely affect consumer buying power and thus reduce consumption of mobile phones sourced by our Group, which in turn would have a material and adverse effect on our Group's revenues and profitability. In addition, any material adverse change in the social, political or legal systems in Hong Kong could have a material adverse effect on our Group's business, financial condition and prospects.

RISKS RELATING TO THE INDUSTRY

Changes in technology and product models.

The mobile telecommunications industry is characterised by rapid technological change. Market research shows that the product life cycle of mobile phones tends to be short, with an average product life of 12 to 18 months. In order to remain competitive, mobile phones manufacturers have to develop new technologies and new models of mobile phones continuously. Should our major suppliers fail to continue to develop new technologies and deliver new, innovative and marketable models of mobile phones or if we cannot successfully adapt to changing customer demands in a rapidly developing market, our customers may turn to other sellers that offer mobile telecommunications products that we do not provide, which may reduce the demand for the products we sell. As a result, our business, financial condition and results of operations could suffer.

The selling prices of older mobile telecommunications products are usually subject to rapid decreases, and products may become obsolete or less marketable. We may not be able to adjust our product mix and optimise pricing quickly enough to reduce our stock of obsolete products.

Like most electronic products, mobile telecommunications products typically are priced highest at the time of introduction, but the selling prices tend to decrease over time as such products become commoditised and are replaced by newer generation products. As distributor and retailer, we are constantly subject to such downward pricing pressure of our mobile telecommunications products. The suppliers for our distribution and retail businesses may or may not provide us with appropriate pricing adjustments or other forms of price protection compensation against such downward pricing trend. For price protection compensation offered to us by our suppliers, please refer to the section headed "Our Business — Pricing" in this prospectus.

We may not be able to predict the timing or amount of any decline in the selling prices of the products we sell or distribute. Moreover, we must anticipate future technological changes and continually identify, obtain and market new products in order to minimise the risk of product obsolescence or decreased marketability. If we were unable to adjust product mix and optimise pricing, we may accumulate stock of obsolete products, and our business, financial condition and results of operations would be materially and adversely affected.

Should we experience slow movements of certain items due to mispricing by the manufacturers or other factors, we may not be able to dispose of excessive inventory through markdowns or promotional sales in a timely manner or at all. As a result, our working capital requirements may increase, our sales and profits may decrease, and our results of operations and financial condition may be materially and adversely affected.

We operate in a competitive market which may result in lower profit margins.

The Hong Kong distribution market for mobile phones is competitive. We experience competition from other distributors through physical or online sales channels in the geographical markets in which we currently operate and expect to face similar competition in the markets which we plan to enter. Some of our competitors may have more financial and human resources, better access to attractive retail outlet locations, more competitive pricing strategies or closer relationships with suppliers than we do.

Competition may lead to, among other things, stricter terms in agreements with supplier, higher costs for retail space and lower sales, all of which could have a material adverse impact on our results of operations and financial condition and lower our profit margins.

We are exposed to perceived risks associated with electromagnetic energy.

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

RISKS RELATING TO THE GLOBAL OFFERING

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to completion of the Spin-off, there was no public market for our Shares. Our Company has applied for the listing of, and permission to deal in, the Shares on the Stock Exchange. The Listing, however, does not guarantee that an active trading market for our Shares will develop or, if it does develop, that it will be sustained following completion of the Spin-off or that the market price of our Shares will not fluctuate following completion of the Spin-off. In addition, we cannot assure you that the Listing will result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile.

Factors such as the following may affect the trading volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- announcements of new projects or acquisitions by us or our competitors;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or the industry in which we operate;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on the outstanding Shares or sales or perceived sales of additional Shares by our Company, our Controlling Shareholder or other Shareholders.

You should note that the stock prices of companies in the mobile telecommunications industry have experienced wide fluctuations. Such wide market fluctuations may adversely affect the market price of our Shares. In addition, the securities markets have from time to time experienced significant price and trading volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

Shareholders' interests in our Company's share capital may be diluted in the future.

We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our Group's business. We may require additional equity funding after the Share Offer and the equity interest of Shareholders will be diluted should we issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

Future sales by our Directors, officers or current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

Future sales of a substantial number of our Shares by our Directors, officers or current Shareholders in the public markets in Hong Kong, or the possibility of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholder are subject to certain lock-up undertakings for periods of up to 12 months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed "Underwriting" in this prospectus. While we are not aware of any intention on the part of our Controlling Shareholder to dispose of significant amounts of its Shares upon the expiration of such lock-up periods, we cannot assure you that it will not dispose of any or all of the Shares it may own now or in the future. Any such disposal may have a negative impact on the price of our Shares.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified.

Certain facts, forecast and other statistics in this prospectus have been derived from publicly available sources. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.

We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics.

Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, although we believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by us that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

We strongly caution you not to place any reliance on any information contained in press articles or media regarding our Group or the Share Offer.

There may be press and media coverage regarding our Group or the Share Offer, which may include certain financial information, financial projections and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we expressly disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and the Offer Shares being offered under the Global Offering (including the additional Offer Shares which may be made available under the exercise of the Offer Size Adjustment Option), Shares to be issued under the Capitalisation Issue and Shares which may be issued on the exercise of any options which may be granted under the Share Option Scheme.

Save as disclosed herein, none of the Shares are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

OFFER SIZE ADJUSTMENT OPTION

Details with respect to Offer Size Adjustment Option is set out in the section headed "Structure of the Global Offering" in this prospectus.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

Our Company's principal register of members will be maintained by its principal registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and our Company's branch register of members will be maintained by our Hong Kong Branch Share Registrar in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. Hong Kong stamp duty will be charged on the sale and purchase of Shares only, at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5.0 is currently payable on any instrument of transfer of Shares.

ELIGIBILITY FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including their respective conditions, and the Offer Size Adjustment Option, are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS

Set out below is the list of Directors. Further information is disclosed in the section headed "Directors and Senior Management" in this prospectus.

Name	Address	Nationality
Executive Directors		
LIM Kiah Meng (林家名)	Flat C, 16/F Block 2, Estoril Court 55 Garden Road, Mid-Levels Hong Kong	Singapore Citizen
FONG Po Kiu (方保僑)	Flat D, 26/F Tower 2, Residence Oasis 15 Pui Shing Road, Tseung Kwan O Hong Kong	Chinese
WONG Yi Ting (黃依婷)	Flat H, 39/F Tower 10, Le Point Tseung Kwan O Hong Kong	Chinese
CHENG Wai Yee (鄭慧儀)	Flat H, 7/F Loong Shan Mansion, Taikoo Shing Hong Kong	Chinese
Non-executive Directors		
LIM Kia Hong (林嘉豐)	30F Meyer Road Singapore 437867	Singapore Citizen
LIM Hwee Hai (林惠海)	1D Mugliston Road Singapore 437718	Singapore Citizen
Independent non-executive Directors		
CHU Chung Yi (朱頌儀)	Flat D, 6/F, Block 4 633 Castle Peak Road Bayview Garden Tsuen Wan, New Territories Hong Kong	Chinese
NG See Wai Rowena (吳思煒)	Flat A, 19/F Block 6, Braemar Hill Mansion 25 Braemar Hill Road, North Point Hong Kong	Chinese
DOE Julianne Pearl (杜珠聯)	Flat A, 8/F Block 2, Clovelly Court 12 May Road, Mid-Levels Hong Kong	Australian

PARTIES INVOLVED

Sole Sponsor	Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central, Hong Kong
Sole Global Coordinator and Sole Bookrunner	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central, Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* Cleary Gottlieb Steen & Hamilton (Hong Kong) 37/F, Hysan Place, 500 Hennessy Road Causeway Bay, Hong Kong *As to Cayman Islands law:* Appleby 2206–19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor	*As to Hong Kong law:* Deacons 5th Floor, Alexandra House 18 Chater Road Central, Hong Kong
Auditor and reporting accountant	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
Industry consultant	Ipsos Hong Kong Limited 22/F Leighton Centre, 77 Leighton Road Causeway Bay, Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon, Hong Kong

Registered office	Clifton House, 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	4/F, Contempo Place 81 Hung To Road, Kwun Tong Kowloon, Hong Kong
Authorised representatives	LIM Kiah Meng (林家名) Flat C, 16/F Block 2, Estoril Court 55 Garden Road, Mid-Levels Hong Kong WONG Yi Ting (黃依婷) Flat H, 39/F Tower 10, Le Point Tseung Kwan O Hong Kong
Chairman	LIM Kia Hong (林嘉豐) 30F Meyer Road Singapore 437867
Company secretary	WONG Yi Ting (黃依婷) *(Fellow member of Hong Kong Institute of Certified Public Accountants and Hong Kong Institute of Chartered Secretaries)* Flat H, 39/F Tower 10, Le Point Tseung Kwan O Hong Kong
Audit Committee	CHU Chung Yi (朱頌儀) *(Chairlady)* NG See Wai Rowena (吳思煒) DOE Julianne Pearl (杜珠聯)
Remuneration Committee	NG See Wai Rowena (吳思煒) *(Chairlady)* LIM Kiah Meng (林家名) LIM Kia Hong (林嘉豐) CHU Chung Yi (朱頌儀) DOE Julianne Pearl (杜珠聯)
Nomination Committee	LIM Kia Hong (林嘉豐) *(Chairman)* LIM Kiah Meng (林家名) NG See Wai Rowena (吳思煒) CHU Chung Yi (朱頌儀) DOE Julianne Pearl (杜珠聯)

Compliance adviser	Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central, Hong Kong
Website address	www.sismobile.com.hk *(The content of the website does not form part of this prospectus)*
Principal share registrar and transfer office in Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House, 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
	Oversea-Chinese Banking Corporation Ltd. 17/F, 9 Queen's Road Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

This section contains certain information which is derived from official government resources and a commissioned report, the Ipsos Report, prepared by Ipsos which is an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by us, or any of their affiliates or advisers, nor by the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters or any of their affiliates or advisers or any other party involved in the Global Offering other than Ipsos with respect to the information contained in the Ipsos Report. No representation is given as to the accuracy of the Ipsos Report. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the Ipsos Report up to the Latest Practicable Date.

SOURCE OF INFORMATION

We have commissioned Ipsos to prepare the Ipsos Report at a total fee of HK$378,000. Ipsos was founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999. After acquiring Synovate Ltd. in 2011, Ipsos becomes the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries.

In compiling the Ipsos Report, Ipsos has conducted primary and secondary market research including: (i) desk research, (ii) consultation with our Group and (iii) interviews with key stakeholders and industry experts such as mobile phone distributors and retailers, and software providers in Hong Kong. According to Ipsos, information gathered has been cross-checked to ensure accuracy with the multi-level information sourcing process methodology. In addition, they have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

The following assumptions are used in the Ipsos Report:

- the economy is assumed to maintain a steady growth across the forecast period;
- it is assumed that there is no external shock such as financial crisis which will affect the demand and supply of mobile phones in Hong Kong during the forecast period; and
- the demand for mobile phones in Hong Kong and global is assumed to be stable with more players entering the market.

The following parameters are considered in Ipsos' market sizing and forecast model:

- Nominal GDP value and GDP growth rate in Hong Kong from 2009 to 2013
- GDP per capita in Hong Kong from 2009 to 2013
- Average annual personal consumption expenditure in Hong Kong from 2009 to 2013
- Average annual personal disposable income in Hong Kong from 2009 to 2013
- Mobile phone penetration rate in Hong Kong from 2009 to 2013
- Sales and shipment volume of mobile phones in Hong Kong from 2009 to 2013

The research conducted by Ipsos may be affected by the accuracy of the assumptions and choice of parameters as stated above.

OVERVIEW OF THE MACROECONOMIC SITUATION IN HONG KONG

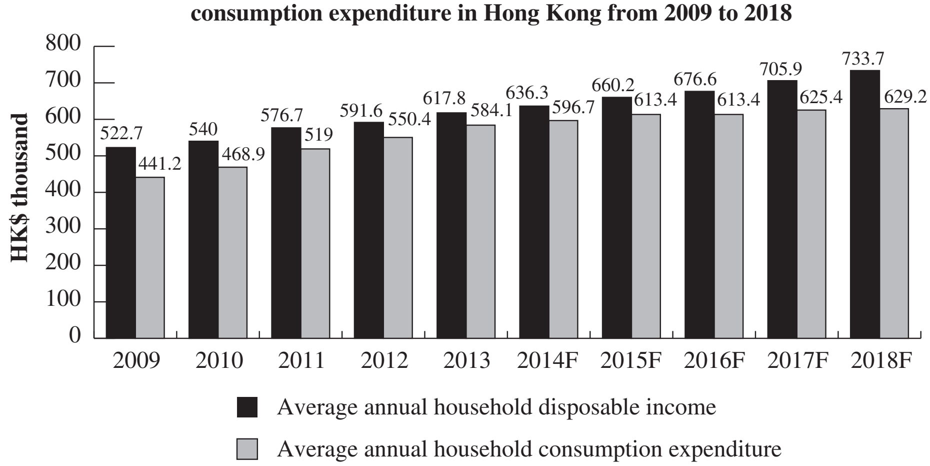
Rising disposable income and average annual household consumption expenditure

With Hong Kong coming out from the global financial crisis of 2009, improvement in unemployment rate and the introduction of the statutory minimum wage in 2011, Hong Kong's average annual household disposable income has grew at a CAGR of about 1.7% from about HK$522,700 in 2009 to about HK$617,800 in 2013.

As a result of the increase in average annual household disposable income and rising inflation, Hong Kong's average annual consumption expenditure has also grown at a CAGR of about 7.3% from about HK$414,200 in 2009 to about HK$594,100 in 2013.

It is anticipated that growth in both Hong Kong's average annual household disposable income and consumption expenditure will continue due to Hong Kong's close economic ties with mainland China and the stabilization of the world economy. The average annual household disposable income is expected to grow modestly from 2014 to 2018 at a CAGR of about 3.6% whereas the average annual consumption expenditure at a CAGR of about 1.3% from 2014 to 2018.

Average annual household disposable income and consumption expenditure in Hong Kong from 2009 to 2018



Source: Economic Intelligence Unit; Ipsos research and analysis; Census and Statistics Department, Hong Kong; CIA factbook.

Note: The average annual household disposable income is calculated by dividing the total disposable income in Hong Kong for each of the years from 2009–2018 provided by the Economic Intelligence Unit, by (i) with respect to the period from 2009–2013, the total number of households in Hong Kong for each of the corresponding years from 2009–2013 provided by the Census and Statistics Department of the Hong Kong Government; and (ii) with respect to the period from 2014–2018, the forecast of total number of households in Hong Kong for each of the corresponding years from 2014–2018 which is estimated according to the historical trend by Ipsos research and analysis.

Increasing mobile phone penetration rate

Hong Kong has been recording an increasing mobile phone penetration rate. Due to the increasing prevalence of the internet and the Hong Kong government's efforts in making Hong Kong a wireless city such as the Government Wi-Fi programme, the mobile phone penetration rate has increased from about 174.5% in 2009 to about 238.2% in 2013.

The increment in penetration rate of mobile phones in Hong Kong demonstrates the rising demand for these products in Hong Kong, which in turn shows the demand in the distribution industry of mobile phones in Hong Kong.

Sales and shipment volume of mobile phones in Hong Kong

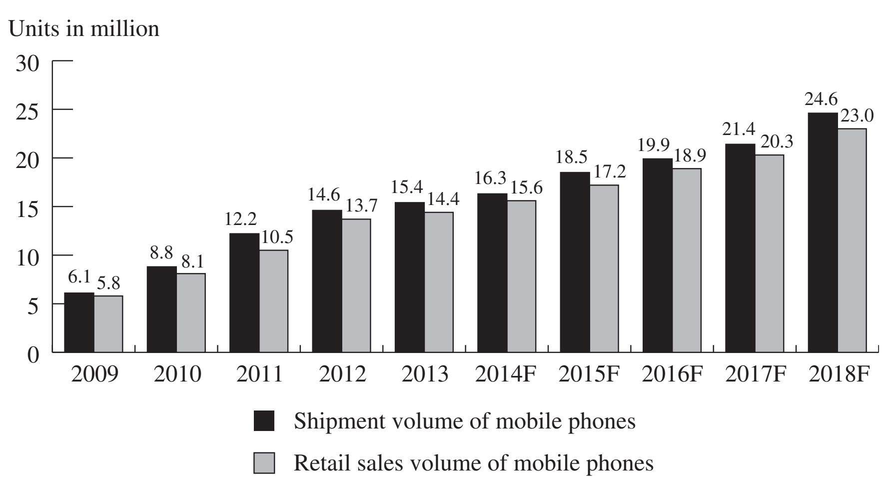
According to the Ipsos Report, the shipment volume of mobile phones in Hong Kong grew from about 6.1 million units in 2009 to about 15.4 million units in 2013 at a CAGR of about 26.1%. Meanwhile, the retail sales volume of mobile phones in Hong Kong grew from about 5.8 million units in 2009 to about 14.4 million units in 2013 at a CAGR of about 25.4%.

The sales of mobile phones was driven by constant introduction of new models of products in Hong Kong. In 2013, Samsung has launched about 29 models of mobile phones, Apple has launched 2 models of mobile phones and Sony has launched about 7 models of mobile phones. The variety of new products with different prices, provision of improved technology and functions, such as 4G LTE models, finger print screen-lock functions, etc. together with marketing promotions strategies, drove the increase of both shipment volume and retail sales volume.

The retail sales volume was not only supported by local population but also the amount of tourists visiting Hong Kong and purchasing electronic goods such as mobile phones for gifts and personal use. There were about 54.3 million inbound visitors in 2013 at an increase of about 11.7% from 2012, with about 75.0% of these visitors coming from mainland China.

The shipment volume of mobile phones in Hong Kong is expected to grow from about 16.3 million units in 2014 to about 24.6 million units in 2018 at a CAGR of about 10.8%. Meanwhile, the retail sales volume of mobile phones in Hong Kong is expected to grow from about 16.3 million units in 2014 to about 24.6 million units in 2018 at a CAGR of about 10.1%.

Total retail sales volume and shipment volume of mobile phones in Hong Kong from 2009 to 2018



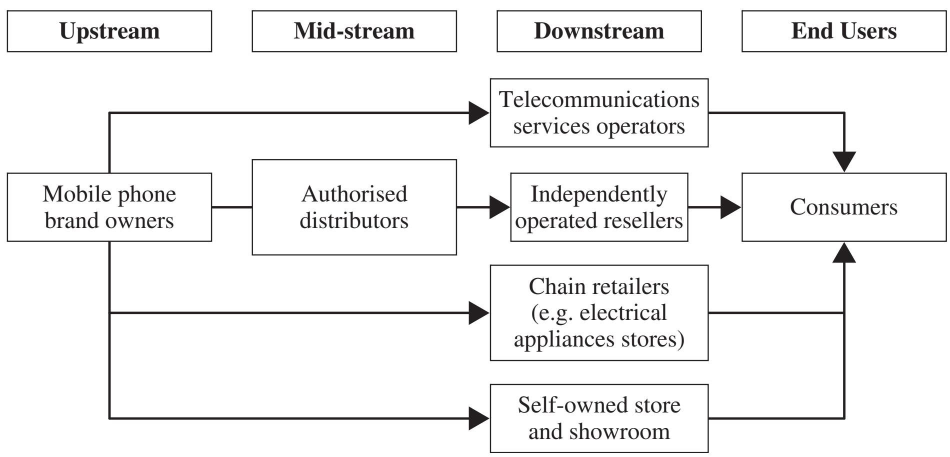
Source: Tourism Commission, Hong Kong; Ipsos research and analysis

Note: Shipment volume refers to the estimation of units based on import minus export and re-export figures of mobile phones in Hong Kong.

THE MOBILE PHONE DISTRIBUTION INDUSTRY IN HONG KONG

According to the Ipsos Report, the mobile phone distribution industry plays an important role in the supply chain of mobile phones in Hong Kong. The mobile phone distributors provide a network of supply of mobile phones to the retail scene in Hong Kong. Their roles have direct influence on the retail market of mobile phones as they are equipped with strong market knowledge and assist brand owners to target key customer groups with appropriate marketing and promotion strategies. To acquire the distributorship role, they would first establish business relationships with global brand owners and demonstrate their ability to market authorised new mobile phones to Hong Kong consumers. Some distributors may also provide technical trouble-shooting service and warranty services for their customers.

Multifaceted supply chain of mobile phones in Hong Kong

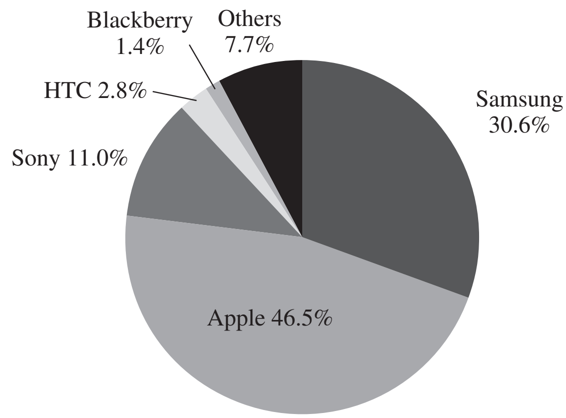


In the upstream, international brand owners are not likely to engage in direct sales activity with consumers, but rather supply their products to local telecommunications services operators, local major electrical appliances retail chains and local authorised distributors. Such a multifaceted approach would allow the products to reach more consumers at a lower operating cost.

In the midstream, distributors primarily distribute to retailers and act as an agent between the mobile phone brand owners and the independently operated resellers and chain retailers. They can order smaller quantity of products from the authorised distributors and choose to source for a wider selection of brands.

In the downstream, some telecommunications services operators and chain retailers would enter into agreements with brand owners for bulk purchases before or shortly after a new product is released to ensure that they have adequate supply of products to address the demand.

Market share of brand owners in relation to sales volume of mobile phones in Hong Kong in 2013



Source: Ipsos research and analysis.

Note: Others refer to mobile phone brands such as LG, Huawei, ZTE, Xiaomi, Nokia, etc.

According to the Ipsos Report, Apple was dominating the market share in 2013 at about 46.5% of the retail sales volume of mobile phones due to the launch of products such as iPhone 5S and iPhone 5C in 2013. As products of Apple appeared to be a sign of affluence and fashion trend, the launch of new products attracted increasing local demand.

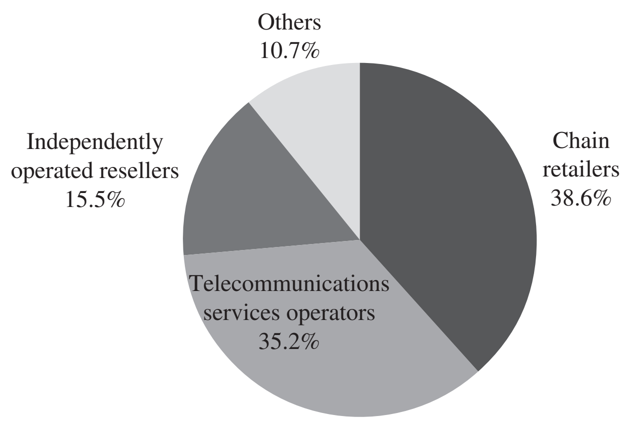
Samsung also had a significant market share at about 30.6% of the retail sales volume of mobile phones in 2013 due to the high number of new products launched in 2013, of about 29 different models of mobile phones. The retail prices ranged from about HK$1,400 to HK$6,400 with different features such as variation of screen sizes and technical specifications. Samsung had a market share of about 25.4% of the retail sales volume of mobile phones in Hong Kong during the nine months ended 30 September 2014.

Other than Samsung, the popularity of android mobile phone also supported the retail sales volume of other major brands operating on Android platform, such as Sony, HTC and LG, etc. Meanwhile, Sony was also able to have a significant market share by launching about 7 mobile phone models in 2013 with unique features such as water-proof mobile phones equipped with underwater video recording and picture taking capabilities.

Retail sales volume of Blackberry mobile phones are supported by the business sector as its function of email messaging and brand image of commercial use are valued for business enterprises and professionals to continue their purchase.

Market share of various sales channels in relation to sales volume of mobile phones in Hong Kong in 2013

According to the Ipsos Report, sales volume of mobile phones in Hong Kong in 2013 was dominated by 3 major sales channels, chain retailers by about 38.6%, telecommunications service operators by about 35.2% and independently operated resellers by about 15.5%. The total retail sales volume of mobile phones in Hong Kong in 2013 was 14.4 million units.



Source: Ipsos research and analysis.

Notes:

(1) Chain retailers refer to sales channels including electrical appliances stores in 2013 such as Broadway Electronics, Fortress and Chung Yuen Electrical Co Ltd, etc.

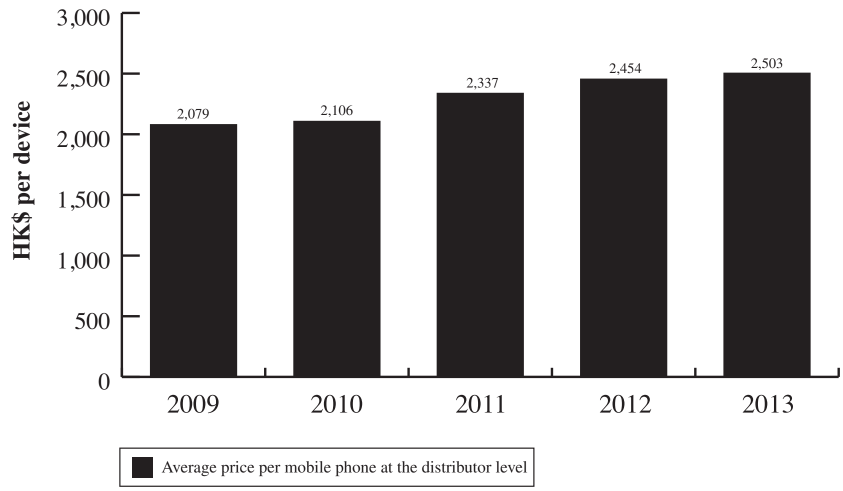
(2) Independently operated resellers refer to sales channels including, but not limited to, those retail outlets with authorised dealerships from distributors of mobile phones in Hong Kong.

(3) Others refer to sales channels such as online platforms and mobile phone brand owners' self-operating retail outlets in Hong Kong, etc.

Average price of mobile phones in Hong Kong (at the distributor level) from 2009 to 2013

According to the Ipsos Report, due to rising manufacturing costs in terms of advancement of operating system in mobile phones, the average price of mobile phones in Hong Kong at the distributor level increased at a CAGR of about 4.8% from about HK$2,079 per device in 2009 to about HK$2,503 per device in 2013.

Average price of mobile phones in Hong Kong at the distributor level from 2009 to 2013



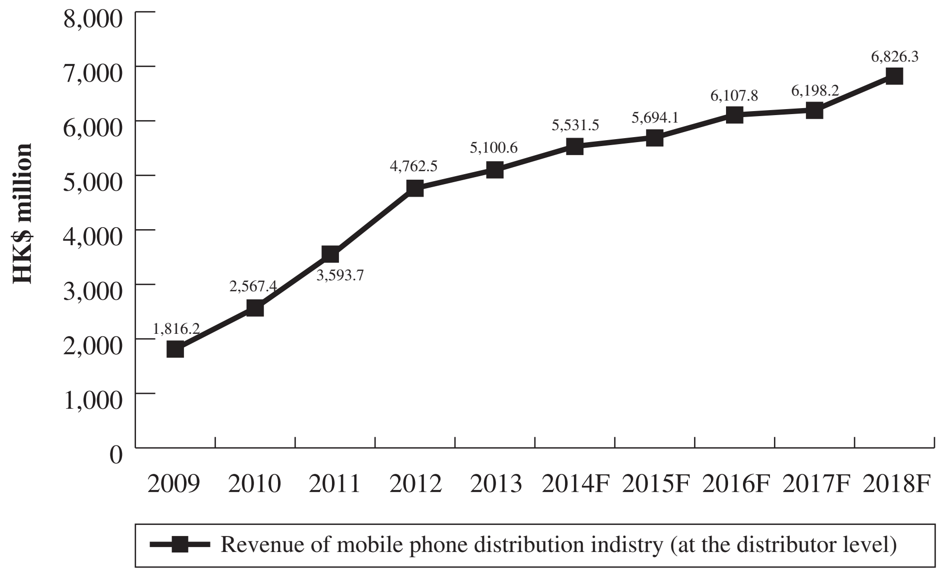
Source: Ipsos research and analysis.

The growth in the average price of mobile phones at the distributor level is expected to become moderate, as the mobile phone industry become more competitive. More mobile phone brand owners will develop low cost mobile phones. This trend will contribute to the slow down in the increase in the average of price of mobile phones in Hong Kong at the distributor level in the long term.

Revenue of the mobile phone distribution industry in Hong Kong

The total revenue of the mobile phone industry in Hong Kong increased from about HK$1,816.2 million in 2009 to about HK$5,100.6 million in 2013, at a CAGR of about 29.5%. This was mainly due to the increase in retail sales in mobile phones during the same period. Another reason was the entry of new players into the Hong Kong mobile phone market, such as Xiaomi Inc. in 2010 and ZTE Corp in 2012. Mobiles phones by these companies are sold at lower prices compared to popular brands such as Apple and Samsung. They captured the demand for lower priced mobile phones in Hong Kong and expanded the market revenue of mobile phones, as well as the revenue of mobile phone distributors. The total revenue of mobile phone distributors in Hong Kong is expected to further increase from about HK$5,531.5 million in 2014 to about HK$6,826.3 million in 2018, at a CAGR of about 5.4%.

Total revenue of mobile phone distribution industry (at the distributor level) in Hong Kong from 2009 to 2018



Source: Ipsos research and analysis.

KEY DRIVERS OF THE MOBILE PHONE DISTRIBUTION INDUSTRY IN HONG KONG

Ongoing demand for mobile phones. Ipsos believes that mobile phones are not purely functional nowadays but also an expression of fashion and trendiness. As mobile phones keep coming up with new models with technical upgrades, there will be constant demand from consumers to support market growth.

Advancement in technology. According to Ipsos, the continual penetration of high-speed 4G services provided by local telecommunications service providers in Hong Kong will drive the demand for newer models of mobile phones that could support such a function, so that users may have faster access to the internet an enhanced user experience.

Sales of mobile phones to tourists. The retail industry in Hong Kong is supported by inbound tourists spending on goods such as mobile phones, clothing and luxury goods, etc. According to Ipsos, the overnight visitor in 2013 spends about HK$8,100 in Hong Kong which is about a 3.9% increase from 2012. As it is anticipated that the number of visiting tourists in Hong Kong will increase, this will also drive the demand for the mobile phone distribution industry in Hong Kong.

COMPETITIVE ANALYSIS OF THE MOBILE PHONE DISTRIBUTION INDUSTRY IN HONG KONG

According to the Ipsos Report, there were about 16 mobile phone distributors in Hong Kong in 2013. The top 5 mobile phone distributors accounted for about 64.2% of the total revenue of the Hong Kong mobile phone distribution industry in 2013. Our Group ranked first among the top 5 mobile phone distributors in Hong Kong and shared about 21.7% of industry revenue in 2013. The major players have strong brand ownership and broad networks of downstream retail channels. The industry revenue was estimated to be about HK$5,100.6 million in 2013. It is expected that the market is mature and each of the mobile phone distributors is able to be a significant part of the industry.

With a number of distributors obtaining authorised distributorship of mobile phones from brand owners, a strong track record of existing and former business partners for a mobile phone distributor can distinguish oneself from other competitors in Hong Kong. Many mobile phone distributors rely on their reputation such as after-sales services on warranty coverage to stay competitive.

In order to support the amount of products and solutions to be delivered from mobile phone brand owners or mobile phone manufacturers to consumers and downstream retail channels on time, the support of effective logistics and delivery arrangements are important. To stay competitive, mobile phone distributors in Hong Kong also has to be involved in the planning and arrangement of logistics to ensure that the delivery of products would meet customers' expectation.

The major market players of the mobile phone distribution industry in Hong Kong and their respectively market share (in terms of industry revenue) in 2013 is as set out in the following table:

Top 5 mobile phone distributors in Hong Kong in 2013

Rank	**Name of company**	**Headquarter location**	**Revenue in 2013** *(HK$ million)*	**Share of total industry revenue** *(%)*	**Key service range**
1	Our Company	Hong Kong	1,106.0	21.7%	Mobile phone distribution and after-sales services
2	Synnex Technology International Corporation	Hong Kong	910.4	17.8%	Mobile phone distribution and after-sales services
3	Kentech International Limited	Hong Kong	449.1	8.8%	Mobile phone distribution and after-sales services
4	Telecom Service Network Limited	Hong Kong	437.0	8.6%	Mobile phone distribution and after-sales services
5	Brightstar Asia Limited	Hong Kong	372.1	7.3%	Mobile phone distribution and after-sales services
Others			1,826.0	35.8%	
Total			**5,100.6**	**100.0%**	

Source: *Ipsos research and analysis.*

Note: The revenue figures refer to the revenue generated from distributing mobile phones in Hong Kong.

Entry barriers to the mobile phone distribution industry in Hong Kong

Capital intensive nature of the industry. Existing mobile phone distributors have cost advantage as they buy in bulk from brand owners. Further, distributors need capital so that they may purchase mobile phones before obtaining payment from downstream retailers. The lack of initial funds is a barrier to new entrants.

Established distribution network. As existing distributors would already have agreements with brand owners, it would be difficult for new entrants to form new relationships with the brand owners. In addition, authorised distributors have to be capable of handling a broad network of downstream retailers and provide aftersales warranty services, which could be a heavy task for a new company looking to enter the industry.

Opportunities for mobile phone distributors in Hong Kong

The provision of maintenance plans and repair service packages. According to the Ipsos Report, a majority of existing and potential customers purchasing mobile phones consider the function, price, outlook, brand and availability of repair/warranty services that comes with the mobile phone. This offers ample business opportunities for existing mobile phone distributors in Hong Kong to expand their business to cover such after-sales areas.

Continuing supply of new models of mobile phones. As there is a continuing supply of new models of mobile phones by global brand owners, there will be constant demand to purchase new mobile phones. There are, therefore, ample business opportunities for mobile phone distributors to introduce new models and a larger variety of brands to Hong Kong.

Threats to the mobile phone distribution industry in Hong Kong

Parallel imports. Parallel imports in Hong Kong are common. Their retail prices are usually 5% to 20% lower than that of authorised distributors. Even though parallel imports do not come with warranty or other aftersales services, consumers still buy them due to their lower retail price. This may result in a loss of market share for the distribution industry in Hong Kong.

Dependent on a few brands. As distributors in Hong Kong generally only contracts with a few brand owners to be their distributor, the loss of authorised distributorship of a single brand may have great impact on the business and profitability of a distributor.

This section sets out summaries of certain aspects of the laws and regulations which are relevant to our Group's operation and business.

HONG KONG LICENSING FRAMEWORK

The telecommunications industry in Hong Kong is regulated by OFCA according to the Telecommunications Ordinance and the regulatory regime is considered to be pro-competition and pro-consumer. The Telecommunications Ordinance, together with subsidiary legislation such as the Telecommunications Regulations and various statements, guidelines and codes of practice issued by the OFCA, operate to form the overall regulatory landscape of Hong Kong's telecommunications industry.

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

Further, under the Telecommunications Ordinance, a RD Licence (Unrestricted) is required for importing into Hong Kong or exporting therefrom radiocommunications transmitting apparatus. A RD Licence (Unrestricted) is generally valid for a period of 12 months, and is renewable on payment of the prescribed fee, at the discretion of OFCA.

LICENCES

Our Group has obtained RD Licence (Unrestricted) from the OFCA in connection with its distribution business for mobile phones.

The following table sets out the licences of the members of our Group which have material revenue contributions to our Group's overall revenue for the three years ended 31 December 2013 and the six months ended 30 June 2014:

Name of the Licencee	Type of licence	Licence number	Issuing authority	Validity
Qool	RD Licence (Unrestricted)	RU00141818-RU	OFCA	1 October 2014 to 30 September 2015
Synergy	RD Licence (Unrestricted)	RU00105115-RU	OFCA	1 April 2014 to 31 March 2015
W-Data	RD Licence (Unrestricted)	RU00105127-RU	OFCA	1 April 2014 to 31 March 2015
Sun Well	RD Licence (Unrestricted)	RU00171811-RU	OFCA	17 July 2014 to 31 July 2015

INTRODUCTION

Our Company was incorporated in the Cayman Islands on 4 July 2014 as an exempted company under the Companies Law in anticipation of the Listing. Immediately following the incorporation, our Company was 100% owned by Parentco. As part of the Reorganisation, our Company is the holding company of our Group.

OUR BUSINESS HISTORY

Commencement of our business

Our Group was founded by Mr. Lim Kiah Meng (林家名) (executive Director and managing director of the Company), Mr. Lim Kia Hong (林嘉豐) (non-executive Director and chairman of our Group) and Mr. Lim Hwee Hai (林惠海) (non-executive Director) in 2010. For further information on the background and experience of Mr. Lim Kiah Meng, Mr. Lim Kia Hong and Mr. Lim Hwee Hai, please refer to the sections headed "Directors and Senior Management — Executive Directors" and "Directors and Senior Management — Non-executive Directors" in this prospectus. Our Group's business commenced in 2010 when Qool was incorporated in Hong Kong as an indirect subsidiary of Parentco and initially engaged in the business of the distribution of mobile phone products in Hong Kong.

After the incorporation, Qool has successfully built up business relationships with many internationally renowned leaders in technologies for the distribution of their mobile phones including Alcatel One Touch, ASUS, BlackBerry, Sugar, ZTE and Lenovo in Hong Kong.

On 15 July 2011, the Parentco through its wholly-owned subsidiary acquired the entire interest in Synergy from an Independent Third Party with the aim of further increasing the market share in the mobile phone distribution market in Hong Kong. Synergy, founded in 2000, is a leading mobile phone and related products company with a strong network and considerable experience in distributing mobile phones in Hong Kong. After the acquisition of Synergy, the Parentco continued to expand its Mobile Phone Distribution Business and become a distributor for mobile phones of internationally renowned brand including Acer and the Renowned Korean Brand in Hong Kong.

In December 2005, Synergy acquired the entire issued share capital of W-Data which then became a wholly-owned subsidiary of our Group. W-Data had been engaged in the business of distribution of computer products and mobile phones before the acquisition but it ceased to be active and became a liaison office since April 2011.

On 4 March 2013, Synergy acquired the entire issued share capital of Sun Well, a limited liability company incorporated in Hong Kong, to expand its business. In March 2013, Synergy and Sun Well entered into two agreements with the Renowned Korean Corporation pursuant to which Sun Well opened two Partner Stores in Tseung Kwan O and Yuen Long to promote primarily products of the Renowned Korean Brand in the Hong Kong market for a fixed term of three years. The Partner Stores also allowed our Group to diversify our revenue stream through the sale of mobile phones, tablets and electrical appliances such as televisions, home theatres, blu-ray players, digital still cameras, notebooks, monitors and printers of the Renowned Korean Brand to retail customers.

Based on our experience in the Partner Stores and in line with our continuous efforts to market our suppliers' products, our Group continued to expand our distribution business in Hong Kong. On 1 March 2013 and 25 March 2014, Synergy opened two re-distribution centres in Sham Shui Po and Wanchai, respectively for sales to our distribution customers.

We believe that our experience in the distribution and retail of mobile phone, our knowledge of local culture and our established network of mobile retailers and operators have contributed to our success in marketing mobile phone products for our suppliers in the Hong Kong market. Please refer to the section headed "Our Business" in this prospectus for further information on our business.

The following sets forth important milestones of our business developments and achievements:

Business milestones

Year	Business development
June 2010	• Qool, the first operating subsidiary of our Group, was incorporated in Hong Kong to engage in the distribution of mobile phones products.
August 2010	• Qool and Parentco entered into a master supply agreement with Blackberry Singapore Pte. Ltd. (formerly known as Research In Motion Singapore Pte. Limited) for BlackBerry mobile products and associated services. Since then, our Group has established a strong business relationship with Blackberry.
July 2011	• Our Group acquired Synergy, a leading mobile products distribution company in Hong Kong. As a result of the acquisition, W-Data, a wholly-owned subsidiary of Synergy, became an indirect wholly-owned subsidiary of our Group.
	• Synergy and the Renowned Korean Corporation renewed the mobile phone sales agreement for the distribution of mobile phones and I.T. products in Hong Kong.
January 2012	• Synergy entered into an international distributorship agreement with Acer Computer (Far East) Ltd. Since then, our Group started distributing Acer's products including mobile phones and mobile internet devices in Hong Kong.
March 2013	• Sun Well, Synergy and the Renowned Korean Corporation entered into two partnership agreements, pursuant to which Sun Well established two Partner Stores in Tseung Kwan O and Yuen Long to promote primarily mobile phones and related products.
	• Soon after entering into the partnership agreements, Sun Well and the Renowned Korean Corporation entered into a dealership agreement in which Sun Well was granted the right and license to sell mobile phones and I.T. products in Hong Kong.
March 2013	• Synergy established a re-distribution centre in Sham Shui Po for the distribution of mobile phones to our distribution customers in the area.
April 2014	• Synergy established another re-distribution centre in Wanchai for the distribution of mobile phones to our distribution customers in the area.

As our Group was part of the Parentco Group immediately prior to the Spin-off, the development and acquisitions of our Group during the Track Record Period were mainly financed by funding provided by the Remaining Parentco Group.

Parentco

Our Group has been operating under Parentco during the Track Record Period and prior to the Spin-off. Parentco, the shares of which are listed in the Main Board of the Stock Exchange since 1992, is a leading technology product distribution and investment holding company in Asia. It is principally engaged in the distribution of mobile phone and I.T. products, the investments in I.T. businesses as well as the investment in real estate. Until the completion of the Spin-off, Parentco Group is and will be engaged in the business of distribution of mobile phone products in Hong Kong through our Group.

Parentco Group was founded in 1983 when Mr. Lim Kia Hong and Mr. Lim Hwee Hai established SiS Technologies Pte. Ltd. ("**SiS Singapore**") in Singapore as a wholesale distributor of microcomputers and related hardware and software products. On 3 January 2011, the Parentco Group had completed its disposal of SiS Singapore.

Parentco Group began its business in distributions of the I.T. products since 1983 and real estate investment since 1998.

The Parentco Group has been active in the investment of I.T. companies and other promising businesses with which synergies can be gained or where the investments, experience and management involvement of Parentco Group can play a part in growing the subject companies. For example, in 2000, Parentco Group acquired a 75% interest in SiS Distribution (Thailand) Public Company Limited ("**SiS Thailand**") which was one of the leading I.T. products distributors in Thailand. In 2004, SiS Thailand was successfully listed on the Stock Exchange of Thailand. As at the Latest Practicable Date, Parentco Group owns a total of 47.3% issued share capital in SiS Thailand. In December 2011, Parentco Group acquired 23.9% interest in I.T. Consultants Limited ("**ITCL**"), a Bangladesh incorporated company providing financial services and mobile banking such as electronic payments, e-commerce and internet banking in Bangladesh as part of Parentco Group's investment strategy of investing in emerging countries. At the Latest Practicable Date, Parentco Group owned a total of 43.6% interest in ITCL.

In terms of real estate investment, Parentco Group has continuously increased its real estate portfolio over the years. The Parentco Group has started its property investment before 1998 and has purchased properties from 2007 to mid 2014 continuously. In December 2012, Parentco Group completed the acquisition of the iconic sky scrapper Rinku Gate Tower Building in Osaka, the then second tallest building in Japan. In October 2013, July 2014 and September 2014, Parentco Group acquired trust beneficial interests in seven hotel properties in seven major cities in Japan. So far, Parentco Group's real estate portfolio includes investments in real estate properties consisting of hotel, commercial, industrial and residential properties in Hong Kong, Singapore and Japan.

The Remaining Parentco Group has expanded its business portfolio to focus on I.T. companies investment, real estate investment as well as I.T. products distribution. In contemplation of the Global Offering, the Remaining Parentco Group and our Group have undergone certain reorganisation steps since July 2014, including the incorporation of our Company. Particulars of these reorganisation steps are set forth in this section below.

Shareholding history of our major subsidiaries before the Reorganisation

Our Company's major subsidiaries include the following operating subsidiaries and a liaison office:

Qool

Qool is a limited liability company incorporated in Hong Kong on 4 June 2010. It is an indirect wholly-owned subsidiary of Parentco. As at the date of incorporation, the authorised share capital of Qool was HK$10,000 divided into 10,000 shares of HK$1.00 each, of which one share was allotted and issued to SiS Distribution on 4 June 2010. After the said allotment, the issued share of Qool was legally and beneficially owned by SiS Distribution.

Qool is principally engaged in the business of the distribution of mobile phone products in Hong Kong. Upon the completion of the Reorganisation, Qool becomes a direct wholly-owned subsidiary of our Company.

Synergy

Synergy, formerly known as Smarton Technology Limited and Synergy Technologies (Hong Kong) Limited, is a limited liability company incorporated in Hong Kong on 20 December 2000. On 15 July 2011, Synergy became a member of the Parentco Group when it was acquired by Faith Prosper Ltd. (BVI) ("**Faith Prosper**"), an indirect wholly-owned subsidiary of Parentco from an Independent Third Party, at a consideration of approximately HK$22.3 million. On 9 January 2012, Faith Prosper transferred its entire issued share capital in Synergy to SiS Distribution. Since then and up to the Latest Practicable Date, Synergy was a direct wholly-owned subsidiary of SiS Distribution.

Synergy is principally engaged in the business of trading mobile phones related products. Upon the completion of the Reorganisation, Synergy becomes a direct wholly-owned subsidiary of our Company.

W-Data

W-Data is a limited liability company incorporated in the BVI on 26 April 2002. It was acquired by Synergy on 19 December 2005, and up to the Latest Practicable Date, W-Data remains as a wholly-owned subsidiary of Synergy. After the completion of the acquisition of Synergy by SiS Distribution, W-Data became an indirect wholly-owned subsidiary of SiS Distribution.

W-Data is a liaison office of our Group and has not been engaged in any active business activities since April 2011. Upon the completion of the Reorganisation, W-Data becomes an indirect wholly-owned subsidiary of our Company.

Sun Well

Sun Well is a limited liability company incorporated in Hong Kong on 15 February 2013. As at the date of incorporation, the authorised share capital of Sun Well was HK$10,000.00 divided into 10,000 shares of HK$1.00 each, of which one share was allotted and issued to Ready-made Company Limited ("**Ready-made**"), an Independent Third Party, on 15 February 2013. On 4 March 2013, Synergy acquired one share, representing the entire issued share capital of Sun Well, from Ready-made for a service fee of approximately HK$3,000. Since the completion of the transaction, Sun Well remains as a wholly-owned subsidiary of Synergy.

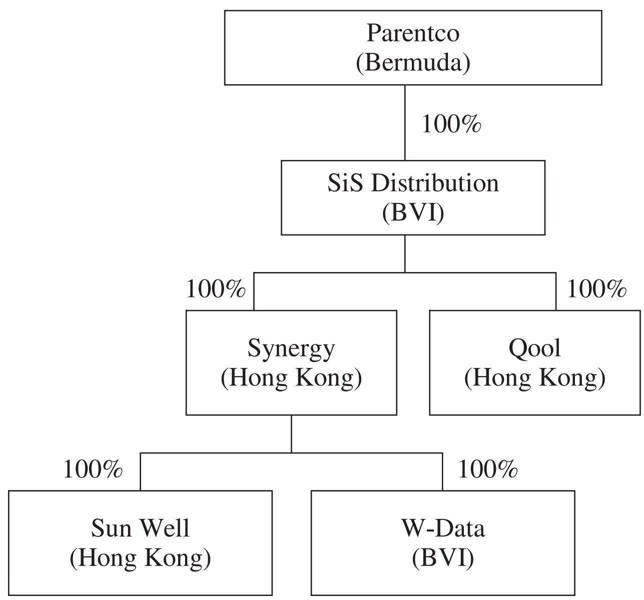
Sun Well is principally engaged in the retail sale of mobile phones and related products. Upon the completion of the Reorganisation, Sun Well becomes a direct wholly-owned subsidiary of our Company.

We have obtained all approvals, if required, from the relevant Hong Kong regulatory authorities in connection with each of the acquisitions stated above, and each of the acquisitions stated above was properly completed and settled pursuant to the relevant Hong Kong statutory requirements.

REORGANISATION

Corporate Structure Prior to the Reorganisation

Set out below is the shareholding structure of our Group immediately prior to the Reorganisation:



Our Reorganisation

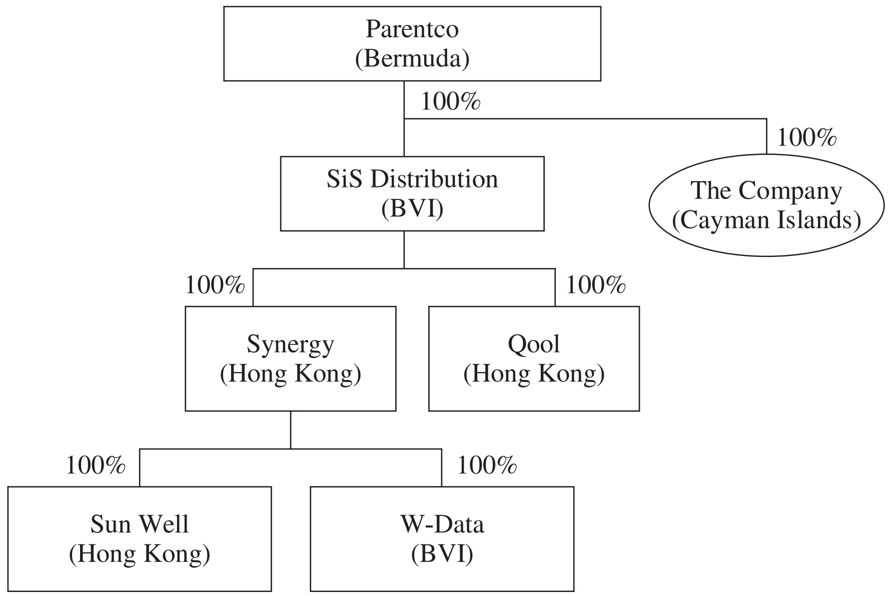
For the purpose of Listing, the following Reorganisation steps have been undertaken:

(1) Incorporation of the Company as a wholly-owned subsidiary of the Parentco

On 4 July 2014, the Company was incorporated in the Cayman Islands to be the holding company of our Group with an authorised share capital of HK$380,000 divided into 3,800,000 Shares.

On 4 July 2014, one Share was allotted and issued to Parentco for cash at par.

The shareholding structure of our Group after completion of (1) is set out below:

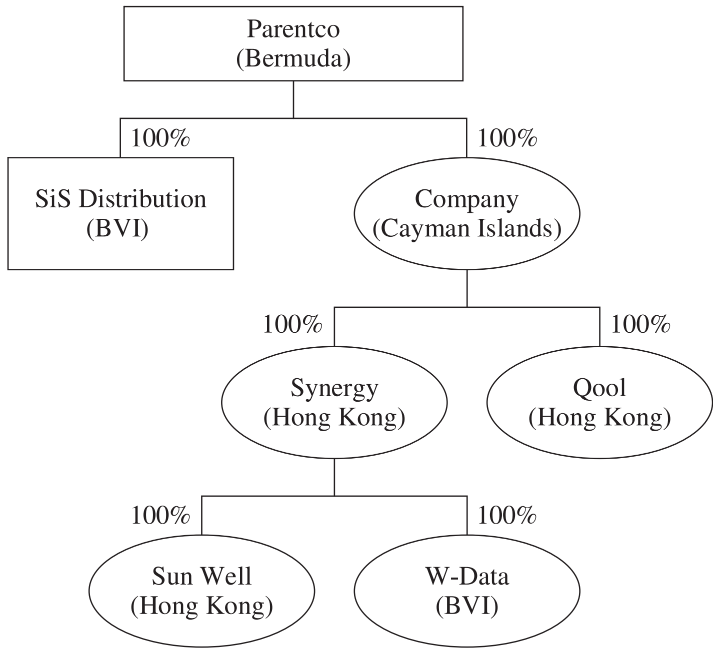


(2) Transfers of interests in Qool and Synergy by SiS Distribution to the Company

On 10 October 2014, SiS Distribution and the Company entered into the share purchase agreement, pursuant to which the Company acquired the entire issued share capital in each of Qool and Synergy held by SiS Distribution (the "**Share Purchase Agreement**"). In consideration, the Company allotted and issued 3,999 Shares and 6,000 Shares to SiS Distribution in respect of the acquisition of the entire issued share capital in Qool and Synergy, respectively. Upon completion, the Company holds the entire issued share capital in each of Qool and Synergy.

On 25 September 2014, in anticipation of the completion of the Share Purchase Agreement, SiS Distribution declared a special dividend by way of distribution in specie of its entire shareholding (representing 9,999 Shares) in the Company in favour of the Parentco. Completion of the distribution in specie took place simultaneously to the completion of the Share Purchase Agreement. Upon completion, SiS Distribution ceased to have any shareholding in the Company and Parentco in turn holds 100% of the issued share capital of the Company.

The shareholding structure of our Group after completion of (2) is set out below:



(3) The Capitalisation Issue

Conditional upon the share premium account of the Company being credited as a result of the Global Offering, the Company will capitalize all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full at nominal value a total of 235,190,000 Shares to be issued under Capitalisation Issue.

(4) Distribution of the Shares by the Parentco by way of distribution in specie to the Parentco Qualifying Shareholders conditional upon Listing

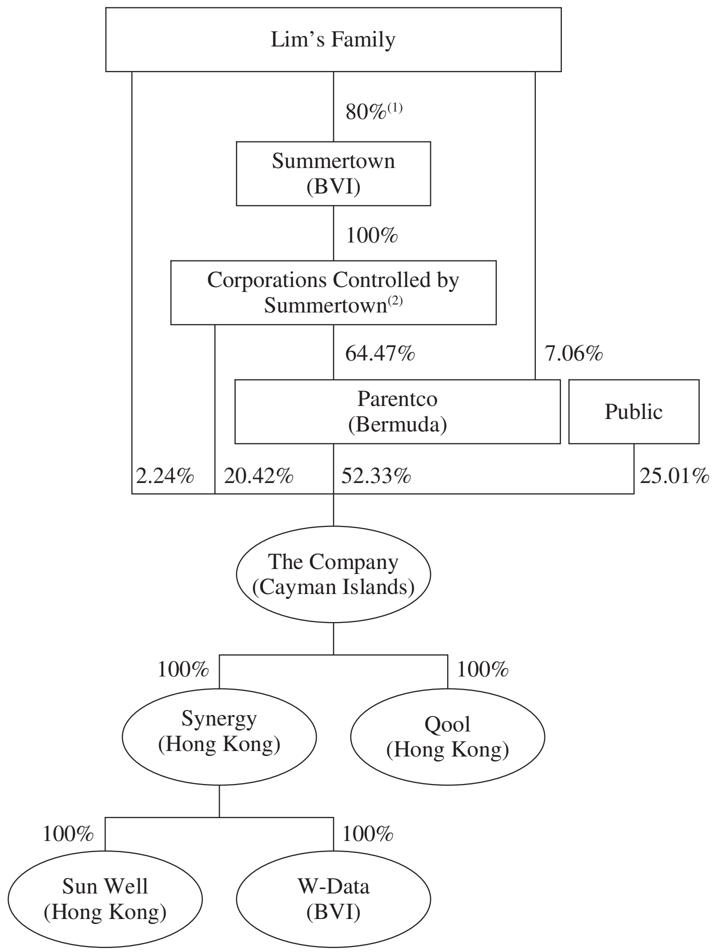
The directors of the Parentco declared a special dividend by way of distribution in specie to the Parentco Qualifying Shareholders of an aggregate of 88,668,443 Shares conditional upon Listing. Please refer to the section headed "The Spin-off and Distribution — The Distribution" in this prospectus for further details on the Distribution.

Corporate Structure After the Reorganisation, the Distribution and the Global Offering

Mr. Lim Kiah Meng, Mr. Lim Kia Hong and Mr. Lim Hwee Hai will be entitled to 1,729,024, 1,846,754 and 1,065,984 Shares, respectively under the Distribution based on their shareholdings in Parentco on the Latest Practicable Date, representing approximately 0.62%, 0.66% and 0.38% respectively of the issued share capital of the Company following completion of the Reorganisation, the Distribution and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any change to the capital structure of Parentco between the Latest Practicable Date and the Distribution Record Date). As all of them are connected persons of the Company for being Directors, they are not considered as public under the Listing Rules. Excluding their shareholding interests in the Company as a result of the Distribution, it is expected that the Company will have a public float of approximately 25.01% of the Shares upon Listing (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size

Adjustment Option and any change to the capital structure of Parentco between the Latest Practicable Date and the Distribution Record Date) which complies with the public float requirement under Rule 8.08 of the Listing Rules.

The shareholding structure of our Group after completion of the Reorganisation and Global Offering is set out below (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any change to the capital structure of Parentco between the Latest Practicable Date and the Distribution Record Date):



Notes:

(1) The 80% interest in Summertown are held only by Mr. Lim Kiah Meng and Mr. Lim Kia Hong (including their respective spouses), excluding Mr. Lim Hwee Hai and Madam Lim Hwee Noi.

(2) The corporations controlled by Summertown are Gold Sceptre, Kelderman Limited, Valley Tiger Limited and Swan River Limited.

Based on the shareholding structure of our Company as outlined above immediately after completion of the Global Offering, Parentco holds approximately 52.33% interest in the issued share capital of the Company. As such, Parentco will continue to consolidate our Group in the Parentco Group's financial statements after Listing.

We confirm that, as at the Latest Practicable Date, the Reorganisation does not constitute any material breach or violation of the relevant laws and regulations in Hong Kong.

OVERVIEW

We are one of the leading distributors of mobile phones in Hong Kong with extensive local distribution channels. According to the Ipsos Report, we were the largest distributors of mobile phones in Hong Kong in terms of revenue in 2013 with a market share of approximately 21.7%. We have developed and maintained strong and successful relationships with a number of mobile phones suppliers of internationally renowned brands including the Renowned Korean Brand and Blackberry. During the Track Record Period, we have also developed and maintained stable relationships with the brand owners of Acer, Alcatel One Touch, Sugar and ZTE.

We have a wide and growing customer base. Our number of distribution customers grew from 185 during the year ended 31 December 2011 to 263 during the six months ended 30 June 2014. We also have a diversified distribution customer base ranging from wholesale customers to telecommunication services operators and chain retailers. Our extensive industry knowledge and strong technical knowhow, which allow us to share up-to-date market information and in-depth understanding of products' features and specifications with our customers, are one of the key factors that make us their preferred suppliers. During the three years ended 31 December 2013 and the six months ended 30 June 2014, we sold more than 157,000 units, 378,000 units, 318,000 units and 243,000 units of mobile phones, respectively.

To capture the opportunities provided by the growing consumer demand for mobile phones of the Renowned Korean Brand in recent years, we acquired Synergy from an Independent Third Party in July 2011, which has been appointed as one of the few authorised distributors of the Renowned Korean Corporation in Hong Kong since 2009. In recent years, we focused on the distribution of mobile phones of the Renowned Korean Brand to wholesale customers in Hong Kong. Our revenue generated from our sales of products of the Renowned Korean Brand accounted for approximately 51.1%, 85.5%, 85.4% and 95.2% of our total revenue during the three years ended 31 December 2013 and the six months ended 30 June 2014. According to the Ipsos Report, mobile phones of the Renowned Korean Brand had the second largest market share in terms of sales volume of mobile phones in Hong Kong in 2013, accounted for approximately 30.6% of the total sales of mobile phones amongst other brands.

Mobile phone has become an important communication device in all walks of life with increasing prevalence of its use as the mobile phones technology progresses in terms of functions and design. Hong Kong, being our market focus, is one of the cities with the highest mobile phone penetration rate in the world with a penetration rate of about 238.2% in 2013. The constant introduction of new models of mobile phones and the local consumer culture have driven the increase of retail sales of mobile phones and have provided mobile phones distributors with substantial business opportunities. According to the Ipsos Report, the total revenue of mobile phone distribution industry in Hong Kong increased at a CAGR of about 29.5% from approximately HK$1,816.2 million in 2009 to approximately HK$5,100.6 million in 2013.

We have experienced stable source of revenue during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our revenue was approximately HK$513.6 million, HK$1,376.6 million, HK$1,274.8 million, and HK$846.7 million, respectively. Our revenue grew at a CAGR of approximately 57.5% between 2011 and 2013, and at approximately 40.9% year-on-year between the six months ended 30 June 2013 and 2014.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths that will continue to drive our future success:

We are one of the market leaders in the mobile phones distribution business in Hong Kong, supported by a sizable and growing distribution network

According to the Ipsos Report, we were the largest distributors of mobile phones in Hong Kong, in terms of revenue, in 2013. We distribute mobile phones principally through our extensive distribution channel of distribution customers, which consist of wholesale customers, telecommunications services operators and chain retailers in Hong Kong, for sale to their respective customers. For the three years ended 31 December 2013 and the six months ended 30 June 2014, we have transacted with an aggregate of 185, 243, 264 and 263 distribution customers, respectively. During the same periods, we sold more than 157,000 units, 378,000 units, 318,000 units and 243,000 units of mobile phones in Hong Kong.

We understand that it is the strategy of our suppliers not to engage in direct sales activity with consumers, and to appoint local distributors to distribute their products. We believe that this business model can allow our suppliers to leverage on our wide and diversified customer base and effective logistics and delivery arrangements to lower their operating cost while maintaining a board market reach, so that they can focus on other aspects of their operation such as product development.

Moreover, according to the Ipsos Report, the mobile phone distribution industry is capital intensive in nature as distributors need to purchase mobile phones before obtaining payment from the customers. We believe that by leveraging on our capital resources, financial strength and our ability to source the products in bulk, our wholesale customers (instead of telecommunication services operators or chain retailers which usually have larger operation scale) can enjoy greater flexibility in utilising their financial resources as they do not have to maintain high level of working capital for procurement of products in bulk and of multiple brands. By ordering from us, the wholesale customers could procure different models and brands of mobile phones in smaller quantity in a timely manner so that they could enjoy greater procurement flexibility to meet changing retail market demand. During the Track Record Period, a majority of our revenue was generated from distribution of products to wholesale customers, which accounted for approximately 66.7%, 70.8%, 71.3% and 86.8% of our total revenue for the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively.

Since 2010, we have been acting as the authorised distributor of Blackberry mobile phones through our wholly-owned subsidiary, Qool. During the Track Record Period, telecommunications services operators and chain retailers primarily purchase from us Blackberry mobile phones and mobile phone accessories as we are able to meet the specific ordering requirements of the supplier such as providing pre-ordering forecast to the supplier for the upcoming quarter. Due to our established business relationship with the supplier of Blackberry mobile phones, we believe we have remained as the preferred supplier of Blackberry mobile phones for telecommunications services operators and chain retailers.

We have accumulated extensive experience in mobile phones distribution business, which allows us to understand and anticipate future consumer preference and pattern, and identify potential brands which we are of the view that will be well received by our customers. We believe that we have been the preferred distributor of mobile phone suppliers due to our proven track record in our distribution business and our ability to assist our suppliers with our extensive distribution network of distribution customers.

We consider ourselves an important channel between the mobile phones suppliers and the local distribution customers. In addition to our sizable distribution network, our strengths also lie in our strong industry and technical knowhow which we could benefit our customers by providing them with information of the latest market trends as well as the special features and specifications of various models of mobile phones and tablets that we distribute.

We have an established relationship with our major suppliers

We have well-established and stable business relationships with our major suppliers of mobile phones of internationally renowned brands. Our wholly-owned subsidiary, Synergy, has a long established business relationship with the Renowned Korean Corporation. It had commenced business relationship with the Renowned Korean Corporation since 2009 before our acquisition in July 2011. According to the Ipsos Report, mobile phones of the Renowned Korean Brand had the second largest market share in terms of sales volume of mobile phones in Hong Kong in 2013, accounted for approximately 30.6% of the total sales of mobile phones amongst other brands. In addition, with the Renowned Korean Corporation's increase in introduction of new mobile phone models and increasing market share in recent years, we believe that our stable business relationship with the Renowned Korean Corporation has allowed us to benefit from their technological innovation and product life cycles, and offer a reliable source of mobile phone products in demand to our customers.

In addition, we have been acting as the authorised distributor of Blackberry for more than 4 years. We believe that our long established business relationship with the Renowned Korean Corporation and other suppliers has allowed us to ensure a stable source of supply of mobile phones to meet the demand of our customers.

We believe that we have been able to secure our appointment as distributors of these internationally renowned brands due to our proven track record in distribution of mobile phones in the past, our extensive distribution network, our sound financial background and the logistics support which we are able to provide to our suppliers.

We have a wide and diversified customer base with long and established relationships with our distribution customers

We have a diversified customer base, and customers of our distribution business range from wholesale customers to telecommunication services operators and chain retailers. For the three years ended 31 December 2013 and the six months ended 30 June 2014, we have transacted with an aggregate of 185, 243, 264 and 263 distribution customers, respectively. We have maintained relationships for more than 3 years with most of our five largest customers during each of the three years ended 31 December 2013 and the six months ended 30 June 2014. By leveraging on the brands of which we are authorised distributor, we have been able to capitalise on the trend of growing consumption of electronics and technology and consumer preference towards internationally renowned brands. We have also established long-standing relationships with many of our key customers, which are due to our ability to continually to meet their requirements for quality and reliability of our supply. We believe our strong relationship with our suppliers has offered our customers choice of quality products of internationally renowned brands as well as stability of our supply, making us their preferred supplier.

Experienced management team with proven track record and focus on human capital

Mr. Lim Kiah Meng, executive Director and managing Director of our Company, together with our non-executive Directors Mr. Lim Kia Hong and Mr. Lim Hwee Hai are the co-founders of our Group and have served our Group for over four years. Mr. Lim Kiah Meng has nearly thirty years' experience in the ICT industry, and is responsible for our Group's operations in Hong Kong. Mr. Lim Kia Hong is responsible for the corporate planning, development and management of our Group. Mr. Lim Hwee Hai has over thirty years' experience in the ICT industry. All of them have extensive experience in the mobile phones distribution business and contributed in the development of our Group. In addition, Mr. Fong Po Kiu, our executive Director and general manager, has worked at Synergy since April 2004 prior to our acquisition of Synergy in July 2011 and has contributed much to general management and business operations and development of our Group. Mr. Fong Po Kiu has over twenty years of working experience in the ICT industry in Hong Kong.

Our senior management have been with Synergy or Qool for an average of 7 years. A majority of our executive Directors and senior management has extensive industry knowledge as well as established and long term relationship with our suppliers as well as a number of our distribution customers. Under the leadership of our senior management who has accumulated substantial experience in distribution business, we have been successful in growing our operations over the years.

BUSINESS STRATEGIES

We aim to maintain our leading position in Hong Kong. We will continue to expand market share by pursuing the following strategies:

Continue to broaden our product offerings and brand portfolio

We plan to continue to reinforce our position as a preferred distributor of mobile phones to resellers in Hong Kong by solidifying our relationship with our existing suppliers as well as identifying other suppliers of mobile phones which we anticipate will have potential growth in market share. We intend to increase our market share by offering good product portfolio from our existing suppliers which we expect will have a strong consumer demand. In addition, we will continue to leverage on our extensive sales network and seek to cooperate with other internationally renowned brands of growing popularity. In evaluating prospective new suppliers, we will consider, among other factors, prevailing consumer preference, forecast market trend, future technological development and competition in the market. We believe that the diversifying and expanding of our product offerings and brand portfolio will strengthen our position as an established distributor of mobile phones in Hong Kong.

Further expand our distribution network and strengthen the quality of customer services provided by our sales team

Building upon the popularity of the brands that we distribute and our leading position in the local market, we plan to further expand our distribution network by increasing the number of distribution customers and increase our market penetration. We will continue to devote resources to strengthen the quality of our customer services by providing training to our sales team, which allow them to share with our customers our extensive industry knowledge and in-depth understanding of products' features and specifications.

Enhance our management capability and efficiency by implementing a new ERP system

We believe that an enhancement of our management capability and efficiency could increase our competitiveness. We plan to purchase and adopt a new ERP system which would integrate the function of our current various information management systems. This new ERP system could improve the efficiency of our resource management and reduce the operating costs by allowing us to have a more effective communication and data flow among our different operation functions, enhancing our ability to gather and analyse our operational data, and thus it is expected that it will provide support to our customer services, distribution, retail sales and finance and accounting operations. It will give us instant access to key business information such as inventory records, sales information, market trends and customer needs, and allow us to perform prompt accounting and financial analysis.

The new ERP system will thus provide us with a solid platform for efficient management, an excellent source of statistical data for our business strategy analysis, a platform for better internal communication and efficient management and a strong foundation for future business development, thereby making revenue-generating and cost-saving impact on our Company. The estimated total investment for the new ERP system is approximately HK$1.3 million and is expected to be funded by net proceeds from the Global Offering to be utilized within 24 months after Listing.

Acquisition of premises as new office and warehouse to reduce operating costs

In order to lower our operating costs in the long run, we plan to acquire a property in Hong Kong as our new office and warehouse. Currently, our offices, warehouse and shops are located at leased premises. We believe that acquiring our own property would help to lower our operating costs and would be beneficial to our long-term development. As at the Latest Practicable Date, we have not entered into any agreement for the purchase of property or identified any target property. We estimate that the total capital expenditure for the purchase of premises will be not less than HK$57.0 million. We will consider the purchase price, usable area, location and our then particular needs when selecting the acquisition target. We intend to finance such acquisition of property by using part of the net proceeds of the Global Offering and the remaining by bank borrowings and/or internal funds.

OUR BUSINESS MODEL

During the Track Record Period, most of our revenue was derived from distribution of mobile phones of internationally renowned brands. For those products which we are authorised to distribute, we entered into non-exclusive agreements with most of those suppliers and procure mobile phones from them in Hong Kong. We then sell and deliver those products to our distribution customers, who are wholesale customers, telecommunications services operators and chain retailers in Hong Kong. Apart from distribution of mobile phones, with a view to diversify our revenue stream, we have also opened two Partner Stores in Yuen Long and Tseung Kwan O in 2013 for sales of mobile phones, tablets and other electronic products of the Renowned Korean Brand to retail customers since 2013, which contributed approximately 2.3% and 2.5% of our total revenue during the year ended 31 December 2013 and the six months ended 30 June 2014, respectively.

The table below sets forth our breakdown of revenue contribution and their percentage of our total revenue for each of the three years ended 31 December 2013 and each of the six months ended 30 June 2013 and 30 June 2014 respectively:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Mobile phones	455,751	88.7	1,232,678	89.5	1,127,614	88.5	535,021	89.0	749,652	88.5
Others *(Note 1)*	57,849	11.3	143,897	10.5	147,231	11.5	66,001	11.0	97,071	11.5
Total	513,600	100.0	1,376,575 *(Note 2)*	100.0	1,274,845 *(Note 3)*	100.0	601,022	100.0	846,723	100.0

Note:

(1) Others include (i) sales of tablets and service income from provision of customer support services for certain brands of products and (ii) sales of mobile phone accessories, TVs, home theatres, blu-ray players, digital still cameras, monitors and printers at our Partner Stores which were opened in 2013.

(2) The significant increase of our revenue recorded for the year ended 31 December 2012 as compared to the year ended 31 December 2011 was mainly attributable to our acquisition of Synergy in July 2011.

(3) The decrease of our revenue recorded for the year ended 31 December 2013 as compared to the year ended 31 December 2012 was mainly attributable to the decrease in sales volume of the mobile phones of some of the major brands we distributed in 2013.

OUR DISTRIBUTION BUSINESS

We are an established distributor with extensive distribution network in Hong Kong. We sold mobile phones to 263 distribution customers in Hong Kong during the six months ended 30 June 2014 and have maintained long-term business relationships with these local resellers, which include wholesale customers, telecommunication services operators and chain retailers, who are Independent Third Parties. During the three years ended 31 December 2013 and each of the six months ended 30 June 2014, we sold more than 157,000 units, 378,000 units, 318,000 units and 243,000 units of mobile phones in Hong Kong respectively.

The table below sets forth the breakdown of our revenue contribution by sales channel during each of the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Distribution										
Wholesale customers	342,720	66.7	974,009	70.8	908,648	71.3	424,983	70.7	734,877	86.8
Telecommunications services operators and chain retailers	170,880	33.3	402,566	29.2	336,884	26.4	172,316	28.7	91,058	10.7
Sub-total	513,600	100	1,376,575 *(Note 1)*	100	1,245,532	97.7	597,299	99.4	825,935 *(Note 2)*	97.5
Retail										
Partner Stores	—	—	—	—	29,313	2.3	3,723	0.6	20,788 *(Note 3)*	2.5
Total	513,600	100	1,376,575	100	1,274,845	100	601,022	100	846,723	100

Notes:

(1) The significant increase of our revenue in our distribution business recorded for the year ended 31 December 2012 as compared to the year ended 31 December 2011 was partly attributable to the acquisition of Synergy in July 2011.

(2) The increase in our revenue in our distribution business recorded for the six months ended 30 June 2014 as compared to the six months ended 30 June 2013 was primarily due to the increased bulk purchase from our certain distribution customers in 2014.

(3) The increase in our revenue in our retail business recorded for the six months ended 30 June 2014 as compared to the six months ended 30 June 2013 was mainly due to the reason that there was only one Partner Store opened in the first half of 2013, while two Partner Stores were in operation for the same period in 2014.

Currently, we are an authorised non-exclusive distributor of 4 internationally renowned brands of mobile phones. During the Track Record Period, we focused on the distribution of mobile phones of the Renowned Korean Brand and Blackberry mobile devices. Other brands of mobile phones that we distribute currently include Acer, Sugar, Alcatel One Touch and ZTE. During the recent years, we captured the opportunities presented by the growing consumer demand for mobile phones of the Renowned Korean Brand and the revenue contribution from our sales of mobile phones of the Renowned Korean Brand increased during the Track Record Period. Our revenue generated from distribution of products of the Renowned Korean Brand accounted for approximately 51.1%, 85.5%, 85.4% and 95.2% of our total revenue for the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively.

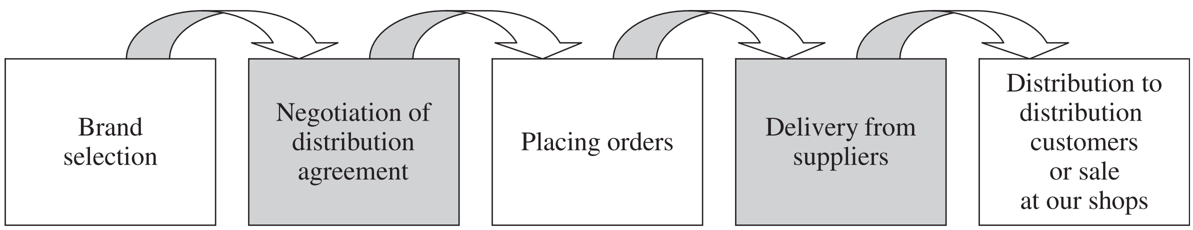
We conduct our distribution business through our wholly-owned subsidiaries, namely, Synergy and Qool. With an established distribution network in Hong Kong since 2000, Synergy, which we acquired and became part of our Group in July 2011, obtained the non-exclusive distribution right of mobile phones of the Renowned Korean Brand in Hong Kong since 2009. We are currently one of the two distributors which directly procure mobile phones from the Renowned Korean Corporation for distribution purposes in Hong Kong. We mainly distribute the mobile phones of the Renowned Korean Brand to wholesale customers and chain retailers in Hong Kong.

Our wholly-owned subsidiary, Qool, has obtained the non-exclusive distribution right to sell Blackberry mobile devices in Hong Kong since 2010. We mainly distribute Blackberry mobile devices to telecommunication services operators in Hong Kong.

It is the common market practice for mobile phones suppliers to engage local authorised distributors in Hong Kong instead of engaging in direct sales activities with local resellers or end customers. These mobile phones suppliers benefit from our extensive local sales network to maintain a broad market reach at a lower operating cost. We consider ourselves as an important channel between the mobile phones suppliers and the local resellers. In addition, the mobile phones suppliers benefit from our distribution logistics and assistance in marketing activities in a cost-efficient manner.

OUR OPERATION FLOW

The following diagram illustrates our operation flow:



Brand selection

We believe that selection of brands is a crucial part in improving competitiveness in our distribution business. We normally explore and source new brands through (i) attending different international trade fairs; and (ii) our industry experience and connection in the mobile phones industry. We select our suppliers carefully by considering their product quality and functionality, price, reliability and anticipated market acceptance. The engagement of new suppliers and purchase of new products are subject to review by our executive Directors. Once our general manager has shortlisted the potential brands, they would be put forward to, and approved by, our executive Directors. Our representative would then approach the suppliers to discuss plans for business cooperation. Our management often adopts a prudent approach when introducing new brands or engaging new suppliers. Similar to the industry norm, we would only enter into distributorship or supply agreements normally with a term of one year with our suppliers for exclusive or non-exclusive sale and distribution rights of products in our area of operation. When selecting a new brand, we mainly consider (i) the reputation and image of the brand; (ii) the design and quality of the products; and (iii) the projected demand of our customers and the prevailing market trend. We are not required to pay any fees to any of our existing suppliers to obtain or renew our distributorship or supply agreement.

Product selection

If we are appointed as their distributors, we select from their list of products provided to us models which we consider may be well received by the market. Based on our estimation of the upcoming mobile phones trend and our experience in the industry, we are able to select the products with features and designs that allow us to offer a diversified product mix, which can match with consumer preferences and the expected market demand.

Placing orders

Generally, once the products have been selected, our sales team will estimate the quantity of products to order from our suppliers, based on the internal sales forecasts (which were prepared according to historical sales figures as well as projected market trends) for our management approval prior to placing any purchase orders. The purchasing process is supported by our management information system to facilitate better inventory control and tracking of sales. Therefore our management is able to monitor and achieve an appropriate level of inventory. Procurement decisions are generally based on inventory levels and movement, expected sales and lead times of the products. In this regard, our sales reporting and inventory monitoring system provides us with the quantity of mobile phones we sold every day and the inventory levels of the products in warehouses, and we would consult our suppliers from time to time about their stock availability, and the delivery time of, the mobile phone products. When determining the selling price of our products, we will take into account the amount of sales incentive and price protection compensation to be provided by our suppliers in relation to the relevant product to ensure that our acceptable profit margin can be met. Some of our distribution customers may place order with us for bulk purchases of certain products for sale to end users. In such case, we would make back-to-back orders with our suppliers. Normally, it would take approximately 2 to 30 days from the placing of orders with our suppliers to the delivery of the products to our warehouses, depending on the suppliers and the size of orders and the availability of stock in the suppliers.

Delivery to our distribution customers and our shops

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

OUR CUSTOMERS

We have two major types of customers, namely (a) distribution customers, which include wholesale customers, telecommunications services operators and chain retailers, and (b) retail customers:

(a) Distribution customers

(i) *Wholesale customers*: we distribute mobile phones to wholesale customers in Hong Kong which generally purchase from us in large quantity and mostly are mobile phones of the Renowned Korean Brand. We understand that most of them have retail store(s) and they resell and/or sell these products to end customers; and

(ii) *Telecommunication services operators and chain retailers*: we distribute mobile phones in bulk to local chain retailers which operate electronic products and electrical appliances retail stores in Hong Kong, and we distribute Blackberry mobile devices in bulk mainly to telecommunication services operators in Hong Kong.

(b) Retail customers

We sell mobile phones, tablets, electrical appliances such as televisions, home theatres, blu-ray players, digital still cameras, notebooks, monitors and printers of the Renowned Korean Brand to individual customers who purchase these products at our Partner Stores.

We have a diversified customer base. For the three years ended 31 December 2013 and the six months ended 30 June 2014, we have transacted with an aggregate of 185, 243, 264 and 263 distribution customers, respectively, which were all Independent Third Parties. During the Track Record Period, we expanded our sales network and, as a result, our total number of distribution customers increased. The table below sets out the number of our distribution customers during the Track Record Period:

For the year ended 31 December 2011	For the year ended 31 December 2012			For the year ended 31 December 2013			For the six months ended 30 June 2014		
	Additions	Discontinuation (*Note*)	Total	Additions	Discontinuation (*Note*)	Total	Additions	Discontinuation (*Note*)	Total
185	110	52	243	102	81	264	60	61	263

Note: This represents the number of distribution customers in the immediate preceding year which did not place purchase order with us during the relevant period. Other than the internationally renowned brands of mobile phones which we distributed, we also distributed other brands of mobile phones during the Track Record Period. Our Directors believe that some of our distribution customers ceased to place order with us because (i) some of them were one-off distribution customers; and (ii) we have ceased to distribute certain brands which were not well received by the market.

During the Track Record Period, our revenue from our five largest customers amounted to approximately HK$244.3 million, HK$606.7 million, HK$457.0 million and HK$482.0 million respectively, accounted for approximately 47.6%, 44.1%, 35.9% and 56.9% of our total revenue for the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. Among our five largest customers during each of the three years ended 31 December 2013 and the six months ended 30 June 2014, most of them are wholesale customers. During the same periods, our revenue from our largest customer amounted to approximately HK$57.1 million, HK$275.1 million, HK$181.5 million and HK$296.5 million, accounted for approximately 11.1%, 20.0%, 14.2% and 35.0% of our total revenue during the same periods, respectively, which included both wholesale customers and telecommunications services operators.

We have established long-standing relationships with many of our key customers, which are due in part to our extensive experience and knowledge in the industry. We have maintained business relationships for more than 3 years with most of the five largest customers during each of the three years ended 31 December 2013 and the six months ended 30 June 2014.

Our customer support services are also one of the key factors that make us their preferred suppliers. Our designated salespersons would contact our customers by physical visits or telephone calls from time to time to provide them with updates of recent market development, such as the special features and specifications of different models of mobile phones and tablets and their market trend. We also assist our customers to forward certain defective products to our suppliers for inspection and repair at a fee. In addition, we provide redemption service to one of our major suppliers for end-users seeking redemption at our re-distribution centres. Our after-sales team comprise of 3 staff members, two of them are experienced electrical engineers. Our service income contributed to less than 0.1% of our revenue during each of the three years ended 31 December 2013 and the six months ended 30 June 2014.

Our salespersons would also gather information from our distribution customers, including consumer preferences, sales and market reception of brands and models and inventory levels of products. Our salespersons also obtain first-hand feedbacks on the brands and models from the frontline sales of such distribution customers through regular visits and frequent communication.

During the three years ended 31 December 2013 and the six months ended 30 June 2014, we sold more than 157,000 units, 378,000 units, 318,000 units and 243,000 units of mobile phones, respectively.

In line with the customary industry practice, we do not enter into any long-term or short-term sales agreements with our distribution customers and our distribution customers place purchase orders which set out the models and number of the products they intend to purchase. We do not set any initial purchase requirements or minimum purchase requirements for our customers. We believe that as we have built up our reputation in the industry and we have a wide and diversified customer base, distribution customers will continue to place orders with us in the foreseeable future even without any long-term commitment.

Our customers are not entitled to return any products including unsold or obsolete goods unless the products are defective. In each of the three years ended 31 December 2013 and for the six months ended 30 June 2014, the total amount of returned goods by our distribution customers were below 0.4% of our total revenue respectively. Based on past experience, we consider that the level of goods return was insignificant and no provision on goods return had to be made during the Track Record Period.

We typically sell the mobile phones to our distribution customers on credit and grant most of our distribution customers credit terms ranging from 0 day to 60 days depending on a number of factors, such as their credit history, historical relationship with us and scale of operation. Our distribution customers generally settle their trade balances with us by bank transfer, cheque or by cash. However, some of our distribution customers settle their payables with us upon delivery. During the Track Record Period, we did not experience any material bad debts, nor experience any significant difficulties in collecting our trade receivables from our distribution customers and did not experience any significant disputes with our distribution customers.

We consider that it is unlikely to have any channel stuffing issue under our current sales model on the following basis: (i) we grant most of our distribution customers credit terms ranging from 0 days to 60 days which is in line with industry norm, and our average turnover days of trade receivables as at 31 December 2011, 2012 and 2013 and as at 30 June 2014 was approximately 25.3 days, 12.2 days, 12.2 days and 6.1 days which was rather low and in a downward trend; (ii) we have satisfactory record of recoverability of trade receivables during the Track Record Period and approximately HK$11.5 million or 99.9% of our trade receivables as at 30 June 2014 were settled as at Latest Practicable Date; (iii) we do not set any initial purchase requirements or minimum purchase requirements on our customers; and (iv) our customers are not entitled to return products (including unsold or obsolete goods) unless they are defective, and the total amount of returned goods by our distribution customers were below 0.4% of our total revenue during each of the three years ended 31 December 2013 and for the six months ended 30 June 2014.

Although our distribution customers may compete against each other in the local market, we endeavour to observe any cannibalistic act of the distribution customers to jeopardize the market equilibrium through our regular communication and visits with our customers to understand their inventory levels of products and sales performance.

During the Track Record Period, we received some immaterial customer complaints from our customer with respect to our products provided in the ordinary course of business. However, none of the complaints had a material adverse effect on our business and operations.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest customers of our Group for each of the three years ended 31 December 2013 and the six months ended 30 June 2014.

SUPPLIERS

We have two types of suppliers, namely suppliers of mobile phones which we act as their authorised distributors and suppliers of mobile phone accessories, electrical appliances. As at 31 December 2011, 2012 and 2013 and 30 June 2014, we had in total 6, 9, 8 and 8 suppliers for mobile phones, respectively.

Leveraging our extensive network of mobile phone distribution customers, we have maintained strong relationships with our suppliers. Currently, we procure mobile phones of 4 internationally renowned brands from our suppliers. We generally source mobile phones and tablets predominantly from the brand proprietor companies or their affiliate companies in Hong Kong directly instead of from their distributors or manufacturers. We have entered into supply agreements with a number of suppliers which authorise us to distribute their products, including the Renowned Korean Brand, Blackberry, Acer, Alcatel One Touch. Mobiles phones represented a majority of our purchases amount during the Track Record Period.

We also purchase mobile device accessories from suppliers, including protective films and case, chargers and battery packs, ear phones, and other supporting accessories.

In addition, we purchase electrical appliances from the Renowned Korean Corporation, including televisions, home theatres, blu-ray players, digital still cameras, monitors and printers.

We enter into legally binding supply agreements with our suppliers. The major terms of our supply agreements with the Renowned Korean Corporation, our largest supplier, and other major suppliers are generally as follows:

Supply agreements with the Renowned Korean Corporation

Distribution — The Renowned Korean Corporation authorises us to distribute and sell their products within the authorised territory, i.e. Hong Kong, on a non-exclusive basis.

Term — The term of the supply agreements for our retail sales at the Partner Stores and our mobile phone distribution business are three years and one year respectively, both automatically renewed on a yearly basis without any specified conditions precedent unless terminated pursuant to the respective agreements.

Pricing — The prices of the mobile phones sold to us are generally set by the Renowned Korean Corporation. The Renowned Korean Corporation also provides us with price protection compensation upon the occurrence of a retail price drop of products as confirmed by them.

Payment and settlement — We are generally required to settle the payment to the Renowned Korean Corporation in Hong Kong dollars within 30 days after the delivery or at any time when the account is over the credit limit granted by the Renowned Korean Corporation, whichever is earlier.

Minimum purchase commitment — There is no minimum purchase requirement set by the Renowned Korean Corporation, including the purchase of products for sales at the Partner Stores. We make purchase orders with the Renowned Korean Corporation according to our estimation of market demand for the relevant products with reference to our projected market trend, sales data and our level of inventory.

Products return policy — The Renowned Korean Corporation will accept product return under the following circumstances:

(a) wrong order information on the part of the Renowned Korean Corporation;

(b) logistical errors made by the Renowned Korean Corporation;

(c) mobile phones are "dead on arrival" ("DOA"). If a mobile phone is returned by an end user within 7 days from the date of purchase, we may return the mobile phone to the Renowned Korean Corporation and the Renowned Korean Corporation will issue us a credit in the amount of the net purchase price paid by us for such defective mobile phone following the approval of the DOA claim presented by us.

Delivery — The Renowned Korean Corporation is responsible for the delivery of products to us at their own costs.

Termination — The supply agreements with the Renowned Korean Corporation can be terminated under the following circumstances:

(a) failure to remedy material breach of contract by the defaulting party within 30 days of written notice given by the non-defaulting party;

(b) if a party is dissolved or liquidated, becomes insolvent or bankrupt or it for any other reason unable to pay its debts as they become due and payable;

(c) if a party ceases to do business or is sold or merged; or

(d) if a party gives a 30-day notice in writing to the other party.

Marketing obligations — Under the supply agreements with the Renowned Korean Corporation, we are responsible to promote and expand the sale of the mobile phones of the Renowned Korean Corporation within the authorised territory, including but not limited to regularly and distributing promotional literature, conducting multimedia advertising and carrying out market surveys at our own costs.

We have also entered into a redemption services agreement with the Renowned Korean Corporation, the term of which is one year and automatically renewed for successive periods of one year unless the agreement is terminated. Pursuant to the agreement, we will provide, at a fee, redemption services required by the Renowned Korean Corporation including, but not limited to, warehouse storage, inventory management, package and distribution, repair returns and program administration and/or other redemption services as notified by the Renowned Korean Corporation to us from time to time.

Supply agreements with our other major suppliers

Distribution — The suppliers authorise us to distribute and sell their products within the authorised territory on a non-exclusive basis.

Term — The term is for a period of one to two years. Some of the supply agreements provide for automatic renewal for successive periods of one year unless the agreement is otherwise terminated. For those that do not provide for automatic renewal, we may negotiate with the relevant supplier for extension of the agreement upon expiry of the relevant agreement.

Pricing — The prices of the mobile phones sold to us are determined after arm's length negotiation between the relevant supplier and us with reference to the recommended retail price.

Payment and settlement — We are usually required to settle the payment to the suppliers in Hong Kong dollars or US dollars within 30 to 45 days from the date of invoice.

Minimum purchase commitment — Minimum purchase commitment is set by one of our other major suppliers in terms of our total value of procurement during the term of the agreement. If we fail to meet the minimum purchase commitment, it will be considered as a breach of the agreement. As at the Latest Practicable Date, we have not failed to meet such minimum purchase commitment. Our supply agreements with the rest of the other major suppliers do not contain any minimum purchase commitment. Generally, we make purchase orders with the suppliers according to our estimation of market demand for the relevant products. Some of our other major suppliers require us to provide a projected product order forecast for the coming 3 to 4 months.

Products return policy — The suppliers generally offer a mechanism where we may make claims within a period as specified in the agreement and if the claim is valid and made in time, the suppliers will either repair or replace the defective products or give us a credit.

Delivery — delivery and delivery costs are borne by either the supplier or us depending on the supplier.

Termination — Our agreements with our other major suppliers can be terminated under the following circumstances, including:

(a) failure to remedy a breach of the agreement by the defaulting party after receiving notice by the non-defaulting party;

(b) if a party is dissolved or liquidated, becomes insolvent or bankrupt or falls into receivership etc.;

(c) either party has given notice to the other party in accordance with the supply agreement; or

(d) change in the management, control or ownership in our contracting company.

For the three years ended 31 December 2013 and the six months ended 30 June 2014, the aggregate purchases attributable to our five largest suppliers amounted to approximately HK$476.7 million, HK$1,350.1 million, HK$1,322.8 million and HK$925.3 million respectively, representing approximately 98.6%, 99.3%, 98.9% and 99.7% of our total purchases, respectively. For each of the same periods, the purchases attributable to our largest supplier, amounted to approximately HK$268.7 million, HK$1,180.3 million, HK$1,151.1 million and HK$890.8 million respectively, representing approximately 55.6%, 86.8%, 86.1% and 96.0% of our total purchases, respectively. We have maintained business relationships for more than 4 years with most of our five largest suppliers.

During the Track Record Period, we did not experience any material price fluctuation of supplies or encounter any material difficulty to procure supplies from our suppliers.

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

During the Track Record Period, our purchases were all settled in Hong Kong dollars or US dollars and most of them were settled by cheques or bank transfers. We were required to settle the payment within 45 days from the date of invoice or after delivery or at any time when the account is over the credit limit granted by the supplier.

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

Our relationship with the Renowned Korean Corporation

We consider that it is commercially beneficial to build up a close and long-term business relationships with our key suppliers. Our revenue generated from distribution of products of the Renowned Korean Brand amounted to approximately HK$262.2 million, HK$1,176.9 million, HK$1,089.2 million and HK$806.1 million for the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively, which accounted for approximately 51.1%, 85.5%, 85.4% and 95.2% of our total revenue for the respective periods. Our increasing purchase and sales of products of the Renowned Korean Brand was in line with the emergence of the Renowned Korean Brand as one of the top brands of mobile phones and tablets in Hong Kong in the recent years. According to the Ipsos Report, mobile phones of the Renowned Korean Brand had the second largest market share in terms of sales volume of mobile phones in Hong Kong in 2013, accounted for approximately 30.6% of the total sales volume of mobile phones amongst other brands. In 2013, the three largest brands of mobile phones in Hong Kong, namely Apple (which does not engage local distributors to distribute mobile phones of its brand, according to the Ipsos Report), the Renowned Korean Brand and Sony, dominated more than 80% of the market share in Hong Kong. Due to the dominant position of the Renowned Korean Brand in the Hong Kong market and the dominance of a few mobile phone brands in the industry, we believe that our close business ties with the Renowned Korean Corporation would strengthen our market position. According to the Ipsos Report, it is an industry norm among mobile phones distributors in Hong Kong to focus on the supply and distribution of only a limited numbers of mobile phone brands.

The parent company of the Renowned Korean Corporation is listed on the Korea Stock Exchange and the London Stock Exchange. It is principally engaged in the production and sales of mobile phones, tablets, televisions, monitors, printers, air conditioners, refrigerators, network systems and personal computers etc.

We have a long and established business relationship with the Renowned Korean Corporation. Our wholly-owned subsidiary, Synergy, has already commenced business relationship with the Renowned Korean Corporation from 2009 prior to our acquisition in 2011. The supply of products from the Renowned Korean Corporation remained stable. We believe that our stable relationships with the Renowned Korean Corporation was partly due to our reputation in the industry, our extensive knowledge and experience of the local market as well as our wide and diversified sales network in Hong Kong. We understand that the Renowned Korean Corporation does not engage in direct sales activity in Hong Kong but rely on local telecommunications services operators, local electrical appliances retail chains and local authorised distributors, like us, and wholesalers to sell products in the local retail markets. According to our knowledge, we are currently one of the two distributors which directly procures mobile phones from the Renowned Korean Corporation for distribution purposes in Hong Kong. We believe that mobile phones suppliers could benefit from our extensive local sales network to maintain a broad market reach at a lower operating cost. During the Track Record Period, we mainly distributed mobile phones of the Renowned Korean Brand to wholesale customers in Hong Kong.

Apart from acting as their non-exclusive authorised distributor of mobile phones and tablets in Hong Kong, we have opened two Partner Stores in Yuen Long and Tseung Kwan O in 2013 which have a gross floor area of approximately 1,500 sq. ft. and 1,920 sq. ft. respectively. These Partner Stores offer products including mobile phones, tablets, televisions, home theatres, blu-ray players, digital still cameras, monitors, printers and mobile phone accessories that we procured mainly from the Renowned Korean Corporation, and some mobile phone accessories of other brands. We have entered into agreements with the Renowned Korean Corporation with respect to the operation of these Partner Stores in March 2013 for a term of three years, effective until June 2016. We are responsible for the leasing of the premises of the Partner Stores as the lessee, and the employment of staff in these stores. The Renowned Korean Corporation is responsible at their own costs to provide promotional support for shop specifications of the Partner Stores, staff training and make merchandising decisions of the products. All income derived from the business operation at the Partner Stores during the term of the agreements belong solely and exclusively to us. Under the relevant agreements with the Renowned Korean Corporation, products of the Renowned Korean Brand or products bearing other brands mutually agreed between us and the Renowned Korean Corporation can be sold at our Partner Stores. During the year ended 31 December 2013 and the six months ended 30 June 2014, revenue derived from our retail sales at the Partner Stores represented approximately 2.3% and 2.5% of our total revenue during the same periods. We believe that while the opening of Partner Stores has assisted market penetration of products of the Renowned Korean Brand and has increased its brand awareness, it has also broadened our revenue base. In addition, we believe that our retail business will enable us to obtain a deeper understanding of the prevailing consumer preferences and the market trend, and further reinforce our business relationship with the Renowned Korean Corporation. As such, we are of the view that the agreements entered into between the Renowned Korean Corporation and us for the operation of Partner Stores were beneficial to both parties. We considered our retail business is still in the initial development stage thus the revenue and gross profit generated from the Partner Stores since their commencement of operation in 2013 was insignificant. Subject to the ongoing business performance of the Partner Stores and discussion with the Korean Renowned Corporation, we may maintain our retail business at the current scale or expand our retail business as and when appropriate. According to the best of our knowledge, 3 of our distribution customers are also the business partners of the Renowned Korean Corporation for operating partner stores in Hong Kong and the total revenue contribution from these customers to us was less than 0.3% during each of the Track Record Period.

Our growing purchases and sales of products of the Renowned Korean Corporation and our relationship with them is in line with our Group's strategy to follow the prevailing consumer preference and popularity of products. In-depth industry knowledge and a broad customer network are the key factors in maintaining our leading market position. During the six months ended 30 June 2014, we have 263 distribution customers ranging from wholesale customers and telecommunication service operators and chain retailers. We believe that our Group has the ability to replicate our business model with the Renowned Korean Corporation in our development of business relationship with other brand owners. We have from time to time identified and discussed with prospective brands based on the industry insights of our Directors. During the three years ended 31 December 2013 and the six months ended 30 June 2014, we are the authorised distributor of mobile phones of a total of 4, 4, 4 and 4 internationally renowned brands respectively. In addition, our Group has continued to expand our sales and marketing network, for instance, number of staff of our sales and marketing division has increased from 13 as at 31 December 2011 to 39 as at 30 June 2014.

Mobile phone has become an important communication device in all walks of life and the increase of retail sales of mobile phones have provided mobile phone distributors with substantial business opportunities. According to the Ipsos Report, the total revenue of the mobile phone distribution industry in Hong Kong increased from about HK$1,816.2 million in 2009 to about HK$5,100.6 million in 2013, at a CAGR of about 29.5%. Ipsos forecasted that the total revenue of mobile phone distribution industry in Hong Kong would increase from HK$5,531.5 million in 2014 to about HK$6,826.3 million in 2018.

In line with the industry practice, the term of our distributorship agreement with the Renowned Korean Corporation is one year which will be automatically renewed unless earlier terminated by either party.

We are not aware that there would be any major obstacles in renewing the agreements with the Renowned Korean Corporation, given the fact that our Group has been in compliance with the major terms and conditions set out in the previous and current agreements. In addition, we believe that our long and stable business relationship with the Renowned Korean Corporation established through Synergy over the last 5 years will not deteriorate to an extent which will cause our agreements with them be terminated.

Since our cooperation with the Renowned Korean Corporation, we had not failed to perform up to their satisfaction or committed any material breach of the agreements with them. Material breach of the distributorship agreement on our part may include distributing the products outside the authorised territory, altering the packaging of the products and failing to settle our payment with the Renowned Korean Corporation according to the agreed payment terms. Also, we did not encounter any material dispute with them. In view of our past record, we expect that we will be able to perform the agreements with the Renowned Korean Corporation by meeting their requirements and the terms of the agreements to their satisfaction.

SUSTAINABILITY OF THE BUSINESS OF OUR GROUP

We believe that our business is sustainable based on the factors set out below:

(i) **We and the Renowned Korean Corporation are inter-dependent:** We are currently one of the only two distributors which directly procure mobile phones from the Renowned Korean Corporation for distribution in Hong Kong. We have maintained a long and stable business relationship with the Renowned Korean Corporation since 2009. Our well-established, stable and close working relationship with the Renowned Korean Corporation can also be demonstrated by the opening of two Partner Stores and the entering into of agreements with the Renowned Korean Corporation with respect to the operation of these Partner Stores for a term of three years, effective until June 2016.

Notwithstanding that the Renowned Korean Corporation could terminate the supply agreement with us by giving a 30-day notice (which is an industry norm among mobile phone distributors in Hong Kong, according to Ipsos), we consider that it would be difficult for any mobile phones supplier to identify a distributor or a number of distributors which together would have, or would be able to replicate, an extensive and similar distribution network comparable to ours in Hong Kong within a short period of time. According to the Ipsos Report, there were about 16 mobile phone distributors in Hong Kong in 2013 and our Group ranked first and shared about 21.7% of industry revenue in Hong Kong in 2013. Moreover, the mobile phone distribution industry in Hong Kong is capital intensive. Established mobile phone distributors have cost advantage over new entrants as mobile phone distributors would need to purchase mobile phones in bulk from brand owners before receiving payment from downstream retailers. According to the Ipsos Report, the distribution channel of the Renowned Korean Corporation remained stable since 2009, being the year when our wholly-owned subsidiary, Synergy, commenced business relationship with the Renowned Korean Corporation. Moreover, there has been no material change in our major business terms with the Renowned Korean Corporation during the Track Record Period and up to the Latest Practicable Date, including its policy of awarding price protection compensation to us, which has been stipulated in the supply agreement entered into between the Renowned Korean Corporation and us.

(ii) **The Renowned Korean Brand is one of the top brands of mobile phones and tablets in Hong Kong and globally in recent years:** According to the Ipsos Report, mobile phones of the Renowned Korean Brand had the second largest market share in terms of sales volume of mobile phones in Hong Kong in 2013, which accounted for approximately 30.6% of the total sales volume of mobile phones amongst other brands, the other major brands being Apple and Sony. It is also currently one of the leading brands of mobile phones globally and is expected to remain as one of the leaders in the coming future.

As mentioned in the Sustainability Report 2014 of the holding company of the Renowned Korean Corporation, it is determined to promote the sustainability of its electronics business by focusing on sustainable and positive growth through relentless technological innovation and becoming a leader in corporate citizenship and strengthening its interaction with its customers, local communities and stakeholders. The Renowned Korean Brand's market strategy of its mobile products is to solidify market leadership in the mobile sector through technological innovation, with different strategies focusing on components, technology and design and content and service. The Renowned Korean Brand aims to increase customer satisfaction with well-made products at competitive prices, while leveraging on its products' premium identity with slim bezel and body, and providing localised features. In addition, it is also well prepared for the upcoming 5G era by its latest product development in LTE-Advanced devices. Our Directors maintain close and constant dialogue with the management of the Korean Renowned Brand from time to time with respect to its product development.

As mentioned in the section headed "Risk Factors" in this prospectus, market acceptance and commercial success of different newly launched products of brand owners may not be consistent at all times. For example, recently there were articles reporting that one of the flagship mobile phones of the Renowned Korean Brand has suffered in the high-end market from the popularity of the key new mobile phone models of its major competitor. According to the Ipsos Report, fluctuation in popularity of different models or series of products is a common market phenomenon among mobile phone brand owners. Given the fast-changing consumer demand of mobile phones products and a general decline in the length of mobile phones products life cycles, we consider that the drop in sales amount of a particular model of mobile phone does not represent a general decline in the popularity of the brand or a whole series of products, especially when the Renowned Korean Brand is well-known for its relentless efforts in technological innovation and would launch various models or new series of flagship products with new features each year. Moreover, we also believe the Renowned Korean Brand's plan to decrease the number of mobile phone models to be launched in 2015 will result in better research and development resources allocation to mobile phone's design and specification improvement, which in turn will lead to Renowned Korean Brand being more likely to deliver more technological advanced products with innovation so as to further increase its brand awareness and improve its operational and financial performance.

With the commitment in delivering quality technological advanced products in the global market and its strategy to solidify market leadership in the mobile sector, the Directors believe that the Company had made a wise choice in forming strategic cooperation relationship with the Renowned Korea Corporation in the distribution of its mobile products in Hong Kong.

(iii) **Our leading position in the local mobile phones distribution market:** According to the Ipsos Report, we were the largest distributor of mobile phones in Hong Kong in terms of revenue in 2013 with a market share of approximately 21.7%. We have a wide and growing customer base. Our number of distribution customers grew from 185 during the year ended 31 December 2011 to 263 during the six months ended 30 June 2014. We also have a diversified distribution customer base with an extensive network ranging from wholesale customers to telecommunication services operators and chain retailers. With our strong competitive strengths, we have developed and maintained strong successful relationships with a number of suppliers of internationally renowned brands. Being one of the two authorised distributors of mobile phones of the Renowned Korean Corporation in Hong Kong has also strengthened our reputation and position in the mobile phone distribution market.

(iv) **Continuous to identify potential brands to cooperate with and tap into the business of distributing other types of products:** According to the Ipsos Report, it is an industry norm among mobile phones distributors in Hong Kong to focus on the supply and distribution of only a limited numbers of mobile phone brands. In the unlikely event that our current business relationship with the Renowned Korean Corporation deteriorates, subject to the prevailing market conditions, we believe that we will be able to respond to market challenges in a timely manner and adjust our business direction swiftly to face any new challenges, as demonstrated by our acquisition of Synergy to distribute mobile products of Renowned Korean Brand. We will continue to monitor the market acceptance of the products which we carry, consumer preference and identify potential brands which we can carry. We have from time to time identified potential brands to cooperate with. For instance, we distributed HTC mobile phones from 2007 to 2009. We ceased distribution of HTC mobile phones in around late 2009 because our sales of this brand of mobile phones failed to meet our expectation during the relevant period. In late 2009, we entered into a non-exclusive distribution agreement with the Renowned Korean Brand to distribute their mobile phones in Hong Kong. Since October 2012 and October 2014, we had commenced business relationships with ZTE and Lenovo respectively to distribute their mobile products in Hong Kong. As a contingency plan, we would continue to (i) increase the quantity of mobile phones that they supply; and (ii) explore the possibility of cooperating with and distributing other brands or new brands of mobile phones, including maintaining dialogue with other major brands, which we consider has good market potential according to the industry insights of our Directors and our understanding of the prevailing consumer preference and popularity of products. Our Directors believe that, with our experience and proven track record of distribution of quality mobile products and our extensive distribution network in Hong Kong, we will be able to replicate our success in mobile phones distribution in the event there is an opportunity for us to work with another quality brand which has good potential to attract customer popularity and which requires support in local distribution network.

PRODUCT LIFE CYCLE AND SEASONALITY

The product life cycle of a particular model of mobile phone depends on the level of competition, the launching of new mobile phones and the pace of technological development. Due to keen competition amongst mobile phone manufacturers, new models of mobile phones with new features are being put to the market every 3 to 12 months to stimulate consumers' demand. According to the Ipsos Report, Hong Kong mobile phone users usually upgrade or replace their mobile phones with new models every 12 to 18 months after previous purchase to keep up-to-date with the latest fashion and trend or to look for better functionality such as high-speed internet access for business and personal entertainment purpose. According to the Ipsos Report, the average price of mobile phones at the distributor level generally demonstrated an increasing trend at a CAGR of 4.8% during 2009 to 2013. Such increase was mainly driven by rising manufacturing costs in terms of advancement of operating system in mobile phones. According to the Ipsos Report, the growth in the average price of mobile phones at the distributor level is expected to become moderate, as competition within the mobile phone market intensifies. More mobile phone suppliers will develop low cost model of mobile phones. This trend will contribute to the slow down in the increase in the average price of mobile phones in Hong Kong at the distributor level in the long term. Our distribution and retail operating results are also influenced by seasonal factors such as timing of public holidays and timing of introduction of new products by our suppliers. Please refer to the section headed "Financial Information — Seasonality" in this prospectus for further information.

QUALITY CONTROL

Suppliers of mobile phones provide warranty on the products they supply to us for our distribution and our Partner Stores in addition to the DOA policy. Our suppliers are responsible for providing or procuring the provision of in-warranty services to the end users. Generally the warranty provided by the suppliers has a term from one to two years and does not cover operational or functional error of the mobile phones caused by any negligent handling or misuse of the mobile phone by the end users, usage in violation of instructions furnished by the supplier, or in the event that the mobile phone has been improperly repaired, altered or modified. We also adopt the following quality control policies on the products to be sold by us:

(i) our inventory management team which currently consists of 6 staff performs a series of checks upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and

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

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

INVENTORY CONTROL AND LOGISTICS

We consider an effective logistics and inventory management system is a key factor of the success of our distribution business. Currently, we have a warehouse in Hong Kong located at our office premises in Kwun Tong. Our suppliers deliver products directly to our warehouse which is equipped with security systems.

We have an ERP system which enables us to have real time updates on our inventory movement and receivables, enable us to assist procurement, delivery and inventory management, allocate our products to the respective customers and quote our price on an accurate and efficient manner. Our ERP system also enables us to improve our financial reporting and risk management functions.

We deliver the products to our customers by engaging logistic service providers which are Independent Third Parties. We select logistic service providers based on various criteria, including their delivery capacity, scale of operation, reliability, reputation and their fee. We evaluate the performance of our logistic service providers and renew the relevant contracts annually. We incurred expenses of approximately HK$0.4 million, HK$1.4 million, HK$1.6 million, and HK$0.8 million to our logistic service providers for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively.

During the Track Record Period, we did not face any material disruption in the delivery of our products and we did not suffer any loss or pay any compensation as a result of delay in delivery by the logistics service providers.

In order to minimise inventory carrying costs, while at the same time ensuring timely delivery of merchandise to our customers and maintaining a variety of merchandise available to our customers, we have a policy to maintain an optimal level of inventory at our warehouse. We normally maintain the inventory level at an average of approximately 4 weeks. The average inventory turnover days of our merchandise was 39.6 days, 15.2 days, 25.0 days and 20.5 days for the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively.

We carry out physical stock counts each month on sampling basis and conduct a stock assessment each month to verify the number of physical stock at our warehouse against the accounting records. We will investigate and reconcile if any discrepancy in the number of stock between warehouse inventory record and accounting record.

Our inventory control team and sales managers keep close track of stock movement. Any inventory that has been stocked for more than 4 weeks is considered as slow-moving stock for internal stock management purposes.

We have an inventory provisioning policy to assess our inventories and to write off slow-moving inventories or when they become obsolete or damaged. The management of our Group assesses the net realizable value with reference to invoice prices after the reporting period and the then current market conditions and reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow-moving items identified. For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the provision for allowances for inventories was approximately HK$1.3 million, HK$0.8 million, HK$2.6 million, and HK$1.7 million respectively.

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

SALES AND MARKETING

Sales and marketing

We offer mobile phones to our distribution customers through our distribution network. The websites of our subsidiaries, Synergy and Qool, and their online platform serve as a promotional platform for our services and products as well as a communication channel with our customers. They set out the scope and features of our products, news relating to new product launches, and create an exchange forum through which our customers can lodge their enquiries and comments.

As at the Latest Practicable Date, our sales team consisted of 32 staff members. Our sales personnel possess broad knowledge of mobile phones. We provide training to our sales personnel from time to time, covering latest development on product and technology relating to mobile phones, marketing skills, customer management and support. In addition, some of our suppliers also provide training to our staff on product knowledge, features and benefits of their products so that our staff are equipped with the knowledge to answer product-related questions promptly.

The marketing of mobile products to general public are usually devised by our suppliers and we are also providing marketing services to ours suppliers. Our sales and operating results are influenced by seasonal factors. Please refer to the section headed "Financial Information — Seasonality" in this prospectus. During holidays and festivals, we work with our suppliers to offer products at promotional prices through print and media advertising campaigns to increase the products turnover.

Pricing

The mobile phones suppliers generally would recommend the suggested retail prices in Hong Kong for products supplied by them but the retail prices ultimately are determined by the retailers. We determine the wholesale prices of the products that we distribute to our distribution customers. In determining selling price of the products, we generally take into account the cost of purchases, expected profit margin determined by our management team, forecasted market trend and demand, our estimation of sales incentive and price protection compensation to be received by us on such products based on previous and prevailing practices of the supplier, payment terms, pricing of comparable products and our discussions with the relevant suppliers. We offer special discount price to certain of our distribution customers who purchased mobile phones in bulk in each year throughout the Track Record Period. Any decreasing trend of retail price of a particular model of mobile phones may also affect our pricing of such model of mobile phones. The unit price of key brands of mobile phones we sold during the Track Record Period and up to the Latest Practicable Date ranged from HK$93 to HK$12,900.

Price protection compensation

According to the supply agreement that we entered into with the Renowned Korean Corporation, we are entitled to claim decrease of value on inventories as price protection compensation from them within a prescribed period upon the occurrence of a retail price reduction of any mobile phone that we purchased from them, excluding those mobile phones for demonstration purpose. Such price protection compensation is unilaterally determined by our suppliers. The Renowned Korean Corporation normally would inform us the new suggested retail price and the amount of price protection compensation for each mobile phone model on a case by case basis as determined by them a few days before such retail price reduction becomes effective. There are no consistent factors which explained the Renowned Korean Corporation's unilateral determination of the amount of price protection compensation. However, the Company is aware of that factors which have been taken into account by the Renowned Korean Corporation when determining such price protection compensation are the amount of reduction in retail price and our procurement quantity within a prescribed period prior to the retail price reduction. We generally submit our claim for price protection compensation to the Renowned Korean Corporation within a week setting out our amount of stock purchased from them for the last three weeks prior to the effective date of the new suggested retail price. The Renowned Korean Corporation normally would pay or issue credit notes to us within four months of our claim. The price protection compensation amount could offset the decrease in our purchase price of the relevant mobile phone model, the percentage of which is equivalent to the percentage of decrease in the suggested retail price of such model. During the Track Record Period, the number of price protection compensation programs offered by the Renowned Korean Corporation was 9, 26, 21 and 5 respectively. The discount to our purchase price for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 ranged from 2.1% to 11.0%, 2.9% to 22.8%, 1.8% to 31.8% and 4.8% to 54.6% respectively. Such price protection compensation is recognised as reduction of our purchase cost of inventories and will be adjusted against closing inventories if the products are still unsold at the end of the reporting period, or adjusted against cost of sales to match with the relevant sales transaction if the relevant products have been sold during such reporting period. There is no maximum or minimum amount for price protection compensation that we are entitled to claim from the Renowned Korean Corporation.

During the three years ended 31 December 2013 and the six months ended 30 June 2014, the net amount of price protection compensation that we recognised was approximately HK$0.9 million, HK$3.9 million, HK$6.9 million and HK$4.7 million, respectively, representing 0.2%, 0.3%, 0.6% and 0.6% of our Group's cost of sales for respective periods. The increase in the amount of price protection compensation during the Track Record Period was driven by the increase in the frequency and magnitude of the price reductions of the relevant mobile phone models which in turn was affected by the market acceptance of relevant mobile phone model at the material time.

Sales incentive

Sales incentive we received represents price discount offered by some of our suppliers in respect of sales of specified models of mobile phones based on the volume of products sold by us to our customers within a specified period, so as to encourage our purchases from our suppliers and our sales of such models of mobile phones to our customers. Such sales incentive is unilaterally determined by the Renowned Korean Corporation. During the Track Record Period, the number of sales incentive programs offered by the Renowned Korean Corporation was 8, 24, 40 and 46 respectively. Such sales incentive is determined on a case by case basis with reference to various factors such as the then market conditions and the marketing strategy of the supplier with respect to the relevant product. The suppliers would provide us with information of the sales incentive program before commencement setting out the amount of incentive that we can receive for each unit of mobile phones sold during the promotion period. We shall submit sales report upon the end of the program and we normally would be awarded sales incentive in about three months' time depending on the terms of the program.

Sales incentive is recognised as a reduction of our purchase cost of inventories when it is probable that we will be entitled to such discount and it can be reliably measured. As the amount of sales incentive is determined with reference to the volume of products sold by us, any adjustment to the cost of sales will be recognised in the same period when the relevant sales are being recognised. There is no capped amount for the award of sales incentive.

During the three years ended 31 December 2013 and the six months ended 30 June 2014, the net amount of sales incentive that we recognised was approximately HK$14.9 million, HK$24.6 million, HK$75.1 million and HK$118.9 million, respectively, representing 3.0%, 1.9%, 6.1% and 14.4% of our Group's cost of sales for respective periods. The increase in sales incentive amount for the year ended 31 December 2013 as compared to the corresponding period in 2012 and for the year ended 31 December 2012 as compared to the corresponding period in 2011 was mainly attributable to the increase in sales incentive programs offered by Renowned Korean Corporation as a result of (i) the accumulated mobile phone models available for sales since 2011; and (ii) its business strategy to expand its market share due to the fierce competition. The increase in sales incentive recognised for the six months ended 30 June 2014 was mainly attributable to the significant increase in demand from certain customers for back-to-back bulk sales of certain products which we were offered sales incentive from the Renowned Korean Corporation.

According to Ipsos, it is an industry practice for mobile phone suppliers to provide sales incentive and price protection compensation to their distributors. According to our knowledge, provision of sales incentive and price protection compensation by mobile phone suppliers to distributors is in line with common market practice and the mobile phone suppliers may vary the price of products sold to us based on their sales and marketing strategy, market conditions and trend so as to maintain the price competitiveness of their brand in the market. We may also offer sales incentive or price protection compensation to our distribution customers if we receive such sales incentive or price protection compensation from mobile phone suppliers. Our gross profit will be adversely affected if the amount of sales incentive or price protection compensation is not taken into account when assessing our financial performance. For details, please refer to the section headed "Financial Information — Review of Historical Results of Operation" in this prospectus. Based on our industry knowledge and our prior experience in dealings with the suppliers, our Directors are of the view that the mechanism for determining the sales incentive and price protection compensation to be obtained from Renowned Korean Corporation in the foreseeable future will not be materially different from the existing mechanism adopted.

To the best knowledge of our Directors, the cost adjustments arising from the sales incentive and price protection compensation from our suppliers are considered appropriate and we are not aware of any material non-compliance or cut-off error in accordance with our policies during the Track Record Period.

RESEARCH AND DEVELOPMENT

We, as a distributor, generally do not undertake our own product design, research and development as these are generally carried out by our suppliers.

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 65 employees. All of our employees are located in Hong Kong. The following table sets forth a breakdown of the number of our employees by function as at the Latest Practicable Date:

	Number of employees
Sales and marketing	32
Management and administration	22
Finance and accounting	5
Inventory management	6
Total	65

Labour disputes

We believe that our Group maintains good working relationships with our employees. During the Track Record Period, we were not involved in any material labour disputes with our employees which had a material adverse effect on our operation or financial conditions.

Staff training

We believe our employees are the most valuable assets to achieve success in our business. To maintain the quality of our employees at all levels and to secure a stable supply of future generations of management personnel, we and our suppliers organise comprehensive training programmes for our employees. We believe that the goal of the training programmes is to provide additional training to our employees and to identify talent, with the aim of providing upward mobility within our Group and fostering employee and corporate development. According to our internal policy, our human resources department provide training for our staff which includes leadership development, supervisory and management training and office/ administrative support training.

We believe our training programs also help to promote internal upward mobility, which not only increases employee retention rates, but also produces the type and quality of management personnel needed for our expanding business.

Recruitment and bonus system

We have adopted a variety of initiatives to facilitate recruitment of new staffs and encourage retention of current staffs, such as sales incentive scheme applicable for our sales team and discretionary bonus system. We believe our continuous efforts to provide initiatives for recruitment and retention of our staff will help us attract and retain suitable personnel.

Health and work safety

Our Group strives to provide employees with a safe and healthy environment. We confirm that there were no material accidents, health injuries or any non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

According to the Ipsos Report, there were about 16 mobile phone distributors in Hong Kong in 2013. The top 5 mobile phone distributors accounted for about 64.2% of the total revenue of the Hong Kong mobile phone distribution industry in 2013. Our Group ranked first in the Hong Kong mobile phone distribution industry and shared about 21.7% of market share in 2013. The mobile phone distribution market in Hong Kong is mature with industry revenue estimated to be about HK$5,100.6 million in 2013.

The barriers to entry, however, exist as the costs and time required for establishing stable relationships with renowned mobile phone brands are significant. In order to establish authorised distributorship with mobile phone suppliers, mobile phone distributors have to be equipped with sufficient capital to purchase large amount of stock before obtaining payment from downstream customers. According to the Ipsos Report, becoming a mobile phone distributor in Hong Kong is expected to be capital intensive, and new entrants may find it difficult to raise sufficient amount of capital at the beginning stage. For more details of the mobile phone distribution industry and the competition we face, please refer to the section headed "Industry Overview" in this prospectus. We create competitive edge by offering various types of products, having a well-established distribution network and effective logistics management.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the Parentco Group has granted a non-exclusive license to our Group to use two trademarks in Hong Kong, of which one of the trademarks has been registered in Hong Kong and the registration application of the other trademark was being proceeded as at the Latest Practicable Date. We are the registered owner of the domain name *www.sismobile.com.hk*. Information relating to the intellectual property rights of our Company is set out in the section headed "Statutory and General Information — B. Further Information about the Business — 2. Our intellectual property rights" in Appendix IV to this prospectus.

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

INSURANCE

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

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

PROPERTIES

As at the Latest Practicable Date, we rented a total of 5 properties in Hong Kong, comprising office premises, warehouse and shops, the gross floor area of which ranges from approximately 70 sq.ft. to 10,730 sq.ft.. Among these 5 properties, 1 property in Kwun Tong with gross floor area of approximately 10,730 sq.ft. was used for office and warehouse purposes, 2 properties in Tseung Kwan O and Yuen Long with an aggregate gross floor area of approximately 3,420 sq.ft. were used as Partner Stores and 2 properties in Sham Shui Po and Wan Chai with an aggregate gross floor area of not more than 300 sq.ft. were used as re-distribution centres. Our rental expenses for our leased properties were approximately HK$0.1 million, HK$1.1 million, HK$5.4 million and HK$3.9 million for the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. Currently, we do not own any property.

Our tenancy agreements typically have an initial term from 2 years to 3 years. Our tenancy agreements with respect to our Partner Stores have a rent-free period of one month. All of our tenancy agreements will expire in 2015 or 2016.

By virtue of Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all of our Group's interests in land or buildings, for the reason that, as of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

LICENSES

As at the Latest Practicable Date, our Group has obtained all material requisite licenses, permits and approvals for its operation. The table below sets forth the details of the licenses, permits and approvals obtained by our Group for its operation:

Licenses	Licensor	Issuing authority	Validity
RD Licence (Unrestricted)	Qool	OFCA	1 October 2014 to 30 September 2015
RD Licence (Unrestricted)	Synergy	OFCA	1 April 2014 to 31 March 2015
RD Licence (Unrestricted)	W-Data	OFCA	1 April 2014 to 31 March 2015
RD Licence (Unrestricted)	Sun Well	OFCA	17 July 2014 to 31 July 2015

For laws and regulations governing the licenses of the members of our Group, please refer to the section headed "Regulatory Overview" in this prospectus.

LITIGATION AND LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any material litigation, arbitration or claim which had a material adverse effect on our operation or financial conditions, and no litigation, arbitration or claim is known to us to be pending or threatened by or against us, that could have a material adverse effect on our operation or financial conditions.

Further, we have complied with all relevant Hong Kong laws and regulations in all material respects and have obtained the relevant approvals, permits, consents, licences and certificates necessary for conducting our businesses.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have established internal control measures which cover corporate governance, operations, management, legal matters, finance and auditing, for example:

- we have appointed Haitong International Capital Limited as our compliance adviser with effect from the Listing Date to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong;

- our legal advisers as to Hong Kong laws have provided trainings to the Directors of our Group on the continuing obligation of a listed company in Hong Kong and on directors' responsibilities and liabilities, and will provide trainings or regular seminars and updates on these topics to the directors and senior management after the Listing;

- we regularly monitor our sales performance and take active measures to measure our procurement and inventory levels. Before implementing our new business plan, we typically collect market data and forecast and prepare budget plans;

- we have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. The audit committee consists of three members, namely Chu Chung Yi, Ng See Wai Rowena and Doe Julianne Pearl. For the qualifications and experience of these committee members, please refer to the section headed "Directors and Senior Management" in this prospectus. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 of the Listing Rules.

We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. We have engaged an internal control consultant to conduct a review of our internal control systems and have implemented the relevant suggestions proposed by our internal control consultant. As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate. We will continue to review our internal control systems to ensure compliance with Hong Kong regulatory requirements.

Our management will designate and implement a risk management policy to address various potential risks identified in relation to its operations, including strategic, operational, financial and legal risks upon Listing. Our risk management policy sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks. Our Board is responsible for overseeing risk management and assessing and updating its risk management policy.

THE SPIN-OFF

Parentco submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules ("**PN15**") in relation to the Spin-off and, on 22 September 2014, the Stock Exchange confirmed that Parentco may proceed with the Spin-off. The reduction of Parentco's shareholding interest in our Company following completion of the Spin-off constitutes a major transaction of Parentco under the Listing Rules. The Spin-off is therefore subject to, among other things, the approval of the shareholders of Parentco under PN15 and the Listing Rules. Our Company will comply with the requirements under PN15 and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

The Parentco Group is a leading technology product distribution and investment holding company listed on the Main Board of the Stock Exchange since 1992. Over the past few years, the Parentco Group has been developing its mobile phones distribution business in Hong Kong (the "**Mobile Phone Distribution Business**"). Please refer to the sections headed "Our Business — Our Business Model" and "Our Business — Our Distribution Business" in this prospectus for further details of the Mobile Phone Distribution Business. Anticipating continuing growth and expansion of its Mobile Phones Distribution Business in Hong Kong going forward, the directors of the Parentco Group believe that it is now time to streamline the businesses between the Parentco Group and our Group, which operate in different business environments and have different growth paths and risk profiles, by way of the Spin-off. As a result of the Spin-off, our Group will be principally engaged in the Mobile Phone Distribution Business whereas the Remaining Parentco Group will focus on the following businesses, which include: (i) distribution of I.T. and related products in Asia, (ii) investments in real estate properties consisting of hotel, commercial, industrial and residential properties and (iii) investment in promising businesses and/or I.T. companies (collectively, the "**Retained Business**"). The directors of the Parentco Group believe that this strategic move can offer investors a choice to invest in different business segments.

The delineation under the Spin-off will allow the respective management of the Remaining Parentco Group and our Group to have a more defined business focus on their own core business segments, and hence to make business decisions most suited to the needs of their own group without being overly concerned with the impact of those decisions on the other group and to enhance their responsiveness to market changes. The Spin-off also serves the purpose of improving the operational and financial transparency of our Group. It will also provide investors, the market and rating agencies with greater clarity on the respective business and financial focus of the Remaining Parentco Group and our Group.

REASONS FOR THE SPIN-OFF

The board of directors of Parentco believes that the Spin-off will bring the following benefits to both Parentco and the Company:

(i) as the strategic focus and consumer demographics are different for the Mobile Phone Distribution Business and the Retained Business, the Spin-off and the Listing will create the Company as an investment opportunity which would enable investors to better understand the Parentco and our Company as separate entities rather than as a conglomerate;

(ii) the Spin-off and the Listing will allow both Parentco and our Company to target their respective shareholder bases more effectively, which would in turn improve capital raising on a competitive basis and capital allocation to enhance growth within each company;

(iii) the Listing will enhance our Group's profile amongst its customers, suppliers and other business partners, as well as its ability to recruit good talents available;

(iv) the Spin-off and the Listing will lead to a more direct alignment of the responsibilities and accountability of the management of both Parentco and our Company with their respective operating and financial performance. It is expected to result in enhanced management focus on their respective businesses and improve our Company's ability to recruit, motivate and retain key management personnel, as well as to enhance its management incentives (through adoption of equity based incentive program such as a share option scheme), decision-making process and responsiveness to market changes;

(v) the Spin-off and the Listing will enable our Company to directly and independently access both equity and debt capital markets, as well as facilitating it to secure bank credit facilities, which in turn will provide greater aggregate debt capacity to both Parentco and our Company as there will be greater clarity on the overall businesses as well as the respective financial status of each of Parentco and our Company; and

(vi) the Spin-off and the Listing will deliver greater shareholder value to shareholders of both Parentco and our Company on their respective merits and increase operational and financial transparency through which investors would be able to appraise and assess the performance and potential of our Group, as (i) our Company will enjoy enhanced flexibility to grow its business free of actual or perceived constraints as a wholly-owned subsidiary, (ii) our Company will enjoy increased ability to make acquisitions by using its stock as acquisition currency, and (iii) Parentco will be able to enjoy the greater shareholder value from the growth of our Company by maintaining a controlling interest over our Group.

In accordance with the requirements of PN15, Parentco will give due regard to the interests of its shareholders by providing Parentco Qualifying Shareholders with an assured entitlement to the Shares by way of a distribution in specie of the Shares if the Spin-off proceeds. Details of the Distribution are set out below.

THE DISTRIBUTION

As part of the Spin-off, the board of directors of Parentco conditionally approved the Distribution on 22 December 2014, under which each Parentco Qualifying Shareholder will be entitled to thirty-two Shares for every one hundred Parentco Shares held as at the close of business on the Distribution Record Date or equivalent cash payment (after deducting expenses) (as appropriate). Based on the issued share capital of Parentco on the Latest Practicable Date and assuming Parentco will not issue new shares prior to the Distribution Record Date, to effect the Distribution, subject to the Global Offering becoming unconditional in all respects, a total of 88,668,443 Shares will be distributed under the Distribution and immediately following such Distribution, Parentco will hold 146,531,557 Shares, representing approximately 52.33% of the entire issued share capital of the Company as enlarged by the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

Parentco Excluded Shareholders (if any) will be entitled to the Distribution but will not receive the Shares. Instead, the Shares which they would otherwise receive pursuant to the Distribution will be sold by Parentco on their behalf as soon as reasonably practicable after commencement of dealings in the Shares on the Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale. The proceeds of such sale, net of expenses, will be paid to the Parentco Excluded Shareholders in Hong Kong dollars. Such payment is expected to be made on or before 29 January 2015.

The Distribution is conditional upon the Global Offering becoming unconditional in all respects.

Fractional entitlements to the Shares under the Distribution will be retained by Parentco for sale in the market and Parentco will keep the net proceeds of sale, after deduction of related expenses therefrom, for the benefit of Parentco. As advised by the Cayman Islands legal adviser to the Company, such arrangement will not contravene Cayman Islands law.

The Company expects to despatch Share certificates to Parentco Qualifying Shareholders who are entitled to the Shares under the Distribution on 14 January 2015.

The Parentco Qualifying Shareholders who hold Parentco Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Relationship with the Controlling Shareholder

Immediately after the completion of the Global Offering and Capitalisation Issue, Parentco will beneficially own approximately 52.33% of our outstanding issued share capital if the Offer Size Adjustment Option is not exercised, or approximately 51.11% of our outstanding issued share capital if the Offer Size Adjustment Option is exercised in full. Parentco was incorporated in Bermuda as an exempted company with limited liability on 8 July 1992, the shares of which have been listed on the Stock Exchange since 18 August 1992. Please refer to the section headed "History and Reorganisation" in this prospectus for further details of Parentco.

No Competition between our Group and the Remaining Parentco Group

Having considered the independence in management, business operations, financing and administration between our Group and the Remaining Parentco Group, the Directors believe that the Remaining Parentco Group does not compete with our Group. Further, the Directors expect that, immediately following the Spin-off, our Group will be principally engaged in the Mobile Phone Distribution Business whereas the Remaining Parentco Group focuses on the Retained Business. For further details, please refer to the sub-section headed "Independence from the Remaining Parentco Group" below in this section.

Save as disclosed in this prospectus, each of our Controlling Shareholder and our Directors has confirmed that none of them has any direct or indirect interest in any businesses or companies that engage in any business activities that compete or may compete with our business activities.

No Competition between our Group and SiS Thailand

As at the Latest Practicable Date, the Parentco Group owns a total of 47.3% issued share capital in SiS Thailand, a company listed on the Stock Exchange of Thailand that mainly engages in the distribution of I.T. and related products in Thailand. A relatively small portfolio of the business of SiS Thailand also involves mobile phones distribution and its operation confines mainly in Thailand but not Hong Kong. SiS Thailand has been accounted for as associate by the Parentco Group throughout the Track Record Period. There is a clear difference between the Mobile Phone Distribution Business and the SiS Thailand's business in terms of their key products, client base and geographical markets. Therefore, our Group does not, directly or indirectly, compete with SiS Thailand which would require disclosure under Rule 8.10 of the Listing Rules.

For further details on SiS Thailand, please refer to the section headed "History and Reorganisation" in this prospectus.

INDEPENDENCE FROM THE REMAINING PARENTCO GROUP

The Board is satisfied that our Group can operate independently from the Remaining Parentco Group following completion of the Spin-off based on the following:

Management independence

Our Group and the Remaining Parentco Group have boards of directors that function independently of each other. The following table sets forth the details of the directorships/roles of the Company and the Remaining Parentco Group immediately upon Listing:

Directors Name	Our Group	The Remaining Parentco Group
LIM Kiah Meng (林家名)	Executive Director/managing director	Executive director/vice-chairman
FONG Po Kiu (方保僑)	Executive Director/general manager	Nil
WONG Yi Ting (黃依婷)	Executive Director/company secretary	Internal audit
CHENG Wai Yee (鄭慧儀)	Executive Director	Nil
LIM Kia Hong (林嘉豐)	Non-executive Director/chairman	Executive director/chairman/chief executive officer
LIM Hwee Hai (林惠海)	Non-executive Director	Executive director
CHU Chung Yi (朱頌儀)	Independent non-executive Director	Nil
NG See Wai Rowena (吳思煒)	Independent non-executive Director	Nil
DOE Julianne Pearl (杜珠聯)	Independent non-executive Director	Nil
LIM Hwee Noi (林慧蓮)	Nil	Executive director
LEE Hiok Chuan (李毓銓)	Nil	Independent non-executive director
ONG Wui Leng (王偉玲)	Nil	Independent non-executive director
MA Shiu Sun, Michael (馬紹燊)	Nil	Independent non-executive director

Senior Management Name	Our Group	The Remaining Parentco Group
CHAN Wing Hon Jethro (陳穎瀚)	Business director	Nil
CHAN Ka Kiu (陳嘉翹)	Senior marketing manager	Nil
LO Ka Lun (勞嘉倫)	Financial manager	Nil
CHIU Lai Chun (趙麗珍)	Nil	Company secretary/financial controller

The Board consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Substantially all Directors and members of the senior management that were in charge of the Mobile Phone Distribution Business have remained at the board of Parentco Group or senior management levels of the Parentco Group throughout the Track Record Period. Prior to the Spin-off, the daily operational and management decisions of our Group had been vested in the directors or senior management levels of the Parentco Group throughout the Track Record Period. Amongst members of the Board, three of them, namely Mr. Lim Kiah Meng, Mr. Lim Kia Hong and Mr. Lim Hwee Hai also hold positions as directors on the board of the Remaining Parentco Group. Mr. Lim Kiah Meng is the executive director and vice-chairman of the Remaining Parentco Group. Mr. Lim Kia Hong is the executive director, chairman and chief executive officer of the Remaining Parentco Group and Mr. Lim Hwee Hai is the executive director of the Remaining Parentco Group. All other Directors do not hold any directorship in any member of the Remaining Parentco Group.

Despite the common directorship to be held by Mr. Lim Kiah Meng, Mr. Lim Kia Hong and Mr. Lim Hwee Hai, the Directors believe that independence between our Group and the Remaining Parentco Group will be maintained. It is submitted that Mr. Lim Kiah Meng will be able to execute his executive roles for both the Company and the Remaining Parentco Group as he will be supported by the separate finance team of each of the Company and the Remaining Parentco Group. Mr. Lim Kiah Meng, along with the other three executive Directors namely, Mr. Fong Po Kiu, Ms. Wong Yi Ting and Ms. Cheng Wai Yee, will devote their resources and time to our Group and will continue to oversee and manage the day-to-day operations of our Group. On the contrary, Mr. Lim Kiah Meng's responsibility in the Remaining Parentco Group mainly focuses on seeking investment opportunity on a project-basis and overseeing the property investment business of the Remaining Parentco Group. Mr. Lim Kia Hong and Mr. Lim Hwee Hai will take on the role of non-executive Directors of the Company, and are therefore not expected to be directly involved in the day-to-day management of the business operation of the Company. Although Ms. Wong Yi Ting will remain at the Remaining Parentco Group upon Listing, she will only assist with the internal audit of the Remaining Parentco Group. As such, there will not be any overlapping responsibilities in the Company and the Remaining Parentco Group.

Further, in the event that any conflict of interest arises between the Remaining Parentco Group and our Group, Mr. Lim Kiah Meng, Mr. Lim Kia Hong and Mr. Lim Hwee Hai will abstain from voting at the relevant meetings of the Board and the meetings of the board of directors of Parentco in respect of such matters of actual or potential conflict of interest. They will also comply with the respective bye-laws of Parentco and the Company, and any applicable laws and regulations (including but not limited to the Listing Rules).

Also, Mr. Lim Kiah Meng, Mr. Lim Kia Hong and Mr. Lim Hwee Hai will not be involved in making decisions in connection with the on-going connected transactions (if any) between our Group and the Remaining Parentco Group, and the remaining Directors possess sufficient relevant industry experience to make decisions and monitor such transactions. For example, Mr. Fong Po Kiu, our executive Director and general manager, has started to serve Synergy since 2004 and also served our Group for three years and has contributed much to general management and business operations and development of our Group. Mr. Fong Po Kiu has over twenty years of working experience in the ICT industry in Hong Kong. Ms. Wong Yi Ting, our other executive Director, has been with the Parentco Group since April 2001 and witnessed the development of the Mobile Phone Distribution Business, from brand development to after-sale customer service. She is familiar with our operational flow. Ms. Wong Yi Ting has been a member of Hong Kong Institute of Certified Public Accountants since April 2001 and a member of Hong Kong Institute of Chartered Secretaries since February 2008. Ms. Cheng Wai Yee, our other executive Director who has 18 years of experience in the telecommunication industry, will provide additional experience to the sales management of our Group. In addition, the three independent non-executive Directors of the Company, namely, Ms. Chu Chung Yi, Ms. Doe Julianne Pearl and Ms. Ng See Wai Rowena will also provide checks and balances over the Board's decision-making on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests.

Save as disclosed above, none of the Directors or senior management of the Company holds any office in or is employed by Parentco. On the basis of the current proposed Board composition, it is believed that the Directors will operate and manage the Mobile Phone Distribution Business independently of Parentco. The Company will therefore operate independently and in the interests of the Shareholders as a whole.

In addition, members of the senior management of our Group have, during the whole or substantially the whole of the Track Record Period, undertaken senior management supervisory responsibilities in our Group's business. The senior management of our Group comprises three persons, and none of them will hold any management or executive roles in the Remaining Parentco Group following the Spin-off. This ensures the independence of the daily management and operations of our Group from those of the Remaining Parentco Group.

All of the Directors and members of senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Group. Their further biographical details are set out in the section headed "Directors and Senior Management" in this prospectus.

Operational independence

Given the fundamental difference in the nature of the Retained Business and that of the Mobile Phone Distribution Business, the business operating systems (including sales and marketing, procurement and provision of services and products, quality control, warehousing and logistics) and finance teams of our Group are separated from those of the Parentco and are expected to continue to be operated separately and independently of the Remaining Parentco Group. Our Group has its own team of staff to carry out its own administrative duties and operation independent of the Remaining Parentco Group. Our Group has established a set of internal control procedures to facilitate the effective operation of the Mobile Phone Distribution Business independent of the Remaining Parentco Group. In addition, the three independent non-executive Directors will provide checks and balances over the decision-making of the Board on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests.

The Mobile Phone Distribution Business is also geographically separated from the Retained Business. The headquarters of our Group is located at Kwun Tong, Hong Kong, while the office of Parentco is located at Central, Hong Kong.

The table below sets out the major differences between the Mobile Phone Distribution Business of our Group and the Retained Business of the Remaining Parentco Group:

	Business Description
Mobile Phone Distribution Business	Distribution of mobile phone products in Hong Kong
Retained Business	Distribution of I.T. and related products in Asia
	Investments in promising businesses and/or I.T. companies
	Investments in real estate properties consisting of hotel, commercial, industrial and residential properties

As shown in the table above, there is clear business delineation between the respective products and/or services supplied by our Group and the Remaining Parentco Group as they are either of a different nature or of a different geographical location. In practice, their respective business operations are independent from each other. Our Group does not rely on the Remaining Parentco Group for its business development, staffing, logistics, administration, finance, I.T., sales and marketing or company secretarial functions. Our Group has its own departments specialising in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Remaining Parentco Group. In addition, our Group has its own headcount of employees for its operations and management for human resources.

Financial Independence

We have our own accounting and finance department and an independent financial system and make financial decisions according to our own business needs. To facilitate the working capital and ensure the financial independence of our Group, as at the Latest Practicable Date, our Group has general banking facilities totaling approximately HK$355 million, which comprise of: (i) four banking facilities with several banks with an aggregate principal amount of HK$165 million independent from and without any financial assistance or credit support from the Remaining Parentco Group, and (ii) a banking facility with a principal amount of HK$190 million, out of which HK$118.5 million are guaranteed by Parentco. Save as disclosed herein, there is no other outstanding credit facilities or bank guarantees provided by the Remaining Parentco Group to our Group. All guarantees provided by Parentco are expected to be released prior to the date of the Listing. Please refer to the section headed "Financial Information — Indebtedness" in this prospectus for further details on the indebtedness of the Company.

Having considered the above factors, the Directors consider that there is no financial dependence on the Remaining Parentco Group after Listing.

Administrative independence

All the essential administrative functions including accounting, human resources and I.T. of our Group and the Mobile Phone Distribution Business are managed locally at each office at different locations and will be administratively independent of Parentco after the Spin-off. The Company confirms that all essential administration and daily operations of our Group will continue to be carried out by a team of staff employed by our Group independently of and without any support from Parentco after the Spin-off.

Given that our Group will still carry out the day-to-day administrative functions on its own, the Directors consider that our Group will have independence of administrative capability after the Spin-off. Having considered the above, the Directors are of the opinion that our Group can operate independently from the Parentco.

Clear delineation of business

The Remaining Parentco Group will, upon Listing, principally engage in Retained Business whilst our Group will principally engage in the Mobile Phone Distribution Business. The business and/or geographical scope of the products of and/or the services provided by each of the Retained Business and the Mobile Phone Distribution Business differ significantly. Our Group provides distribution of mobile phone products and confines its operation mainly in Hong Kong whereas the Remaining Parentco Group focuses on the investment in promising businesses and/or I.T. companies, the investments in real estate properties consisting of hotel, commercial, industrial and residential properties and provides distribution of I.T. and related products (such as printers and other computer hardware and software products, which are significantly different from mobile phone products) generally in Asia. As at the Latest Practicable Date, the Remaining Parentco Group does not engage in any Mobile Phone Distribution Business.

Please refer to the sections headed "Our Business — Our Business Model" and "Our Business — Our Distribution Business" in this prospectus for further details of the Mobile Phone Distribution Business.

Non-competition undertaking

To ensure there is a clear delineation between the business of the Remaining Parentco Group and that of our Group, our Controlling Shareholder has, pursuant to the Deed of Non-Competition dated 24 December 2014, undertaken to the Company that, during the period for which the Deed of Non-Competition is in force and subject to the exceptions set out below, the Parentco shall not, and shall procure that its subsidiaries (within the Remaining Parentco Group) shall not, whether directly or indirectly:

(a) carry on, engage, participate or hold any right or interest in or be involved in any mobile phone distribution business which is in competition with the Mobile Phone Distribution Business; and

(b) take any action which interferes with or disrupts or may interfere with or disrupt the Mobile Phone Distribution Business including, but not limited to, solicitation of any of the then current customers, suppliers or employees of any members of our Group,

provided that nothing in the Deed of Non-Competition shall preclude our Controlling Shareholder from:

(a) having any interest in any company engaging in any Mobile Phone Distribution Business (the "**Subject Company**") where: (i) the total number of shares held by the Parentco does not exceed 5% of the issued shares of the Subject Company which is or whose holding company is listed on any recognized exchange (as defined under the SFO); or (ii) any Mobile Phone Distribution Business conducted or engaged in by the Subject Company (and assets relating thereto) accounts for not more than 5% of the Subject Company's consolidated turnover or consolidated assets, as shown in the Subject Company's latest audited accounts provided that (i) there is a holder (together where appropriate, with its associates) with a larger shareholding in the Subject Company than the aggregate shareholding held by the Parentco and/or its respective associates at all times and (ii) the total number of the Parentco's representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to its shareholding in the Subject Company; and

(b) pursuing any business opportunity in relation to the mobile phone distribution which is in competition with the Mobile Phone Distribution Business in Hong Kong or otherwise (each, "**Mobile Phone Distribution Business Opportunity**") after the Company has confirmed in writing to the Controlling Shareholder that it or any members of our Group has declined such Mobile Phone Distribution Business Opportunity.

Pursuant to the Deed of Non-Competition, the above restrictions would only cease to have effect on the earliest date on which our Controlling Shareholder ceases to hold directly or indirectly in aggregate 30% or more of the then entire issued share capital, or otherwise ceases to be a Controlling Shareholder or the Shares cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

The Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of the Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests between our Group and the Remaining Parentco Group will be taken:

(a) our independent non-executive Directors will review, on an annual basis, the compliance and enforcement of the terms of the Deed of Non-Competition by the Controlling Shareholder;

(b) the Controlling Shareholder shall provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;

(c) the Controlling Shareholder shall use its reasonable endeavours to procure that its respective associates shall provide all relevant information of the Controlling Shareholder and its respective associates as necessary, subject to confidentiality restrictions owed by them to any third party, for the annual review by our independent non-executive Directors and professional advisers of the Company with regard to the compliance with and enforcement of the Deed of Non-Competition;

(d) the Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the undertaking of the Controlling Shareholder under the Deed of Non-Competition either through our annual or interim report of the Company, or by way of announcements to the public;

(e) the Company will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced;

(f) the Company will disclose the annual statement on compliance with the Deed of Non-Competition made by the Controlling Shareholder in our subsequent annual reports;

(g) in the event that a Mobile Phone Distribution Business Opportunity in Hong Kong or otherwise is identified by the Remaining Parentco Group, it shall refer such Mobile Phone Distribution Business Opportunity to our Group and shall not pursue such Mobile Phone Distribution Business Opportunity unless the independent non-executive Directors have resolved to decline such Mobile Phone Distribution Business Opportunity on a case-by-case basis and have notified in writing of their decisions with relevant reasons;

(h) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules; and

(i) in the event that there is conflict of interest in the operations of our Group and the Remaining Parentco Group and its associates, and in respect of any proposed contracts or arrangements between our Group and the Remaining Parentco Group and its associates, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his/her interests to the Board. Pursuant to the Articles, should a Director have any material interests in the matter (other than certain matters permitted under note 1 to Appendix 3 to the Listing Rules), he/she shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting.

On the basis that all Directors (except for Mr. Lim Kiah Meng, Mr. Lim Kia Hong, Mr. Lim Hwee Hai and Ms. Wong Yi Ting) and senior management of our Group do not hold any position in the Remaining Parentco Group, and that each of the executive Directors and senior management has extensive and relevant experience in the Mobile Phone Distribution Business, the Directors are of the view that the Board will have the expertise to transact business which may potentially involve conflict of interest between the Remaining Parentco Group and our Group objectively, impartially and in the interest of the Company and the Shareholders as a whole.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Remaining Parentco Group and our Group and to protect the interests of the Shareholders, in particular, the minority Shareholders.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We do not carry on any non-exempt continuing connected transactions (as defined in the Listing Rules) upon Listing which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the following transactions will constitute continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1)(c) of the Listing Rules.

Grant of rights to use trademarks by Parentco Group to our Group

License agreement between the Parentco and the Company

The Parentco has applied for the trademark “ ” in Hong Kong (the “**Company Relevant Trademark**”) on 7 October 2014 and has entered into a trademark licensing agreement on 16 December 2014 (the “**Company Trademark Licensing Agreement**”) with the Company for regulating the use of the Company Relevant Trademark. Under the Company Trademark Licensing Agreement, the Parentco granted a non-exclusive right by way of license to the Company to use the mark “ ” for its business operations in Hong Kong, subject to the completion of registration of the Company Relevant Trademark, for a consideration of HK$12,000 per annum for a fixed term of two years commencing from 16 December 2014 to 15 December 2016.

License agreement between the Parentco Group and Qool

SiS Asia Pte. Ltd., an indirect wholly-owned subsidiary of the Parentco, is the owner of the registered trademark “ QOOL ” in Hong Kong (the “**Qool Relevant Trademark**”). SiS Asia Pte. Ltd. has entered into a trademark licensing agreement on 16 December 2014 (the “**Qool Trademark Licensing Agreement**”) with Qool for regulating the use of the Qool Relevant Trademark. Under the Qool Trademark Licensing Agreement, SiS Asia Pte. Ltd. granted a non-exclusive right by way of license to Qool to use the mark “ QOOL ” for its business operations in Hong Kong for a consideration of HK$12,000 per annum for a fixed term of two years commencing from 16 December 2014 to 15 December 2016.

Further particulars of the Company Relevant Trademark and the Qool Relevant Trademark are set out in the section headed “Statutory and General Information — B. Further Information About The Business — 2. Our intellectual property rights” in Appendix IV to this prospectus.

Historical transaction amounts

As our Group is part of the Parentco Group prior to completion of the Spin-off, no formal arrangement for the Company Relevant Trademark and the Qool Relevant Trademark between our Group and the Remaining Parentco Group had been formalised and put in place during the Track Record Period. As such, no historical figures for these transactions for the Track Record Period are available.

Basis for the annual fee

The annual fee of HK$12,000 for each of the Company Licensing Agreement and the Qool Licensing Agreement is determined based on the estimation of the administrative costs of maintaining the Company Relevant Trademark and the Qool Relevant Trademark, including the costs of providing legal support and general office administration and the registration fee of the Company Relevant Trademark.

Listing Rules implications

As the highest relevant percentage ratio in respect of the license fees, on aggregate, payable under each of the Company Trademark Licensing Agreement and the Qool Trademark Licensing Agreement will be, on an annual basis, less than 5% and the annual consideration will be less than HK$3,000,000 and the Company Trademark Licensing Agreement and the Qool Trademark Licensing Agreement are on normal commercial terms, each of them will constitute a de minimis continuing connected transaction exempt pursuant to Rule 14A.76(1)(c) of the Listing Rules from reporting, annual review, announcement and independent shareholders' approval requirements in Chapter 14 of the Listing Rules. Upon renewal of the Company Trademark Licensing Agreement or the Qool Trademark Licensing Agreement, the Company will comply with all applicable requirements under Chapter 14A of the Listing Rules in relation to the continuing connected transactions.

CONFIRMATION FROM THE DIRECTORS

Taking into account our Group will remain subsidiaries of the Parentco after the Spin-off, the Directors (including the independent non-executive Directors) are of the view that the Company Trademark Licensing Agreement and the Qool Trademark Licensing Agreement have been entered into on normal commercial terms (or on terms which are more favourable to our Group), in the ordinary course of business of our Group and the terms of the Company Trademark Licensing Agreement and the Qool Trademark Licensing Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

So far as the Directors are aware, immediately following completion of the Distribution and the Global Offering, without taking into account: (i) the Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option, (ii) any Shares which may be granted under the Share Option Scheme and (iii) any change to the capital structure of Parentco between the Latest Practicable Date and the Distribution Record Date, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholders	Nature of interest	*Note*	Shares held immediately prior to the Capitalisation Issue and the Global Offering	
			Number	*Percentage*
Parentco	Beneficial interests	*1*	10,000	100
Gold Sceptre	Interest in controlled corporation	*1*	10,000	100
Summertown	Interest in controlled corporation	*1*	10,000	100
Mr. Lim Kiah Meng	Interest in controlled corporation	*1*	10,000	100
Mr. Lim Kia Hong	Interest in controlled corporation	*1*	10,000	100
Ms. Fauzijus Tjandra	Interest in controlled corporation	*1*	10,000	100
Ms. Tan Kah Leng	Interest in controlled corporation	*1*	10,000	100

Note:

(1) Parentco is owned as to approximately 50.66% by Gold Sceptre, which is in turn a direct wholly-owned subsidiary of Summertown. Mr. Lim Kiah Meng and his spouse, Ms. Fauzijus Tjandra and Mr. Lim Kia Hong and his spouse, Ms. Tan Kah Leng together own 40.5% and 39.5%, respectively of the issued share capital of Summertown.

Name of Shareholders	Nature of interest	*Note*	Shares held immediately following the completion of the Capitalisation Issue and the Global Offering[1]	
			Number	*Percentage (approx.)*
Parentco	Beneficial interests		146,531,557	52.33
Gold Sceptre	Interest in controlled corporation	*2*	146,531,557	52.33
	Beneficial interests		44,915,200	16.04
Summertown	Interest in controlled corporation	*2*	146,531,557	52.33
Mr. Lim Kiah Meng	Interest in controlled corporation	*2*	146,531,557	52.33
	Beneficial interests		1,729,024	0.62
	Interest of his child under 18 or spouse		144,000	0.05
	Interests held jointly with another person		170,880	0.06

Name of Shareholders	Nature of interest	*Note*	Shares held immediately following the completion of the Capitalisation Issue and the Global Offering[1]	
			Number	*Percentage (approx.)*
Mr. Lim Kia Hong	Interest in controlled corporation	*2*	146,531,557	52.33
	Beneficial interests		1,846,754	0.66
	Interest of his child under 18 or spouse		161,280	0.06
Ms. Fauzijus Tjandra	Interest in controlled corporation	*2*	146,531,557	52.33
	Beneficial interests		80,000	0.03
	Interest of her child under 18 or spouse		1,793,024	0.64
	Interests held jointly with another person		170,880	0.06
Ms. Tan Kah Leng	Interest in controlled corporation	*2*	146,531,557	52.33
	Beneficial interests		128,000	0.05
	Interest of her child under 18 or spouse		1,880,034	0.67

Notes:

(1) Assuming the Offer Size Adjustment Option is not exercised.

(2) Parentco is owned as to approximately 50.66% by Gold Sceptre, which is in turn a direct wholly-owned subsidiary of Summertown. Mr. Lim Kiah Meng and his spouse, Ms. Fauzijus Tjandra and Mr. Lim Kia Hong and his spouse, Ms. Tan Kah Leng together own 40.5% and 39.5%, respectively of the issued share capital of Summertown.

Save as disclosed above, the Directors are not aware of any other person who will, immediately following completion of the Distribution and the Global Offering, but without taking into account the Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option, have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

BOARD OF DIRECTORS

Our Board consists of four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

Name	Age	Position/Title	Appointment Date	Date of Joining our Group	Date of Joining the Parentco Group	Principal Responsibilities	Relationship with other Directors
LIM Kiah Meng (林家名)	61	Executive Director/ managing director	4 July 2014	June 2010	February 1987	Overall strategic planning, business operation, development and management, member of the Remuneration Committee and the Nomination Committee	Brother of Mr. Lim Kia Hong and brother-in-law of Mr. Lim Hwee Hai
FONG Po Kiu (方保僑)	46	Executive Director/ general manager	29 September 2014	July 2011	July 2011	General management and business operations and development	Not applicable
WONG Yi Ting (黃依婷)	40	Executive Director/ company secretary	29 September 2014	29 September 2014	April 2001	Financial and accounting management	Not applicable
CHENG Wai Yee (鄭慧儀)	44	Executive Director	16 December 2014	24 September 2014	Not applicable	Sales management and client development	Not applicable
LIM Kia Hong (林嘉豐)	57	Non-executive Director/chairman	29 September 2014	June 2010	June 1983	Overall corporate and strategic planning, business growth and development, public and shareholder relation, chairman of the Nomination Committee and member of the Remuneration Committee	Brother of Mr. Lim Kiah Meng and brother-in-law of Mr. Lim Hwee Hai
LIM Hwee Hai (林惠海)	64	Non-executive Director	29 September 2014	June 2010	June 1983	Strategic planning, business development and corporate financial planning	Brother-in-law of Mr. Lim Kiah Meng and Mr. Lim Kia Hong
CHU Chung Yi (朱頌儀)	48	Independent non-executive Director	16 December 2014	16 December 2014	Not applicable	Giving independent strategic advice to our Group, chairlady of the Audit Committee and member of the Remuneration Committee and the Nomination Committee	Not applicable
NG See Wai Rowena (吳思煒)	52	Independent non-executive Director	16 December 2014	16 December 2014	Not applicable	Giving independent strategic advice to our Group, member of the Audit Committee and Nomination Committee and chairlady of the Remuneration Committee	Not applicable
DOE Julianne Pearl (杜珠聯)	52	Independent non-executive Director	16 December 2014	16 December 2014	Not applicable	Giving independent strategic advice to our Group, member of the Audit Committee, the Remuneration Committee and the Nomination Committee	Not applicable

Executive Directors

Mr. LIM Kiah Meng (林家名), aged 61, is an executive Director and managing director of the Company, brother of Mr. Lim Kia Hong and brother-in-law of Mr. Lim Hwee Hai. Mr. Lim is one of the co-founders of our Group and had joined the Parentco Group since 1987. He has nearly twenty seven years' experience in the ICT industry, and is responsible for our Group's operations in Hong Kong. Since April 2013, Mr. Lim has also been a non-executive director of SiS Thailand, a company whose shares are listed on the Stock Exchange of Thailand (BKK: SIS). Mr. Lim obtained a master's degree in international management from the American Graduate School of International Management, US in August 1980.

Mr. FONG Po Kiu (方保僑), aged 46, is an executive Director and general manager of our Group. Mr. Fong is responsible for the general management and business operations and development of our Group. Mr. Fong has been working at Synergy since April 2004 and has over twenty years of working experience in the ICT industry in Hong Kong. Mr. Fong has been a full member of The Hong Kong Computer Society since June 2004. Mr. Fong is also a fellow member of both The Institute of Chartered Secretaries and Administrators, United Kingdom and The Hong Kong Institute of Company Secretaries since August 2001. Mr. Fong graduated from Hong Kong Polytechnic with professional diploma in company secretaryship and administration in November 1990.

Ms. WONG Yi Ting (黃依婷), aged 40, is an executive Director and the company secretary of the Company. Ms. Wong is responsible for the financial and accounting management of our Group. From September 1997 to April 2001, Ms. Wong worked at Deloitte Touche Tohmatsu where she initially acted as a staff accountant I from September 1997 to June 1998 and was promoted to staff accountant II, semi-senior accountant and senior accountant I in July 1998, October 1999 and October 2000, respectively. Since April 2001, Ms. Wong has been serving at SiS HK Limited where she initially held the position of assistant accounting manager and was promoted to finance manager in December 2011. Ms. Wong has been a member of Hong Kong Institute of Certified Public Accountants since April 2001 and a member of Hong Kong Institute of Chartered Secretaries since February 2008. Ms. Wong obtained a bachelor's degree in accountancy from City University of Hong Kong in November 1997.

Ms. CHENG Wai Yee (鄭慧儀), aged 44, is an executive Director and sales director of our Group. Ms. Cheng has 18 years of sales management experience in the telecommunication industry. From November 1996 to March 1998, Ms. Cheng served as an account manager of SmarTone Mobile Communications Limited. From April 1998 to February 2012, Ms. Cheng had worked for Nokia (H.K.) Limited, and had held various management positions in sales area; her last role was head of sales where she had responsibility for the overall mobile phone business for its Hong Kong and Macau market. From June 2013 to September 2013, Ms. Cheng joined CSL Limited as a retail sales director and was responsible for its retail sales of mobile business. Ms. Cheng obtained a master's degree in business administration from Andrews University, USA in December 1997. She also obtained a graduate diploma in e-commerce from The University of Hong Kong and Poon Kam Kai Institute of Management in October 2001. Ms. Cheng was awarded the certificate of Nokia operator business strategies from London Business School, U.K. in October 2005.

Non-executive Directors

Mr. LIM Kia Hong (林嘉豐), aged 57, is a non-executive Director and chairman of our Group, brother of Mr. Lim Kiah Meng and brother-in-law of Mr. Lim Hwee Hai. Mr. Lim is one of the co-founders of our Group and had joined the Parentco Group since 1983. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Parentco Group from a small privately-owned family business in Singapore to one of the leading distributors of I.T. products in the Parentco Group's key market of Hong Kong, Singapore and Thailand and a publicly listed company on the Stock Exchange. Since 2004, Mr. Lim has also been a non-executive director of SiS Thailand, a company whose shares are listed on the Stock Exchange of Thailand (BKK: SIS). He is responsible for the corporate strategic planning and development of our Group. Mr. Lim graduated from University of Washington, US with a bachelor's degree in business administration in December 1981.

Mr. LIM Hwee Hai (林惠海), aged 64, is a non-executive Director and the brother-in-law of Mr. Lim Kiah Meng and Mr. Lim Kia Hong. Mr. Lim is one of the co-founders of our Group and had joined the Parentco Group since 1983. He has over thirty years' experience in the ICT industry and is responsible for the Parentco Group's operations in Malaysia, Thailand and the Asia-Pacific region. Since 2004, Mr. Lim has been a non-executive director of SiS Thailand, a company whose shares are listed on the Stock Exchange of Thailand (BKK: SIS). Since 2013, Mr. Lim has also been an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore (SGX: T6I). Mr. Lim obtained a bachelor's degree in commerce from Nanyang University, Singapore in July 1973 and a master's degree in business administration from the National University of Singapore, Singapore in July 1998.

Independent non-executive Directors

Ms. CHU Chung Yi (朱頌儀), aged 48, is an independent non-executive Director of the Company. From August 1991 to December 1994, Ms. Chu worked for Deloitte Touche Tohmatsu where she held the position of staff accountant I from August 1991 to 30 June 1992 and was promoted to staff accountant II, semi-senior accountant and senior accountant I in July 1992, July 1993 and July 1994, respectively. From January 1995 to July 1996, Ms. Chu acted as an accounting manager in the finance and accounts department at Moulin Optical Manufactory Limited. From August 1996 to January 2005, Ms. Chu worked as the financial controller and company secretary of the Parentco Group.

Ms. Chu has been an associate of the Chartered Association of Certified Accountants since November 1994, the Hong Kong Society of Accountants since January 1995, the Hong Kong Institute of Company Secretaries since April 1997, the Institute of Chartered Secretaries and Administration since April 1997 and a fellow of the Association of Chartered Certified Accountants since November 1999. Ms. Chu obtained a bachelor's degree in accountancy from City Polytechnic of Hong Kong in November 1991 and a master's degree in business administration from The Chinese University of Hong Kong in December 1999.

Ms. NG See Wai Rowena (吳思煒), aged 52, is an independent non-executive Director of the Company. Ms. Ng has over twenty years of experience in corporate finance and investment banking. From July 1999 to May 2001, Ms. Ng served as an executive director of Lai Fung Holdings Limited (Hong Kong Stock Code: 01125). From June 2001 to April 2004, Ms. Ng worked at BOCI Asia Limited where she served as a managing director of the corporate finance department. From May 2004 to January 2007, Ms. Ng acted as a director in Cazenove Asia Limited, responsible for deal origination and transaction execution. From August 2011 to December 2013, Ms. Ng served as an executive director and deputy CEO of China Nickel Resources Holdings Co., Ltd. (Hong Kong Stock Code: 02889). On 17 February 2014, Ms. Ng has been appointed as an independent non-executive director of GreaterChina Professional Services Ltd. (Hong Kong Stock Code: 08193). Ms. Ng has been an ordinary member of the Hong Kong Securities and Investment Institute since November 2012. Ms. Ng obtained a bachelor's degree in science from the Victoria University of Manchester, U.K. in July 1984 and a master's degree in business administration from the University of Hull, U.K. in July 1998.

Ms. DOE Julianne Pearl (杜珠聯), aged 52, is an independent non-executive Director of the Company. Ms. Doe has been a corporate partner at Brandt Chan & Partners since January 2011. Ms. Doe has been a solicitor of the High Court of Hong Kong since September 1988. She obtained the bachelor's degree in laws and postgraduate certificate in laws from the University of Hong Kong in November 1984 and in July 1985, respectively. Ms. Doe also obtained the master's degree in laws from the University of Cambridge, U.K. in October 1986. Ms. Doe is engaged in corporate and commercial legal practice.

GENERAL

Save as disclosed above, each of our Directors has confirmed that:

(i) he/she does not and has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus;

(ii) there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and

(iii) there is no other matter that needs to be brought to the attention of our Shareholders.

The Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

Senior management of the Company

In addition to the executive Directors, senior management of our Group includes the following members:

Name	Age	Position/Title	Appointment Date	Date of Joining our Group and the Parentco Group	Principal Responsibilities	Relationship with the Directors
CHAN Wing Hon Jethro (陳穎瀚)	54	Business director	July 2011	July 2011	Sales and business operation management and client development of our Group	Not applicable
CHAN Ka Kiu (陳嘉翹)	35	Senior marketing manager	July 2011	July 2011	Marketing matters of our Group	Not applicable
LO Ka Lun (勞嘉倫)	40	Finance manager	July 2011	July 2011	Financial matters of our Group	Not applicable

CHAN Wing Hon Jethro (陳穎瀚), aged 54, is the business director of our Group. Mr. Chan is responsible for sales and business operation management and client development of our Group. Mr. Chan has been working at Synergy since October 2009 and has twenty years of working experience in the mobile industry. From February 1986 to March 1988, Mr. Chan worked for Zung Fu Company Limited, where he initially worked as a trainee sales engineer and was promoted to the position of engineer in July 1987. From March 1988 to April 1994, Mr. Chan worked for Kodak (Far East) Limited, where he last held the position of sales executive for professional, printing and publishing imaging. From April 1994 to May 2001, Mr. Chan served at Motorola Asia Pacific Limited where he last served as the sales manager of the personal communications sector of the company. Mr. Chan successively held the positions of sales director, sales & marketing director and director of channel sales of Beverley Pacific International Limited from May 2001 to October 2001, from November 2001 to December 2002 and from January 2003 to July 2004, respectively. From July 2004 to April 2009, Mr. Chan worked at CSL Limited where he last served as assistant general manager of device sales in the mobile device department of the Company. Mr. Chan obtained a bachelor's degree in science, major in engineering from the University of London, U.K. in August 1985 and a master's degree in business administration in management from Southeastern University, US in April 1997.

CHAN Ka Kiu (陳嘉翹), aged 35, is the senior marketing manager of our Group. Ms. Chan is responsible for the marketing management of our Group. Ms. Chan has been working at Synergy since November 1999 and has over twelve years of working experience in the marketing and advertising industry. Ms. Chan obtained a diploma in company secretaryship and administration from Hong Kong Institute of Vocational Education in September 1999. Ms. Chan obtained an advanced diploma in business management from the Ideal Education in January 2001 through long distance learning conducted in Hong Kong and a diploma in graphic design from the Welkin Computer Training in June 2005. Ms. Chan also obtained a bachelor's degree in marketing administration from the Queen's University of Brighton, US in May 2004 through long distance learning conducted in Hong Kong.

LO Ka Lun (勞嘉倫), aged 40, is the finance manager of our Group. Ms. Lo is responsible for the financial and accounting management of our Group. Ms. Lo has been working at Synergy since December 2007 and has twenty years of experience in the accounting industry. From August 1994 to April 1996, Ms. Lo served as an accounts clerk at Jia Hang Holding (International) Limited. From September 1998 to May 2004, Ms. Lo worked at Arko Management Limited as an accounting officer. From June 2006 to November 2007, Ms. Lo worked at KCS Limited where she was responsible for providing accounting services to clients. Ms. Lo has completed fundamentals level of the Association of Chartered Certified Accountants examinations in June 2010. Ms. Lo has also obtained a group diploma in accounting from the LCCI International Qualification in June 2006. Ms. Lo has completed a one-year part-time evening post-secondary 5 course at Kwai Chung Technical Institute in July 1995 and has been awarded a certificate in higher accounting.

Save as disclosed in this prospectus, none of the above senior management members have held any directorship in any publicly listed companies in the last three years prior to the Latest Practicable Date.

BOARD COMMITTEES

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee, details of which are set out below:

Audit Committee

Pursuant to Rules 3.21 to 3.23 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, an Audit Committee has been established by our Group. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control procedures of the Company, review the financial information of our Group and consider issues relating to the external auditors and their appointment.

As at the date of this listing document, the members of the Audit Committee are:

Ms. Chu Chung Yi (朱頌儀) *(Chairlady)*

Ms. Ng See Wai Rowena (吳思煒)

Ms. Doe Julianne Pearl (杜珠聯)

Remuneration Committee

Pursuant to Rules 3.25 and 3.26 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Remuneration Committee has been established by our Group. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

As at the date of this listing document, the members of the Remuneration Committee are:

Ms. Ng See Wai Rowena (吳思煒) *(Chairlady)*

Mr. Lim Kiah Meng (林家名)

Mr. Lim Kia Hong (林嘉豐)

Ms. Chu Chung Yi (朱頌儀)

Ms. Doe Julianne Pearl (杜珠聯)

Nomination Committee

Pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Nomination Committee has been established by our Group. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment and removal of Directors.

As at the date of this listing document, the members of the Nomination Committee are:

Mr. Lim Kia Hong (林嘉豐) *(Chairman)*

Mr. Lim Kiah Meng (林家名)

Ms. Ng See Wai Rowena (吳思煒)

Ms. Chu Chung Yi (朱頌儀)

Ms. Doe Julianne Pearl (杜珠聯)

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. During the Track Record Period, the aggregate amount of remuneration paid by our Group to our Directors were about HK$580,000, HK$1,285,000, HK$1,492,000 and HK$610,000, respectively, for each of the financial years ended

2011, 2012, and 2013 and the six months ended 30 June 2014, respectively. Please refer to the section headed "Accountants' Report — Note 10. Directors' and Chief Executive's Emoluments and Employees' Remuneration" in Appendix I to this prospectus for further details.

Our Directors' remuneration is determined with reference to our Group's operating results, duties, level of responsibility of the Directors, the prevailing market conditions and performance of individual Director.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors or the five highest paid individuals for each of the financial years ended 2011, 2012 and 2013 and the six months ended 30 June 2014 for the loss of any office in connection with the management of the affairs of any subsidiary in our Group. In addition, none of our Directors waived any emoluments for any of the last three years.

Save as disclosed above, no other payments have been paid or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, responsibilities and performance of our Directors and senior management as the case may be, in assessing the amount of remuneration payable to our Directors and such employees. It is estimated that under the arrangements currently in force, the aggregate remuneration of the Directors payable in respect of the year ending 31 December 2014 is estimated to be about HK$2,200,000.

Employees' benefits

Our Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for all employees joining our Group after 1 December 2000 in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of our Group in an independently administered fund. All mandatory contributions made to the MPF Scheme are fully and immediately vested in the employees. Our Group's voluntary contributions to the MPF Scheme are vested in the employees at the vesting scale specified in the rules of the MPF Scheme.

Share Option Scheme

Our Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for Shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high caliber executives and employees. Further information on the Share Option Scheme is set forth in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We intend to appoint the Sole Sponsor as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be notifiable or connected transaction under the Listing Rules, is contemplated including share issue and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after Listing.

COMPANY SECRETARY

Ms. WONG Yi Ting (黄依婷), aged 40, is our company secretary. Ms. Wong joined the Parentco Group in April 2001 and has been working at SiS HK Limited until now. Ms. Wong initially served as an assistant accounting manager and was promoted to the position of finance manager in December 2011. Ms. Wong has been a member of Hong Kong Institute of Certified Public Accountants since April 2001 and a member of Hong Kong Institute of Chartered Secretaries since February 2008. Ms. Wong obtained a bachelor's degree in accountancy from City University of Hong Kong in November 1997.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalisation Issue:

Authorised share capital:

		HK$
3,800,000	Shares of HK$0.10 each	380,000

Issued and to be issued, fully paid or credited as fully paid:

Shares		**Approximate percentage of the enlarged issued share capital** *(%)*	*HK$*
10,000	Shares in issue as of the date of this prospectus	0.004	1,000
235,190,000	Shares to be issued under the Capitalisation Issue	84.0	23,519,000
4,480,000	Shares to be issued under the Hong Kong Public Offering	1.6	448,000
40,320,000	Shares to be issued under the International Placing	14.4	4,032,000
280,000,000	Total	100	28,000,000

ASSUMPTIONS

The above table also does not take into account (i) any Shares issued upon exercise of options which may be granted under the Share Option Scheme, or (ii) any Shares which may be allotted and issued or repurchased by our Company under the general mandates given to our Directors to allot and issue or repurchase Shares.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Please refer to the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus for the summary of the principal terms of the Share Option Scheme.

GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

(a) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and

(b) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about our Company — 3. Resolutions in Writing of the Sole Shareholder of Our Company Passed on 16 December 2014" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about our Company — 7. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

This general mandate will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about our Company — 3. Resolutions in Writing of the Sole Shareholder of Our Company Passed on 16 December 2014" in Appendix IV to this prospectus.

You should read this section in conjunction with our audited combined financial information together with the accompanying notes, set forth in the Accountants' Report included as Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with HKFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. You should read the whole of the Accountants' Report included as Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors".

Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

Loss warning for the year ending 31 December 2014

Despite the improved gross profit margin during the four months ended 31 October 2014 as compared to the six months ended 30 June 2014, our Group's financial performance for the year ending 31 December 2014 will be adversely affected by (i) weaken demand from our wholesale customers brought by the prodemocracy Occupy Central protests, as approximately 24, 27, 32 and 37 of our wholesale customers in our distribution business for the three years ended 31 December 2013 and the six months ended 30 June 2014, which accounted for approximately 6.3%, 15.1%, 17.2% and 11.1% of our revenue during the same period, are operating in Mongkok area where some streets have been blocked by the protesters for a long period of time, which in turn affected our sales; (ii) the decrease in gross profit and gross profit margin for the six months ended 30 June 2014 as compared to that for the six months ended 30 June 2013 (please refer to the section headed "Financial Information — Review of Historical Results of Operation" in this prospectus for reasons of decrease in gross profit and gross profit margin for six months ended 30 June 2014); (iii) the increase in rental expense for retail shops and higher staff costs to support increased level of sales activities; (iv) the non-recurring expenses incurred in relation to the Listing as detailed in the section headed "Summary — Listing expenses" in this prospectus. Our Group expects that listing expenses amounting to HK$22.1 million will be charged to our consolidated income statement for the year ending 31 December 2014. The said listing expenses are based on a current estimate and are for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. (v) the launching of key new mobile phone models by major competitor of the Renowned Korean Corporation in September 2014; and (vi) the relatively fewer supply of key newly launched mobile phone models of our major suppliers during the four months ended 31 October 2014 compared to the corresponding period in 2013. Taking into account of the above factors, we consider that our Group's financial performance will be adversely affected and **we will be in a net loss position for the year ending 31 December 2014**.

We are one of the leading distributors of mobile phones in Hong Kong with extensive local distribution channels. According to the Ipsos Report, we were the largest distributors of mobile phones in Hong Kong in terms of revenue in 2013 with a market share of approximately 21.7%. We have developed and maintained strong and successful relationships with a number of suppliers of mobile phones of internationally renowned brands including the Renowned Korean Brand and Blackberry. During the Track Record Period, we have also developed and maintained stable relationships with the brand owners of Acer, Alcatel One Touch, Sugar and ZTE.

We have a wide and growing customer base. Our number of distribution customers grew from 185 during the year ended 31 December 2011 to 263 during the six months ended 30 June 2014. We also have a diversified distribution customer base ranging from wholesale customers to telecommunication services operators and chain retailers. Our extensive industry knowledge and strong technical knowhow which allow us to share up-to-date market information and in-depth understanding of products' features and specifications with our customers are one of the key factors that make us their preferred suppliers. During the three years ended 31 December 2013 and the six months ended 30 June 2014, we sold more than 157,000 units, 378,000 units, 318,000 units and 243,000 units of mobile phones, respectively.

To captured the opportunities provided by the growing consumer demand for mobile phones of the Renowned Korean Brand in recent years, we acquired Synergy from an Independent Third Party in July 2011, which has been appointed as one of the few authorised distributors of the Renowned Korean Corporation in Hong Kong since 2009. In recent years, we focused on the distribution of mobile phones of the Renowned Korean Brand. Our revenue generated from our sales of products of the Renowned Korean Brand accounted for approximately 51.1%, 85.5%, 85.4% and 95.2% of our total revenue during the three years ended 31 December 2013 and the six months ended 30 June 2014. According to the Ipsos Report, mobile phones of the Renowned Korean Brand had the second largest market share in terms of sales volume of mobile phones in Hong Kong in 2013, accounted for approximately 30.6% of the total sales of mobile phones amongst other brands.

Mobile phone has become an important communication device in all walks of life with increasing prevalence of its use as the mobile phones technology progresses in terms of functions and design. Hong Kong, being our market focus, is one of the cities with the highest mobile phone penetration rate in the world with a penetration rate of about 238.2% in 2013. The constant introduction of new models of mobile phones and the local consumer culture have driven the increase of retail sales of mobile phones and have provided mobile phones distributors with substantial business opportunities. According to the Ipsos Report, the total revenue of mobile phone distributor industry in Hong Kong increased at a CAGR of about 29.5% from approximately HK$1,816.2 million in 2009 to approximately HK$5,100.6 million in 2013.

We have experienced stable source of revenue during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, our revenue was approximately HK$513.6 million, HK$1,376.6 million, HK$1,274.8 million, HK$601.0 million and HK$846.7 million, respectively. Our revenue grew at a CAGR of approximately 57.5% between 2011 and 2013, and at approximately 40.9% year-on-year between the six months ended 30 June 2013 and 2014. For the years ended 31 December 2011, 2012 and 2013, our net profit was approximately HK$5.1 million, HK$44.7 million, HK$33.5 million, respectively. Our net profit grew at a CAGR of approximately 156.3% between 2011 and 2013. Our net profit decreased from approximately HK$18.0 million in the six months ended 30 June 2013 to approximately HK$2.2 million in the six months ended 30 June 2014 primarily due to the decrease in gross profit, the increase in rental expenses due to opening of additional Partner Stores in 2014 and the fair value change from gains to losses for derivative financial instruments in 2014.

BASIS OF PRESENTATION

Pursuant to the Reorganisation to rationalise our Group structure to prepare for the listing of the Shares, the Company acquired the entire equity interests in the companies comprising our Group from the Parentco. The Reorganisation was completed on 10 October 2014 and since then, the Company became the holding company of the companies comprising our Group (the "**Combined Entities**"). The Combined Entities and the Company are under common control of the Parentco before and after the Reorganisation. Therefore, the acquisition of the Combined Entities is accounted for as business combination under common control by applying the principles of merger accounting.

The financial information of our Group has been prepared in accordance with HKFRSs, which comprises standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants. The financial statements of our Group for the Track Record Period include the results, changes in equity, cash flows, and financial position of the Combined Entities as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation or establishment, whichever period is shorter.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below:

Our ability to adjust to changes in the market

The mobile phone distribution industry has been developing rapidly, driven by technological changes and changes in prevailing market trend, consumer demands and consumption preferences. As mobile phone and wireless technology advances rapidly, product life cycles may become shorter than anticipated. As a distributor in this sector, we must have the ability to adjust our selling price in a quick and flexible manner to cope with the evolving changes in the market. If we cannot successfully adapt to the technological changes and evolving customer demands in a rapidly developing market, our customers may turn to our competitors who can offer mobile phones in line with the market trends. As a result, our business, financial condition and results of operations could be adversely affected. Our inventories may pile up and we may need to record huge impairment losses for those out-dated mobile devices. Our ability to constantly adjust our business strategy to meet the challenges in the rapidly evolving market will be a key factor that affects our business performance and financial results.

Our products are subject to short life cycles

The selling prices of mobile phone generally decrease over time following launch until the end of their product life cycles. The product life cycle of a particular model of mobile phone depends on the level of competition, the launch of other new mobile phone models and the pace of technological development. Given the increasing number of new mobile phone models offered by different brands and the rapid pace of technological development in recent years, the product life cycles of mobile phones are becoming shorter. Our Group has no control over the timetable of launching new mobile phone models by different brands and as such, our Group's sales and profits may be adversely affected as a result of decreasing selling prices or if our Group was unable to procure new mobile phone models according to the market trend.

Our ability to continue to work effectively with our suppliers

The success of our business and our growth depend, to a significant extent, on our ability to maintain a long-term business relationship with our suppliers. We generate a majority of our revenue from sale of mobile phones supplied by them. Please refer to the section headed "Our Business — Our relationship with the Renowned Korean Corporation" in this prospectus. For each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, sales of mobile and other electronic devices of the Renowned Korean Brand amounted to accounting for approximately 51.1%, 85.5%, 85.4% and 95.2% of our total revenue, respectively. If we were unable to continue our relationship with the Renowned Korean Corporation or if the terms or scope of our agreements became less favourable to us, our revenue generated from them could be significantly reduced.

If we experience any material disagreement with a supplier, our relationship with such supplier may be adversely affected. Such supplier may cease to engage us to distribute their mobile phone products or may limit the range of products for our distribution, which could materially and adversely affect our business, financial condition and results of operations.

Gross profit margin

Our gross profit margin depends on both our selling price to distribution customers and retail customers and the purchase price we negotiated with our suppliers. Our selling price to distribution customers was determined by us with reference to the suggested retail price recommended by suppliers and our purchase cost. Our selling price to retail customer was largely depended on the suggested retail price. Therefore, our gross profit margin was to a great extent influenced by our suppliers. This was the common practise for the mobile phone distribution business. For the three years ended 31 December 2013 and for the six months ended 30 June 2014, our gross profit margin was approximately 3.4%, 4.9%, 4.4% and 2.8%, respectively.

Seasonality

Our distribution and retail operating results are also influenced by seasonal factors, including the timing of local holidays, the launch of new products or models and other events affecting consumer demand and purchasing patterns of customers. These factors may cause our sales and operating results to fluctuate from quarter to quarter. If unanticipated events occur, including delays in securing adequate inventories of competitive products at times of peak sales or inventory surpluses in the event of sales decreases, our operating results could suffer. In addition, due to seasonal factors, our interim results may not be indicative of annual results or comparable to our results in previous periods. In general, our revenue in the second half of the year was more than the revenue generated in the first half of the year during the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our Group's financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 to our combined financial statements included in "Appendix I — Accountant's Report".

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

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

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

Service income is recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Financial instruments

Financial assets and financial liabilities are recognised 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Inventories

Inventories, representing trading merchandise, are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("**foreign currencies**") are recognised in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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 property, 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 property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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

Furniture and fittings	2–4 years
Office equipment	3–4 years
Office renovations	Shorter of lease term or 4 years

We determine the estimated useful lives and related depreciation for our property, plant and equipment with reference to the estimated period that we intend to derive future economic benefits from the use of these assets. Our management will revise the depreciation charges where useful lives are different to those previously estimated. Actual economic lives may differ from estimated useful lives. During the Track Record Period, there was no significant difference between the actual economic lives and our management's estimates that required revisions of relevant depreciation charges.

COMBINED RESULTS OF OPERATIONS

The following table sets forth the combined statements of profit or loss and other comprehensive income during the Track Record Period, which is extracted from the "Accountants' Report" in Appendix I to this prospectus. Please read the following summary together with the "Accountants' Report" and the notes thereto:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Revenue	513,600	100.0	1,376,575	100.0	1,274,845	100.0	601,022	100.0	846,723	100.0
Cost of sales	(496,027)	(96.6)	(1,309,630)	(95.1)	(1,218,869)	(95.6)	(573,222)	(95.4)	(823,157)	(97.2)
Gross profit	17,573	3.4	66,945	4.9	55,976	4.4	27,800	4.6	23,566	2.8
Other income	560	0.1	1,541	0.1	2,779	0.2	372	0.0	945	0.1
Fair value (loss) gain on derivative financial instruments	(5,429)	(1.0)	4,374	0.3	9,410	0.7	5,296	0.9	(2,303)	(0.3)
Selling and distribution expenses	(4,510)	(0.9)	(11,694)	(0.9)	(14,470)	(1.1)	(6,700)	(1.1)	(7,544)	(0.9)
Administrative and other expenses	(1,623)	(0.3)	(8,089)	(0.6)	(15,336)	(1.2)	(6,083)	(1.0)	(10,445)	(1.2)
Finance costs	—	—	(76)	(0.0)	(163)	(0.0)	(21)	(0.0)	(326)	(0.0)
Profit before tax	6,571	1.3	53,001	3.8	38,196	3.0	20,664	3.4	3,893	0.5
Income tax expense	(1,446)	(0.3)	(8,304)	(0.6)	(4,705)	(0.4)	(2,619)	(0.4)	(1,661)	(0.2)
Profit and total comprehensive income attributable to owners of our Company	5,125	1.0	44,697	3.2	33,491	2.6	18,045	3.0	2,232	0.3

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We derive our revenue mainly from the distribution of mobile phones in Hong Kong. Our total revenue amounted to approximately HK$513.6 million, HK$1,376.6 million, HK$1,274.8 million, HK$601.0 million and HK$846.7 million for the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014, respectively. Our revenue grew at a CAGR of approximately 57.5% between 2011 and 2013, and at approximately 40.9% year-on-year between the six months ended 30 June 2013 and 2014.

The following table sets forth, for the periods indicated, the breakdown of our revenue by sales channel:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	No. of distribution customers/ Partner Stores	Revenue *HK$'000*	No. of distribution customers/ Partner Stores	Revenue *HK$'000*	No. of distribution customers/ Partner Stores	Revenue *HK$'000*	No. of distribution customers/ Partner Stores	Revenue *HK$'000* (unaudited)	No. of distribution customers/ Partner Stores	Revenue *HK$'000*
Distribution										
Wholesale customers	177	342,720	234	974,009	254	908,648	218	424,983	253	734,877
Telecommunications services operators and chain retailers	8	170,880	9	402,566	10	336,884	10	172,316	10	91,058 *(Note 2)*
Sub-total	185	513,600	243	1,376,575 *(Note 1)*	264	1,245,532	228	597,299	263	825,935 *(Note 3)*
Retail										
Partner Stores	—	—	—	—	2	29,313	1	3,723	2	20,788 *(Note 4)*
Total	185	513,600	243	1,376,575	266	1,274,845	229	601,022	265	846,723

Notes:

(1) The significant increase of our revenue in our distribution business recorded for the year ended 31 December 2012 as compared to the year ended 31 December 2011 was partly attributable to the acquisition of Synergy in July 2011.

(2) The decrease in our revenue generated from this stream of distribution customers for the six months ended 30 June 2014 was mainly attributable to the decreased level of market demand for Blackberry mobile phones as a result of fewer new models of mobile phone products with distinguishable features being introduced to the market by Blackberry during the six months ended 30 June 2014 compared to the six months ended 30 June 2013 and decrease in sales volume from one of our customers of Renowned Korean Brand's products. Our Group's average monthly revenue derived from this stream of distribution customers continued to drop by approximately 52.9% for the four months ended 31 October 2014 as compared to the six months ended 30 June 2014 which was mainly attributable to continuing decrease in sales volume from one of our customers of Renowned Korean Brand's products as it ceased to source Renowned Korean Brand's products from us which was partially offset by the increase in sales amount of Blackberry mobile products resulting from the newly launched mobile phone products being available for sales.

(3) The increase in our revenue in our distribution business recorded for the six months ended 30 June 2014 as compared to the six months ended 30 June 2013 was primarily due to the increased bulk purchase from our certain distribution customers in 2014.

(4) The increase in our revenue in our retail business recorded for the six months ended 30 June 2014 as compared to the six months ended 30 June 2013 was mainly because there was only one Partner Store opened in the first half of 2013, while two Partner Stores were in operation for the same period in 2014.

Our revenue was primarily derived from distribution business, which accounted for approximately 100%, 100%, 97.7%, 99.4% and 97.5% of our revenue for each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014, respectively. Because of our continuous expansion of our sales network, our total number of wholesale customers increased, and the sales to these wholesale customers accounted for a significant portion of our revenue, representing approximately 66.7%, 70.8%, 73.0%, 71.2% and 89.0% of our total revenue from distribution business for each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014, respectively.

The following table sets forth, for the periods indicated, the breakdown of our revenue:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Mobile phones	455,751	88.7	1,232,678	89.5	1,127,614	88.5	535,021	89.0	749,652	88.5
Others	57,849	11.3	143,897	10.5	147,231	11.5	66,001	11.0	97,071	11.5
Total	513,600	100.0	1,376,575	100.0	1,274,845	100.0	601,022	100.0	846,723	100.0

Note: Others include (i) sales of tablets and service income from provision of customer support services for certain brands of products and (ii) sales of mobile phone accessories, TVs, home theatres, blu-ray players, digital still cameras, monitors and printers at our Partner Stores which were opened in 2013.

The following table set forth, for the periods indicated, our sales volume and average selling price of mobile phones:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Sales Volume	Average Selling price	Sales Volume	Average Selling price	Sales Volume	Average Selling price	Sales Volume	Average Selling price	Sales Volume	Average Selling price
	units	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*
Mobile phones	157,972	2,885	378,637	3,256	318,837	3,537	145,566	3,675	243,015	3,085

Cost of sales

Cost of sales mainly comprise the purchase cost of our products, which was the largest component of our expenses, and it has a direct and significant impact on our margins. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, our cost of sales represent 96.6%, 95.1%, 95.6%, 95.4% and 97.2% of our revenue, respectively.

During the three years ended 31 December 2013 and the six months ended 30 June 2014, the net amount of price protection compensation that we recognised was approximately HK$0.9 million, HK$3.9 million, HK$6.9 million and HK$4.7 million, respectively. The increase in the amount of price protection compensation during the Track Record Period was driven by the increase in the frequency and magnitude of the price reductions of the relevant mobile phone models which in turn was affected by the market acceptance of relevant mobile phone model at the material time.

During the three years ended 31 December 2013 and the six months ended 30 June 2014, the net amount of sales incentive that we recognised was approximately HK$14.9 million, HK$24.6 million, HK$75.1 million and HK$118.9 million, respectively. The increase in sales incentive amount for the year ended 31 December 2013 as compared to the corresponding period in 2012 and for the year ended 31 December 2012 as compared to the corresponding period in 2011 was mainly attributable to the increase in sales incentive programs offered by Renowned Korean Corporation as a result of (i) the accumulated mobile phone models available for sales since 2011; and (ii) its business strategy to expand its market share due to the fierce competition. The increase in sales incentive recognised for the six months ended 30 June 2014 was mainly attributable to the significant increase in demand from certain customers for back-to-back bulk sales of certain products which we were offered sales incentive from the Renowned Korean Corporation.

The following table sets forth, for the periods indicated, a breakdown of our cost of sales by nature:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Cost of inventories sold	511,763	103.2	1,338,185	102.2	1,300,853	106.7	595,387	103.9	946,777	115.0
Less:										
Sales incentive	(14,883)	(3.0)	(24,625)	(1.9)	(75,133)	(6.1)	(20,617)	(3.6)	(118,914)	(14.4)
Price protection compensation	(853)	(0.2)	(3,930)	(0.3)	(6,851)	(0.6)	(1,548)	(0.3)	(4,706)	(0.6)
Total	496,027	100.0	1,309,630	100.0	1,218,869	100.0	573,222	100.0	823,157	100.0

The following table set forth, for the period indicated, a breakdown of our cost of sales by sales channel:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales	Amount	Percentage of cost of sales
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Distribution	496,027	100.0	1,309,630	100.0	1,194,674	98.0	570,285	99.5	806,332	98.0
Retail	—	—	—	—	24,195	2.0	2,937	0.5	16,825	2.0
Total	496,027	100.0	1,309,630	100.0	1,218,869	100.0	573,222	100.0	823,157	100.0

Gross profit and gross profit margin

Our gross profit significantly increased by approximately HK$49.3 million or 280.1% from approximately HK$17.6 million for the year ended 31 December 2011 to approximately HK$66.9 million or the year ended 31 December 2012, and slightly decreased by approximately HK$10.9 million or 16.3% to approximately HK$56.0 million for the year ended 31 December 2013. Our gross profit slightly decreased by approximately HK$4.2 million from approximately HK$27.8 million for the six months ended 30 June 2013 to approximately HK$23.6 million for the same period in 2014. Our gross profit margin were approximately 3.4%, 4.9%, 4.4%, 4.6% and 2.8% for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively.

The following table sets forth a breakdown of gross profit and gross profit margin by sales channel for the periods indicated:

	For the year ended 31 December						For six months ended 30 June			
	2011		2012		2013		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Distribution	17,573	3.4	66,945	4.9	50,858	4.1	27,014	4.5	19,603	2.4
Retail	—	—	—	—	5,118	17.5	786	21.1	3,963	19.1
Total	17,573	3.4	66,945	4.9	55,976	4.4	27,800	4.6	23,566	2.8

Other income

Other income mainly represents exchange gain, advertising and promotion income and interest income. Exchange gain arose from a portion of our purchase that was denominated in US dollars. Advertising and promotion income mainly represents income received from our suppliers for advertising and promotion of their brand name products. Interest income mainly arose from bank deposits. Other income amounted to approximately HK$0.6 million, HK$1.5 million, HK$2.8 million, HK$0.4 million and HK$0.9 million for each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014, respectively.

Fair value (loss) gain of derivative financial instruments

The following table sets out a breakdown of fair value (loss) gain of derivative financial instruments during Trade Record Period.

	For the year ended 31 December			For six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Unrealised fair value (loss) gain on derivative financial instruments	(5,429)	—	9,410	5,296	(611)
Realized gain (loss) on derivative financial instruments	—	4,374	—	—	(1,692)
Total	(5,429)	4,374	9,410	5,296	(2,303)

We entered into foreign currency forward contracts to hedge Remaining Parentco Group's exposure to foreign currency risk during the Track Record Period. We recorded a loss of approximately HK$5.4 million, and gains of approximately HK$4.4 million, HK$9.4 million, HK$5.3 million and a loss of approximately HK$2.3 million for the three years ended 31 December 2013 and six months ended 30 June 2013 and 2014, respectively.

Selling and distribution expenses

Our selling and distribution expenses consist primarily of directors' remuneration, staff costs, advertising and promotion, logistic fee and others. Directors' remuneration represent directors' emoluments including salaries, contributions to retirement benefit scheme and performance related incentive payments. Staff costs represent salaries and commissions paid to our sales staff and contributions to their retirement benefit scheme. Advertising and promotional expenses include expenses incurred for advertising and marketing of our products. Logistic fee mainly represent service fee for delivery of goods to our customers. Others mainly represent expenses incurred for local and overseas travelling, entertainments and insurance.

The following table sets forth, for the periods indicated, a breakdown of our selling and distribution expenses by nature:

	For the year ended 31 December						For the six months ended 30 June			
	2011		**2012**		**2013**		**2013**		**2014**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Directors' remuneration	580	12.8	1,285	11.0	1,492	10.3	724	10.8	610	8.1
Staff costs	2,922	64.8	7,161	61.2	9,590	66.2	4,097	61.2	5,219	69.1
Advertising and promotion	508	11.3	711	6.1	602	4.2	383	5.7	676	9.0
Logistic fee	380	8.4	1,376	11.8	1,591	11.0	723	10.8	811	10.8
Others	120	2.7	1,161	9.9	1,195	8.3	773	11.5	228	3.0
Total	4,510	100.0	11,694	100.0	14,470	100.0	6,700	100.0	7,544	100.0

Our selling and distribution expenses amounted to approximately HK$4.5 million, HK$11.7 million, HK$14.5 million, HK$6.7 million and HK$7.5 million for the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2013 and 2014, respectively. As a percentage of total revenue, our selling expenses accounted for approximately 0.9%, 0.9%, 1.1%, 1.1% and 0.9% during the respective periods.

Administrative and other expenses

Administrative and other expenses primarily comprise staff costs, rental expenses, system service fee, legal and professional fee, insurance, depreciation, bank charges and others. Staff costs include salaries of our administrative employees as well as their employee benefits. Rental expenses were incurred for our office, warehouse and Partner Stores. System service fee represent ERP system monthly fee, cash collection service fee, EPS company service and handling fee and Partner Stores system monthly fee. Legal and professional fee mainly comprise general legal fees. Insurance mainly represent general insurance for office premises and warehouse. Bank charges were incurred for processing our revolving bank loans and handling credit card payments. Others represented miscellaneous expenses incurred for general administrative purpose such as consumables and office supplies, telephone charges and motor vehicle expenses.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December						For six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Staff costs	1,138	70.1	3,589	44.4	4,253	27.7	2,181	35.9	2,250	21.5
Rental expenses	94	5.8	1,074	13.3	5,431	35.4	1,176	19.3	3,864	37.0
System service fee	178	11.0	492	6.1	738	4.8	362	6.0	309	3.0
Legal and professional fee	64	4.0	17	0.2	257	1.7	148	2.4	1,509	14.4
Insurance	60	3.7	938	11.6	1,543	10.1	761	12.5	675	6.5
Depreciation	39	2.3	397	4.9	1,051	6.8	440	7.2	645	6.2
Bank charges	20	1.2	73	0.9	525	3.4	70	1.2	397	3.8
Others	30	1.9	1,509	18.6	1,538	10.1	945	15.5	796	7.6
Total	1,623	100.0	8,089	100.0	15,336	100.0	6,083	100.0	10,445	100.0

Our administrative and other expenses amounted to approximately HK$1.6 million, HK$8.1 million, HK$15.3 million, HK$6.1 million and HK$10.4 million for the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2013 and 2014, respectively. As a percentage of total revenue, our selling expenses accounted for approximately 0.3%, 0.6%, 1.2%, 1.0% and 1.2% during the respective periods.

Finance costs

Finance costs mainly comprise interest charges on our revolving bank borrowings and related company borrowings for general working capital purposes. The finance costs amounted to approximately nil, HK$76,000, HK$163,000, HK$21,000 and HK$326,000 for the three years ended 31 December 2013 and six months ended 30 June 2013 and 2014.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Cayman Island profits tax

Our Group has not been subject to any taxation in the Cayman Islands.

(ii) Hong Kong Profit Tax

Hong Kong profit tax has been provided at the rate of 16.5%, in the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 on the estimated assessable profit for the Track Record Period.

Our effective income tax rate, calculated as income tax expenses for the period divided by profit before income tax for same period was approximately 22.0%, 15.7%, 12.3%, 12.7% and 42.7% for the three years ended 31 December 2013 and six months ended 30 June 2013 and 2014, respectively.

As at the Latest Practicable Date and during the Track Record Period, we had fulfilled our tax obligations and did not have any unresolved tax disputes.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Six months ended 30 June 2014 compared to six months ended 30 June 2013

Revenue

Our revenue increased by approximately HK$245.7 million or 40.9% to approximately HK$846.7 million for the six months ended 30 June 2014 from approximately HK$601.0 million for the six months ended 30 June 2013 as a result of the increase of bulk purchase of mobile phones from certain distribution customers.

Revenue for our distribution business increased by approximately HK$228.6 million or 38.3% to approximately HK$825.9 million for the six months ended 30 June 2014 from approximately HK$597.3 million for the six months ended 30 June 2013. Such increase was primarily attributable to the increased number of customers as we expanded our customer base and the increase in sales volume driven by bulk purchase of mobile phone from certain distribution customers.

Revenue for our retail business increased by approximately HK$17.1 million or 462.2% to approximately HK$20.8 million for the six months ended 30 June 2014 from approximately HK$3.7 million for the six months ended 30 June 2013. Such increase primarily reflected the revenue from the two Partner Stores in operation in the first half of 2014 as compared to the revenue from only one Partner Store in operation for the same period in 2013.

Cost of sales

Cost of sales increased by approximately HK$250.0 million or 43.6% to approximately HK$823.2 million for the six months ended 30 June 2014 from approximately HK$573.2 million for the six months ended 30 June 2013. Such increase was mainly caused by the increase in cost of mobile phones sold in our distribution business due to the enlarged sales volume.

Cost of mobile phones sold for our distribution business increased by approximately HK$236.0 million or 41.4% to approximately HK$806.3 million for the six months ended 30 June 2014 from approximately HK$570.3 million for the six months ended 30 June 2013. Such increase primarily reflected the increase in our sales volume to satisfy our distribution customers' demand, especially for the increased bulk sales.

Cost of sales for our retail business increased by approximately HK$13.9 million or 479.3% to approximately HK$16.8 million for the six months ended 30 June 2014 from approximately HK$2.9 million for the six months ended 30 June 2013, which was in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately HK$4.2 million or 15.1% from approximately HK$27.8 million for the six months ended 30 June 2013 to approximately HK$23.6 million for the six months ended 30 June 2014, which was mainly caused by the special discounted price offered to certain of our distribution customers who purchased mobile phones in bulk. We had offered special discounted price to certain of our distribution customers for the sales of certain mobile phones in bulk during each of the three years ended 31 December 2013. We conducted more bulk sales during the six months ended 30 June 2014 as compared to the same period in 2013 to boost profit as fewer new mobile phone models were launched during such period. We generally take into account the volume of products ordered, the price offered by our competitors and our expected profit margin when offering special discount to our distribution customers. Our gross profit margin decreased from 4.6% for the six month ended 30 June 2013 to 2.8% for the six months ended 30 June 2014, which was mainly due to the decrease of gross profit margin of our distribution business.

Gross profit for our distribution business decreased by approximately HK$7.4 million or 27.4% to approximately HK$19.6 million for the six months ended 30 June 2014 from approximately HK$27.0 million for the six months ended 30 June 2013. Gross profit margin decreased to approximately 2.4% in the six months ended 30 June 2014 from approximately 4.5% in the six months ended 30 June 2013. Such decrease was primarily due to the fact that fewer new mobile phone models launched during the six months ended 30 June 2014 as compared to the same period in 2013 to boost the gross profit, as such, we conduct more bulk sales which was with lower gross profit margin.

Gross profit for our retail business increased by approximately HK$3.2 million or approximately 400.0% to approximately HK$4.0 million for the six months ended 30 June 2014 from approximately HK$0.8 million for the six months ended 30 June 2013 due to the opening of the second Partner Stores in the second half of 2013. Gross profit margin had been stable at approximately 19.1% in the six months ended 30 June 2014 as compared to approximately 21.1% in the six months ended 30 June 2013.

Other income

Other income increased by approximately HK$0.5 million or approximately 125.0% to approximately HK$0.9 million for the six months ended 30 June 2014 from approximately HK$0.4 million for the six months ended 30 June 2013. Such increase in other income was mainly due to the increase in advertising and promotion income as a result of more market development fund provided by the Renowned Korean Corporation in the first half of 2014 and promotion activities we conducted for new products launched by Sugar and distributed by us.

Fair value (loss) gain on derivative financial instruments

We recorded fair value gain on derivative financial instruments of approximately HK$5.3 million for the six months ended 30 June 2013 and fair value loss of derivative financial instruments of approximately HK$2.3 million for the six months ended 30 June 2014. The gain recorded for the six months ended 30 June 2013 was primarily due to the fair value gain on foreign currency contracts derived from the depreciation of Japanese Yen ("**JPY**") against USD while the loss recorded for the six months ended 30 June 2014 was primarily due to both the fair value loss on foreign currency contracts and the realized loss on foreign currency contracts derived from the appreciation of JPY against USD.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$0.8 million or approximately 11.9% to approximately HK$7.5 million for the six months ended 30 June 2014 from approximately HK$6.7 million for the six months ended 30 June 2013. Such increase was primarily due to (i) the increase in staff costs by approximately HK$1.1 million because more staff were recruited for the second Partner Store opened in the second half of 2013; and (ii) the increase in advertising and promotion expenses by approximately HK$0.3 million as more marketing activities were conducted to promote the products.

Administrative and other expenses

Administrative and other expenses increased by approximately HK$4.3 million or 70.5% to approximately HK$10.4 million for the six months ended 30 June 2014 from approximately HK$6.1 million for the six months ended 30 June 2013. Such increase was primarily due to (i) the increase in rental expenses by approximately HK$2.7 million because more shops were in operation in the first half of 2014 than those in the same period of 2013; (ii) the increase in our legal and professional fee of approximately HK$1.4 million, which was mainly attributable to the proportion of the listing expenses incurred during the six months ended 30 June 2014; and (iii) the increase in bank charges by approximately HK$0.3 million as more credit card payment handling fees incurred for retail business.

Finance costs

Finance costs increased by approximately HK$305,000 from approximately HK$21,000 for the six months ended 30 June 2013 to approximately HK$326,000 for the six months ended 30 June 2014. Such increase was mainly due to increased interest expenses on bank borrowing and related company borrowing for general working capital purposes for the six months ended 30 June 2014.

Income tax

Income tax decreased by approximately HK$0.9 million or 34.6% to HK$1.7 million for the six months ended 30 June 2014 from HK$2.6 million for the six months ended 30 June 2013 as a result of the decrease in our taxable income. Our effective income tax rate significantly increased from approximately 12.7% for the six months ended 30 June 2013 to approximately 42.7% for the six months ended 30 June 2014. Such increase was mainly because (i) the fair value gain from derivative financial instruments of approximately HK$5.3 million in the first half of 2013 was not taxable and the fair value loss from derivative financial instruments of approximately HK$2.3 million in the same period of 2014 was not deductible for tax purposes and (ii) an underprovision of prior year's tax expense were recognized in the first half of 2014.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately HK$15.8 million to HK$2.2 million for the six months ended 30 June 2014 from approximately HK$18.0 million for the six months ended 30 June 2013. Our net profit margin decreased from approximately 3.0% for the six months ended 30 June 2013 to approximately 0.3% for the six months ended 30 June 2014, which was mainly due to (i) the decrease in our gross profit margin, (ii) the change from fair value gain to loss of derivative financial instruments, (iii) the increase in rental expenses, and (iv) the proportion of the listing expenses incurred in the first half of 2014.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue decreased by approximately HK$101.8 million or 7.4% to approximately HK$1,274.8 million for the year ended 31 December 2013 from approximately HK$1,376.6 million for the year ended 31 December 2012 as a result of our distribution business performance.

Revenue for our distribution business decreased by approximately HK$131.1 million or 9.5% to approximately HK$1,245.5 million for the year ended 31 December 2013 from approximately HK$1,376.6 million for the year ended 31 December 2012. Such decrease was primarily attributable to the decrease in sales volume of the Renowned Korean Corporation mobile phone models in 2013 as compared to 2012 which was due to the decrease in sales volume of certain low-end models of mobile phones of such brand as we aimed to focus on distribution of high-end products which resulted in the increased average selling price and the percentage decrease in sales volume of such brand offset the percentage increase in average selling price of such brand.

Revenue for our retail business increased by approximately HK$29.3 million to approximately HK$29.3 million for the year ended 31 December 2013 from nil for the year ended 31 December 2012 because we did not have Partner Stores in 2012.

Cost of sales

Cost of sales decreased by approximately HK$90.7 million or 6.9% to approximately HK$1,218.9 million for the year ended 31 December 2013 from approximately HK$1,309.6 million for the year ended 31 December 2012. Such decrease was mainly due to the decrease in cost of mobile phones sold in our distribution business.

Cost of sales for our distribution business decreased by approximately HK$114.9 million or 8.8% to approximately HK$1,194.7 million for the year ended 31 December 2013 from approximately HK$1,309.6 million for the year ended 31 December 2012. Such decrease was generally in line with the decrease revenue from distribution business.

Cost of sales for our retail business increased by approximately HK$24.2 million to approximately HK$24.2 million for the year ended 31 December 2013 from nil for the year ended 31 December 2012 as we did not have Partner Stores in 2012.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately HK$10.9 million or 16.3% from approximately HK$66.9 million for the year ended 31 December 2012 to approximately HK$56.0 million for the year ended 31 December 2013. Our gross profit margin decreased from 4.9% for the year ended 31 December 2012 to 4.4% for the year ended 31 December 2013, which was mainly due to decrease in gross profit margin in our distribution business.

Gross profit for our distribution business decreased by approximately HK$16.0 million or 23.9% to approximately HK$50.9 million for the year ended 31 December 2013 from approximately HK$66.9 million for the year ended 31 December 2012. Gross profit margin decreased to 4.1% in the year ended 31 December 2013 from 4.9% in the year ended 31 December 2012. Such decrease was primarily due to the lower gross profit margin contributed by Blackberry models as a result of weak customers demands.

Gross profit and gross profit margin in the retail business for the year ended 31 December 2013 was approximately HK$5.1 million and 17.5%, respectively. No gross profit and gross profit margin was calculated for the year ended 31 December 2012 as we did not have Partner Stores in 2012.

Other income

Other income increased by approximately HK$1.3 million or 86.7% to approximately HK$2.8 million for the year ended 31 December 2013 from approximately HK$1.5 million for the year ended 31 December 2012. The increase in other income was mainly due to increase in advertising and promotion income by approximately HK$1.3 million mainly from the Renowned Korean Corporation as more marketing developments activities were conducted by us.

Fair value gain on derivative financial instruments

Fair value gain on derivative financial increased by approximately HK$5.0 million to approximately HK$9.4 million for the year ended 31 December 2013 from approximately HK$4.4 million for the year ended 31 December 2012. The gain for the year ended 31 December 2013 arose from the fair value gains on foreign currency contracts mainly due to the appreciation of USD against JPY, while the gain for the year ended 31 December 2012 arose from the realized gains on foreign currency contracts mainly due to the appreciation of Singapore dollar ("S$") against USD.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$2.8 million or 23.9% to HK$14.5 million for the year ended 31 December 2013 from HK$11.7 million for the year ended 31 December 2012. Such increase was primarily due to the increase in staff costs of approximately HK$2.4 million attributable from both the increase in salary level and the number of sales and distribution staff for our Partner Stores opened in 2013.

Administrative and other expenses

Administrative and other expenses increased by approximately HK$7.2 million or 88.9% to approximately HK$15.3 million for the year ended 31 December 2013 from approximately HK$8.1 million for the year ended 31 December 2012. Such increase was primarily due to (i) the increase in rental expenses of approximately HK$4.4 million as a result of the opening of one re-distribution centre and two Partner Stores in 2013; (ii) an increase in depreciation by approximately HK$0.7 million because of the addition to our office renovations incurred for re-distribution centre and Partner Stores; (iii) the increase in staff costs by approximately HK$0.7 million; (iv) the increase in bank charges by approximately HK$0.5 million mainly attributable to the credit card handling fee incurred for retail business; and (v) the increase in insurance for our storefronts by approximately HK$0.5 million.

Finance costs

Finance costs increased by approximately HK$87,000 from approximately HK$76,000 for the year ended 31 December 2012 to approximately HK$163,000 for the year ended 31 December 2013. Such increase was mainly due to increase in interest expenses on bank borrowing and related company borrowing for the year 2013 for general working capital purposes.

Income tax

Income tax decreased by approximately HK$3.6 million or 43.4% to HK$4.7 million for the year ended 31 December 2013 from HK$8.3 million for the year ended 31 December 2012. Such decrease was mainly due to our decreased taxable incomes. Our effective income tax rate decreased from approximately 15.7% for the year ended 31 December 2012 to approximately 12.3% for the year ended 31 December 2013 which was mainly due to the increased fair value gains from derivative contract which were not taxable under the Hong Kong tax law.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately HK$11.2 million or 25.1% to HK$33.5 million for the year ended 31 December 2013 from approximately HK$44.7 million for the year ended 31 December 2012 which was mainly due to the decrease in gross profit and the increase in administrative and other expenses incurred mainly for setting up Partner Stores in 2013. Our net profit margin decreased from approximately 3.2% for the year ended 31 December 2012 to approximately 2.6% for the year ended 31 December 2013 which was mainly due to the decrease in gross profit margin and the increase in operational expenses for Partner Stores.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

Our revenue increased by approximately HK$863.0 million or 168.0% to approximately HK$1,376.6 million for the year ended 31 December 2012 from approximately HK$513.6 million for the year ended 31 December 2011. Such increase was mainly because less than half year's revenue contribution was recorded in 2011 from our major subsidiary Synergy as it became a member of our Group since July 2011.

Cost of sales

Cost of sales increased by approximately HK$813.6 million or 164.0% to approximately HK$1,309.6 million for the year ended 31 December 2012 from approximately HK$496.0 million for the year ended 31 December 2011, which was generally in line with the increase in our revenue by approximately 168.0% during the year.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by approximately HK$49.3 million or 280.1% from approximately HK$17.6 million for the year ended 31 December 2011 to approximately HK$66.9 million for the year ended 31 December 2012 because of the increase in our revenue. Gross profit margin increased to 4.9% in the year ended 31 December 2012 from 3.4% in the year ended 31 December 2011. The relatively lower gross profit margin in 2011 was attributable to our efforts to build a long-term relationship with our suppliers and customers in our business development stage.

Other income

Other income increased by approximately HK$0.9 million or 150.0% to approximately HK$1.5 million for the year ended 31 December 2012 from approximately HK$0.6 million for the year ended 31 December 2011. The increase in other income was mainly due to an increase of HK$0.4 million in exchange gain caused by the depreciation of USD against HKD and an increase of HK$0.4 million in advertising and promotion income as more marketing activities were conduct to promote products under our supplier's brand name.

Fair value (loss) gain on derivative financial instruments

We recorded fair value loss on derivative financial instruments of approximately HK$5.4 million for the year ended 31 December 2011 and fair value gain of derivative financial instruments of approximately HK$4.4 million for the year ended 31 December 2012. The loss in 2011 was primarily due to fair value loss on foreign currency contracts derived from the depreciation of S$ against USD while the gain in 2012 was primarily due to realized gains on foreign currency contracts derived from the appreciation of S$ against USD.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$7.2 million or 160% to HK$11.7 million for the year ended 31 December 2012 from HK$4.5 million for the year ended 31 December 2011. Such increase was primarily due to (i) the increase in staff costs by approximately HK$4.2 million attributable from both the increase in commission paid to sales staff and the increased number of sales and distribution staff; (ii) the increase in logistic fee by approximately HK$1.0 million as increased amount of products delivered to our customers; and (iii) the increase in directors' remuneration by approximately HK$0.7 million as less than half year's directors' remuneration from Synergy were included in 2011.

Administrative and other expenses

Administrative and other expenses increased by approximately HK$6.4 million to approximately HK$8.1 million for the year ended 31 December 2012 from approximately HK$1.6 million for the year ended 31 December 2011. Such increase was mainly due to (i) the increase in staff costs by approximately HK$2.5 million as we recruited more staff for our business expansion and (ii) the increase in rental expenses by approximately HK$1.0 million as a result of relocating our office premises in 2012.

Finance costs

Finance costs increased from nil for the year ended 31 December 2011 to approximately HK$76,000 for the year ended 31 December 2012. Such increase was mainly due to interest expenses on bank borrowing for the year 2012 for general working capital purposes.

Income tax

Income tax increased by approximately HK$6.9 million to HK$8.3 million for the year ended 31 December 2012 from HK$1.4 million for the year ended 31 December 2011. Such increase was mainly due to the increase in our taxable incomes. Our effective income tax rate decreased from approximately 22.0% for the year ended 31 December 2011 to approximately 15.7% for the year ended 31 December 2012. The relatively higher effective tax rate in 2011 was caused by the undeductable fair value loss from derivative financial instruments which reduced a large portion of our profit before tax in 2011.

Profit for the year

As a result of the foregoing, profit for the year increased by approximately HK$39.6 million to HK$44.7 million for the year ended 31 December 2012 from approximately HK$5.1 million for the year ended 31 December 2011, which was mainly due to the significant increase in revenue. Our net profit margin increased from 1.0% for the year ended 31 December 2011 to 3.2% for the year ended 31 December 2012 which was mainly due to increase in gross profit margin as discussed above and the change from fair value loss to gain for derivative financial instruments we held.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash were for the payment of purchases from suppliers, staff costs, and various operating expenses and have been funded through a combination of cash generated from our operations, advances from related companies and revolving bank borrowings.

As of Latest Practicable Date, our material sources of liquidity are bank balances and cash of approximately HK$39.7 million and unutilised bank borrowing limits of approximately HK$225 million.

General economic conditions may affect our ability to secure credit facilities to settle our payment obligations. In the event of any cancellation of purchase orders and/or default on payment obligations by our customers, our cash flow, business operation and profitability would be adversely affected.

The following table summarises, for the periods indicated, our combined statements of cash flows:

	For the year ended 31 December			For six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash (used in) from operating activities	(23,996)	27,438	52	(16,688)	(628)
Net cash from (used in) investing activities	3,367	(3,281)	(1,030)	(625)	(241)
Net cash from (used in) financing activities	41,811	(27,513)	13,012	22,007	(1,583)
Net increase (decrease) in cash and cash equivalents	21,182	(3,356)	12,034	4,694	(2,452)
Cash and cash equivalents at the beginning of the year/period	441	21,623	18,267	18,267	30,301
Cash and cash equivalents at the end of the year/period	21,623	18,267	30,301	22,961	27,849

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds from sales of products. Our cash outflow used in operating activities was principally for purchases of products, payments of staff costs, rental and other operating expenses.

For the six months ended 30 June 2014, net cash used in operating activities was approximately HK$0.6 million, consisting of income tax paid of HK$6.4 million and interest paid of approximately HK$0.3 million and were partially offset by cash generate from operations of approximately HK$6.1 million. Our operating cash flow before working capital adjustments was approximately HK$6.3 million. Negative working capital adjustments reflected (i) a decrease in trade payables, other payables and accruals of approximately HK$16.4 million due to our reduction in purchase as a result of our prudent stock up approach to prepare for the anticipated weak demand in July 2014 and (ii) an increase in trade and other receivable, deposits and prepayments of approximately HK$3.2 million due to the increase in other receivables due to the increase in sales incentives and price protection compensation provided by our suppliers resulting from fewer models launched during the six months ended 30 June 2014 as compared to the same period in 2013, in particular, the Renowned Korean Corporation, for maintaining the competitiveness of their products. Such negative adjustments were partially offset by a decrease in inventories of approximately HK$19.4 million for the same reason described above.

For the six months ended 30 June 2013, net cash used in operating activities was approximately HK$16.7 million, consisting of cash used in operations of approximately HK$16.7 million and interest paid of approximately HK$21,000. Our operating cash flow before working capital adjustments was HK$16.1 million. Negative working capital adjustments reflected (i) an increase in inventories of approximately HK$52.8 million as a result of stocking up a new model introduced in April 2013 and (ii) an increase in trade and other receivables, deposits and prepayments of approximately HK$10.4 million due to the increase in other receivables for sales incentives and price protection compensation provided by our suppliers. Such negative adjustments were partially offset by an increase in trade payables, other payables and accruals of approximately HK$30.4 million as a result of the increased in purchase in June 2013 to stock up the inventories for the new introduced model.

For the year ended 31 December 2013, net cash from operating activities was approximately HK$52,000, consisting of mainly cash generated from operations of approximately HK$6.6 million net of income tax paid of approximately HK$6.4 million and interest paid of approximately HK$163,000. Our operating cash flow before working capital adjustments was approximately HK$31.7 million. Negative working capital adjustments reflected (i) an increase in inventories of approximately HK$38.1 million because we usually purchase more inventories at the end of each year to prepare for the new year and Chinese lunar new year sale season; and (ii) an increase in trade and other receivables, deposits and prepayments of approximately HK$30.0 million due to the increase in other receivables for sales incentives and price protection compensation as more supports were negotiated from our suppliers. Such negative adjustments were partially offset by an increase in trade payables, other payables and accruals of approximately HK$43.0 million primarily due to our increased inventories purchased as detailed above.

For the year ended 31 December 2012, net cash from operating activities was approximately HK$27.4 million, consisting of cash generated from operations of approximately HK$30.5 million net of income tax paid of approximately HK$3.0 million and interest paid of approximately HK$76,000. Our operating cash flow before working capital adjustments was approximately HK$48.6 million. Negative working capital adjustments reflected (i) an increase in inventories of approximately HK$20.9 million to support our growing business; and (ii) a decrease in trade payables, other payables and accruals of approximately HK$5.6 million due to as a result of prompt settlement with our suppliers. Such negative adjustments were partially offset by a decrease in trade and other receivables, deposits and prepayments of approximately HK$8.4 million due to our increased effort to collect overdue receivables.

For the year ended 31 December 2011, net cash used in operating activities was approximately HK$24.0 million, consisting of cash used in operations of approximately HK$24.0 million and income tax paid of approximately HK$12,000. Our operating cash flow before working capital adjustments was approximately HK$11.0 million. Negative working capital adjustments reflected (i) an increase in trade and other receivables, deposits and prepayments of approximately HK$23.9 million as a result of our business expansion, in particular, the acquisition of Synergy during 2011; and (ii) a decrease in trade payables, other payables and accruals of approximately HK$40.4 million which is in line with our decrease in inventories as a result of prudent stock up approach. Such negative adjustments were partially offset by a decrease in inventories of approximately HK$29.2 million as a result of improvement in inventory management for risk control purposes.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally interest received, net settlement on maturity of derivate financial instruments and acquisition of subsidiaries. Our cash outflow used in investing activities was principally for purchases of property, plant and equipment, advances to related companies and net settlement on maturity of derivate financial instruments.

For the six months ended 30 June 2014, our Group had net cash used in investing activities of approximately HK$0.2 million, which was primarily attributable to the following: (i) advances to related companies of approximately HK$7.7 million arisen from the settlement of derivative financial instruments used for hedging Remaining Parentco Group foreign exchange risk; and (ii) the cash expenditure for purchase of property, plant and equipment of approximately HK$0.2 million, partially offset by net settlement on maturity of derivate financial instruments of approximately HK$7.7 million.

For the six months ended 30 June 2013, our Group had net cash used in investing activities of approximately HK$0.6 million, which was primarily attributable to the cash expenditure for purchase of property, plant and equipment of approximately HK$0.6 million in connected with the purchase of office equipment and office renovations.

For the year ended 31 December 2013, our Group had net cash used in investing activities of approximately HK$1.0 million, which was primarily attributable to the cash expenditure for purchase of property, plant and equipment of approximately HK$1.0 million in connection with the purchase of office equipment and office renovations.

For the year ended 31 December 2012, our Group had net cash used in investing activities of approximately HK$3.3 million, which was primarily attributable to (i) the net settlement on maturity of derivate financial instruments of approximately HK$1.0 million to hedge the foreign exchange risk of Remaining Parentco Group; and (ii) the cash expenditure for purchase of property, plant and equipment of approximately HK$2.3 million in connection with the office renovations.

For the year ended 31 December 2011, our Group had net cash from investing activities of approximately HK$3.4 million primarily attributable to the cash inflow contributed by Synergy of approximately HK$3.4 million as a result of the acquisition.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from advances from related companies and new bank loans raised. Our cash outflow used in financing activities was principally for repayment of advance from related companies and repayment of bank loans.

For the six months ended 30 June 2014, our Group had net cash used in financing activities of approximately HK$1.6 million, which was primarily attributable to (i) repayment to related companies of approximately HK$83.5 million and (ii) repayment of bank loan of approximately HK$70.0 million, partially offset by (i) new interest-bearing bank loan raised of approximately HK$91.0 million for trade financing and (ii) advance from related companies of approximately HK$60.9 million for general working capital purposes.

For the six months ended 30 June 2013, our Group had net cash from financing activities of approximately HK$22.0 million primarily attributable to (i) advance from related companies of approximately HK$76.0 million for general working capital purposes; and (ii) new interest-bearing bank loan raised of approximately HK$15.3 million for trade financing, partially offset by repayment of (i) advances from related companies of approximately HK$54.0 million and (ii) repayment of bank loan of approximately HK$15.3 million.

For the year ended 31 December 2013, our Group had net cash from financing activities of approximately HK$13.0 million, which was primarily attributable to (i) advances from related companies of HK$112.6 million for general working capital purposes and (ii) the new interest-bearing bank loan raised of approximately HK$103.8 million for trade financing, partially offset by (i) the repayment to related companies of approximately HK$137.1 million; and (ii) repayment of bank loans of approximately HK$66.3 million.

For the year ended 31 December 2012, our Group had net cash used in financing activities of approximately HK$27.5 million primarily attributable to (i) repayment of bank loans of approximately HK$60.0 million; and (ii) the repayment to related companies of approximately HK$162.7 million, partially offset by (i) new bank loan raised of approximately HK$60.0 million for trade financing and; (ii) advances from related companies of approximately HK$135.1 million for general working capital purposes.

For the year ended 31 December 2011, our Group had net cash from financing activities of approximately HK$41.8 million primarily attributable to the advances from related companies of approximately HK$59.7 million for general working capital purposes, partially offset by the repayment to related companies of approximately HK$17.9 million.

NET CURRENT ASSETS

Our current asset primarily consisted of inventories, trade and other receivables, deposits and prepayments, amount due from a related company, derivative financial instruments, tax recoverable, cash and cash equivalents. Our current liabilities primarily consisted of trade and other payables and accruals, amount due to related companies, derivative financial instruments, current potion of borrowing and tax liabilities. We manage our working capital by closely monitoring the level of our inventories, trade and other receivables, cash and cash equivalents, interest-bearing borrowings and trade and other payables.

We recorded net current assets of approximately HK$7.7 million, HK$50.6 million, HK$84.0 million, HK$86.7 million and HK$94.7 million as at 31 December 2011, 2012, 2013, 30 June 2014, and 31 October 2014, respectively. The table below sets out selected information for our current assets and current liabilities as at 31 December 2011, 2012, 2013, 30 June 2014, and 31 October 2014, respectively:

	As at 31 December			As at 30 June	As at 31 October
	2011	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current Assets					
Inventories	44,025	65,352	101,726	83,229	75,870
Trade and other receivables, deposits and prepayments	57,405	49,009	79,035	82,207	46,690
Amount due from a related company	—	—	—	7,691	7,690
Derivative financial instruments	—	—	9,382	—	—
Tax recoverable	5	—	—	974	1,829
Cash and cash equivalents	21,623	18,267	30,301	27,849	73,483
Total current assets	123,058	132,628	220,444	201,950	205,562
Current Liabilities					
Trade payables, other payables and accruals	33,816	28,172	71,173	54,786	110,891
Amounts due to related companies	74,584	47,071	22,583	—	—
Derivative financial instruments	5,429	—	—	611	—
Tax liabilities	1,486	6,833	5,151	1,379	—
Borrowings	—	—	37,500	58,500	—
Total current liabilities	115,315	82,076	136,407	115,276	110,891
Net Current Assets	7,743	50,552	84,037	86,674	94,671

Our Group's net current assets increased from approximately HK$86.7 million as at 30 June 2014 to approximately HK$94.7 million as at 31 October 2014. The increase was primarily due to the net effect of (i) a decrease in borrowings of approximately HK$58.5 million because of the repayment of revolving bank loans; (ii) an increase in cash and cash equivalents of approximately HK$45.6 million due to the settlement received from other receivables; (iii) a decrease in trade and other receivables, deposits and prepayments of approximately HK$35.5 million attributable to the decrease in other receivables as our suppliers settled the price protection compensation and sales incentive to us; (iv) an increase in trade payables, other payables and accruals of approximately HK$56.1 million as a result of the increased trade payables within credit period granted by our suppliers; and (v) a decrease in inventories of approximately HK$7.4 million.

Our Group's net current assets increased from approximately HK$84.0 million as at 31 December 2013 to approximately HK$86.7 million as at 30 June 2014. The increase was primarily due to the net effect of (i) a decrease in trade payables, other payables and accruals of approximately HK$16.4 million because of the reduction in purchase at period end which is in line with our decreased inventory level;

(ii) a decrease in amount due to related parties of approximately HK$22.6 million as we repaid the advances from related company; (iii) an increase in borrowing of approximately HK$21.0 million to support our growing business; (iv) a decrease in inventories of approximately HK$18.5 million in expectation of weak demand in July 2014; and (v) a decrease in derivative financial instruments of approximately HK$10.0 million.

Our Group's net current assets increased from approximately HK$50.6 million as at 31 December 2012 to approximately HK$84.0 million as at 31 December 2013. The increase was primarily due to the net effect of (i) an increase in inventories of approximately HK$36.4 million as we stocked up for the new year and Chinese lunar new year sale; (ii) an increase in trade and other receivables, deposits and prepayments of approximately HK$30.0 million as more sales incentives and price protection compensation were claimed from our suppliers as support; (iii) a decrease in amount due to related parties of approximately HK$24.5 million as we repaid the advances from related companies; (iv) a increase in trade and other payables of approximately HK$43.0 million which was in line with our increased purchase at the year end; (v) an increase in borrowing of approximately HK$37.5 million to support our growing business; and (vi) an increase in derivative financial instruments of approximately HK$9.4 million.

Our Group's net current assets increased from approximately HK$7.7 million as at 31 December 2011 to approximately HK$50.6 million as at 31 December 2012. The increase was primarily due to the net effect of (i) an increase in inventories of approximately HK$21.3 million to facilitate our business expansion; and (ii) a decrease in amount due to related companies of approximately HK$27.5 million as we repaid the advances from related companies.

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories mainly comprise merchandise we purchase from our suppliers. Our inventories as at 31 December 2011, 2012, 2013 and 30 June 2014 amounted to approximately HK$44.0 million, HK$65.4 million, HK$101.7 million and HK$83.2 million, respectively.

The following table sets forth the components of our inventories as of the dates indicated.

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mobile phone	36,729	58,654	82,822	70,145
Others	7,296	6,698	18,904	13,084
Total	44,025	65,352	101,726	83,229

Note: Others include tablets, mobile phone accessories, TVs, home theatres, blu-ray players, digital still cameras, monitors and printers.

Our management regularly monitors the inventory levels in our stores and warehouses through our ERP and POS systems, tracks inventory movement and sales progress and adjusts levels of inventory accordingly.

Our balance of inventories decreased by approximately HK$18.5 million to approximately HK$83.2 million as at 30 June 2014 mainly attributable to the decrease in both mobile phones and others as we managed our level of inventories on a prudent stock up approach. As at 31 December 2011, 2012 and 2013, our Group recorded inventories of approximately HK$44.0 million, HK$65.4 million and HK$101.7 million respectively. The increase in inventories balance during the three years was mainly attributable to catering customers' demand for new year and Chinese Lunar new year and business expansion of our Group.

The following table sets forth the turnover days of our inventories for the periods indicated.

	For the year ended 31 December			For the six months ended at 30 June
	2011	**2012**	**2013**	**2014**
Inventory turnover days[1]	39.6	15.2	25.0	20.5

Note:

(1) Turnover days of inventories from 2011 to 2013 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 365 days. Turnover days of inventories for the first half of 2014 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 182.5 days.

Our average inventory turnover days decreased from 39.6 days in 2011 to 15.2 days in 2012 as we strengthen our inventory management, and then increased to 25.0 days in 2013, primarily due to the stock-up at the year end of 2013 to cater customers' demand. The inventory turnover days slightly decreased to 20.5 days as we decreased the inventory level at June 2014 in expect of the coming off season sale.

As at Latest Practicable Date, approximately HK$81.6 million or 98.0% of our inventories as at 30 June 2014 had been sold.

Trade and other receivables, deposits and prepayments

The following table sets forth the components of our trade and other receivables, deposits and prepayments as of the dates indicated.

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	51,789	40,134	45,322	11,545
Less: allowance for doubtful debts	—	(1)	—	—
	51,789	40,133	45,322	11,545
Other Receivables	3,546	7,470	31,221	67,630
Refundable deposits	78	489	1,988	2,182
Prepayments	1,992	917	504	850
	57,405	49,009	79,035	82,207

(i) Trade Receivables

Our trade receivables primarily consist of trade receivables from customers. Our trade receivables decreased from approximately HK$51.8 million as at 31 December 2011 to approximately HK$40.1 million as at 31 December 2012, such decrease was due to our policy to strengthen the credit control, and then slightly increased to approximately HK$45.3 million as at 31 December 2013 as a result of our business expansion. Our trade receivables decreased by approximately HK$33.8 million to HK$11.5 million as at 30 June 2014, which was primarily because (i) the sale revenue from December 2013 were higher than that from June 2014 as December is usually our sale season; and (ii) we generally did not grant any credit period for bulk sales in June 2014.

Our Group's trading terms with our customers are mainly on credit paid by bank transfer or cheque. We generally grant a credit period by reference to various factors such as the credibility of the customers in our past dealings. The credit period is generally for a period of 7 to 60 days for major customers. Each customer has a maximum credit limit. Our Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

For new customers, we generally require payment upon delivery and do not provide any credit period. For existing customers, we, upon internal approval, generally grant credit periods of up to 60 days. We grant credit period after taking into account of a number of factors, including among others, the credit history and historical sales performance of our customers.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Allowance would apply to the receivables when where are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets. As at 31 December 2011, 2012, 2013 and 30 June 2014, respectively, allowance for doubtful debts were approximately nil, HK$1,000, nil and nil, respectively.

The following table sets forth the aging analysis of our net trade receivables, as at the dates indicated.

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1–30 days	37,318	29,268	31,799	8,818
31–60 days	7,444	8,758	13,503	2,589
61–90 days	27	1,990	3	18
91–120 days	6,861	117	9	92
121 days and above	139	—	8	28
	51,789	40,133	45,322	11,545

As of 31 December 2011, 2012, 2013 and 30 June 2014, trade receivables due from customers of approximately HK$12.9 million, HK$16.6 million, HK$16.2 million and HK$2.1 million, respectively, were past due but not impaired. These related to customers for whom there is no significant financial difficulty and based on our experience, We were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable.

As at Latest Practicable Date, approximately HK$11.5 million or 99.9% of our trade receivables outstanding as at 30 June 2014 were settled.

The table below sets forth a summary of average turnover days of trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
Average turnover days of trade receivables [(1)]	25.3	12.2	12.2	6.1

Note:

(1) Turnover days of trade receivables from 2011 to 2013 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days. Turnover days of trade receivables for the first half of 2014 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 182.5 days.

Our turnover days of trade receivables decreased from 25.3 days in 2011 to 12.2 days in 2012 mainly due to our increased effort to collect overdue receivables and increased sales as our business expansion. Our turnover days of trade receivables remained stable from 12.2 days in 2012 to 12.2 days in 2013. Our turnover days of trade receivables in the first half 2014 is 6.1 days mainly due to our increased bulk sales with payment term of cash on delivery.

(ii) Other receivables, refundable deposits and prepayments

Our other receivables mainly represent sales incentive and price protection compensation. The balance increased from approximately HK$3.5 million as at 31 December 2011 to approximately HK$7.5 million as at 31 December 2012, further increased to approximately HK$31.2 million as at 31 December 2013 and further increased to approximately HK$67.6 million as at 30 June 2014. The gradual increase of other receivables balance was mainly attributable to the combined effect of (i) increase in sales volume which were under the sales incentive offered by suppliers; and (ii) increase in products variety resulting in more price protection compensation claims.

Our refundable deposits mainly represent utilities and rental deposits. The balance increased from approximately HK$78,000 as at 31 December 2011 to approximately HK$489,000 as at 31 December 2012 that was mainly attributable to our office relocation in 2012. The balance further increased to approximately HK$2.0 million as at 31 December 2013 that was mainly attributable to the opening of the two Partner Stores and one re-distribution centre. The balances increased from approximately HK$2.0 million as at 31 December 2013 to approximately HK$2.2 million as at 30 June 2014 that was mainly attributable to the renewal of our tenancy agreement for a re-distribution centre in 2014.

Our prepayments mainly comprise deposits to our suppliers and insurance premium prepayments. Our prepaid expenses decreased from approximately HK$2.0 million as at 31 December 2011 to approximately HK$0.9 million as at 31 December 2012 that was mainly due to the reduction in deposits required by our suppliers as we gradually built relationship with them. Our prepaid expenses further decreased to approximately HK$0.5 million as at 31 December 2013 that was mainly attributable to the further reduction in deposits required by our suppliers. Our prepayments to suppliers increased to approximately HK$0.9 million as at 30 June 2014 that was mainly attributable to the increased insurance premium for our Partner Stores.

Derivative financial instruments

Derivative financial instruments as at 31 December 2011, 2012, 2013 and 30 June 2014 were recorded as a current liability of approximately HK$5.4 million, nil, a current asset of approximately HK$9.4 million and a current liability of approximately HK$0.6 million, respectively. Derivative financial instruments represent currency forward contracts used to hedge the currency exposure in Remaining Parentco Group's regular course of business. The balance as at 31 December 2011 represented the fair value of foreign currency forward contracts we held with total principal amount of US$15 million to buy S$ at rate ranging from S$1.2207 to S$1.2625 to US$1. No such contracts were hold as at 31 December 2012. The balance as at 31 December 2013 represented the fair value of two foreign currency forward contracts we held with total principal amount of US$10.0 million to sell JPY at rate ranging from JPY91.330 to JPY93.750 to US$1, respectively. The balance as at 30 June 2014 was attributable to the fair value of foreign currency forward contracts we held with total principal amount of US$10.0 million to sell JPY at rate ranging from JPY101.72 to JPY102.35 to US$1. As at Latest Practicable Date, these Derivatives Financial Instruments have been settled and we do not have plans to enter into any foreign currency forward contract. Our internal control protocol requires us to obtain prior approval from a Director before entering into any hedging transactions. During the Track Record Period, Mr. Lim Kiah Meng, our managing director and our accounts department were primarily responsible for formulating our hedging strategies and overseeing our hedging activities.

These foreign currency forward contracts have a duration of one year. For major terms of the foreign currency forward contracts entered into by our Group during the Track Record Period, please refer to the section headed "Accountants' Report — Note 15. Derivative Financial Instruments" in Appendix I to this prospectus.

Trade payables, other payables and accruals

Trade payables, other payables and accruals as at 31 December 2011, 2012, 2013 and 30 June 2014 was approximately HK$33.8 million, HK$28.2 million, HK$71.2 million and HK$54.8 million, respectively, of which a breakdown is set out below:

	As at 31 December			**As at 30 June**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	31,460	20,773	60,335	41,218
Advance received from customer	59	243	1,292	1,840
Accrued staff costs	1,395	1,888	2,678	2,418
Accruals	761	5,127	6,606	9,154
Other payables	141	141	262	156
Total	33,816	28,172	71,173	54,786

(i) Trade payables

Our trade payables are derived primarily from payables relating to the purchase of merchandise from our suppliers.

Our trade payables decreased from approximately HK$31.5 million as at 31 December 2011 to approximately HK$20.8 million as at 31 December 2012 due to the timely settlement with our suppliers, and then increased to approximately HK$60.3 million as at 31 December 2013. Such increase was mainly due to increase in purchase of mobile products for the month ended 31 December 2013, which was generally consistent with the increase in inventories. Our trade payables decreased to HK$41.2 million as at 30 June 2014, which was primarily due to the reduced purchase amount to manage the inventory level for anticipated weak demand in July 2014.

Our suppliers generally offer us trade credit periods from 15 to 45 days. The table below sets forth, as of the end of reporting periods indicated, the aging analysis of our trade payables:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	24,644	15,750	56,851	38,217
31–90 days	6,434	4,785	3,246	2,763
91–120 days	7	107	—	—
Over 120 days	375	131	238	238
	31,460	20,773	60,335	41,218

The following table sets out the average trade payables turnover days for the Track Record Period:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
Average turnover days of trade payables [(1)]	28.6	7.3	12.1	11.3

Note:

(1) Turnover days of trade payables from 2011 to 2013 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 365 days. Turnover days of trade payables for the first half of 2014 is derived by dividing the arithmetic mean of the opening and closing balances of payables for the relevant period by cost of sales and multiplying by 182.5 days.

Average trade payables turnover days decreased from 28.6 days for the year ended 31 December 2011 to 7.3 days for the year ended 31 December 2012, which was because of our enlarged sales revenue. Our turnover days of trade payables increased from 7.3 days in 2012 to 12.1 days in 2013 which was attributable to our increased purchase at the year end to cater customers' demand in new year and Chinese Lunar new year. Our turnover days of trade payables decreased to 11.3 days in the first half 2014.

As at Latest Practicable Date, approximately HK$41.0 million or 99.4% of our trade payables outstanding as at 30 June 2014 had been settled.

(ii) Other payables and accruals

Our other payables and accruals mainly represent advances received from customers, accrued staff costs, accruals and others. The balance increased by approximately HK$5.0 million from approximately HK$2.4 million as at 31 December 2011 to approximately HK$7.4 million as at 31 December 2012, which was mainly attributable to both the increase in advances received from customers due to the expansion of our business and the increase in accrued staff costs and accruals with the enlargement of our operations. The balance increased by approximately HK$3.4 from approximately HK$7.4 as at 31

December 2012 to approximately HK$10.8 million as at 31 December 2013, which was mainly attributable to both the increase in advances received from customers as the increased purchased order received at the year end as our customer prepared for the incoming sale season and the increase in accrued staff costs and accruals as the increased selling and operating expenses attributable to the Partner Stores. The balance further increased to approximately HK$13.6 million as at 30 June 2014, which was mainly attributable to the increase in accruals for professional fee for our proposed listing.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the period as indicated:

	For the year ended 31 December			For the six months ended 30 June
	2011	**2012**	**2013**	**2014**
Gross profit margin (%)(1)	3.4	4.9	4.4	2.8
Net profit margin (%)(2)	1.0	3.2	2.6	0.3
Net profit margin excluding the fair value on derivative financial instruments (%)(3)	2.1	2.9	1.9	0.5
Return on equity (%)(4)	65.2	85.0	38.9	N/A
Return on total assets (%)(5)	4.2	33.2	15.1	N/A

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
Current ratio (6)	1.1	1.6	1.6	1.8
Gearing ratio (%)(7)	977.6	103.2	80.9	79.5
Net debt to equity ratio (%)(8)	702.7	68.4	45.7	48.0

Notes:

(1) Gross profit margin for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 was calculated on gross profit divided by revenue for the respective year. Please refer to the sub-section headed "Review of Historical Results of Operation" in this section for more details on our gross profit margins.

(2) Net profit margin for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 was calculated on net profit attributable to the owners of the Company divided by revenue for the respective year. Please refer to the sub-section headed "Review of Historical Results of Operation" in this section for more details on our net profit margins.

(3) Net profit margin excluding the fair value on derivative financial instruments for each of the three years ended 31 December 2013 and six months ended 30 June 2014 was calculated on net profit excluding the fair value on derivative financial instruments divided by revenue for the respective year.

(4) Return on equity for each of the three years ended 31 December 2013 was calculated based on the net profit for the respective periods divided by the total equity attributable to the owners of the Company as of the respective years and multiplied by 100%. Return on equity was only calculated on a full year basis hence not calculated for the six months ended at 30 June 2014.

(5) Return on total assets for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 was calculated based on the net profit for the respective years divided by the total assets of the respective years and multiplied by 100%. Return on total assets was only calculated on a full year basis hence not calculated for the six months ended at 30 June 2014.

(6) Current ratios as of 31 December 2011, 2012, 2013 and 30 June 2014 were calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.

(7) Gearing ratios as of 31 December 2011, 2012, 2013 and 30 June 2014 were calculated based on total debt (summation of bank loans, amount due to related companies, accrued staff costs, other payables and accruals) at the end of the year/period divided by total equity at the end of the year/period.

(8) Net debt to equity ratios as of 31 December 2011, 2012, 2013 and 30 June 2014 was calculated based on net debts (borrowings, being summation of bank loans, amount due to related companies, accrued staff costs, other payables and accruals, net of cash and cash equivalents) as of the respective dates divided by equity attributable to the owners of the Company as of the respective years.

Net profit margin excluding the fair value on derivative financial instruments

Our net profit margin excluding the fair value on derivative financial instruments was 2.1%, 2.9%, 1.9% and 0.5% for each of the three years ended 31 December 2013 and six months ended 30 June 2014. The increase from 2011 to 2012 was mainly due to our efforts to build long-term relationship with our suppliers and customers in our business development stage in 2011. The decrease from 2012 to 2013 was mainly attributable to the decreased gross profit margin and the increased operational expenses for Partner Stores. The further decrease from 2013 to the first half of 2014 was mainly due to the decreased gross profit margin contributed by bulk sales in our distribution business and the proportion of listing expenses incurred in the first half of 2014.

Return on equity

Our return on equity was 65.2%, 85.0% and 38.9% for the years ended 31 December 2011, 2012 and 2013, respectively. The increase from 2011 to 2012 was mainly due to the percentage increase in net profit outweighed the percentage increase in shareholders' equity. The decrease from the year ended 31 December 2012 to the year ended 31 December 2013 was mainly due to increase in total equity resulting from the accumulation of profit and the decrease in net profit in 2013.

Return on total assets

Our return on total assets was 4.2%, 33.2% and 15.1% for the years ended 31 December 2011, 2012 and 2013, respectively. The increase from 2011 to 2012 was mainly due to the percentage increase in net profit outweighed the percentage increase in total assets. The decrease from 2012 to 2013 was mainly due to the decrease in net profit in 2013 and increase in total assets as at 31 December 2013.

Current ratio

Our current ratio was 1.1, 1.6, 1.6 and 1.8 as at 31 December 2011, 2012, 2013, and 30 June 2014, respectively. Our current ratio increased from 1.1 as at 31 December 2011 to 1.6 as at 31 December 2012 as a result of our decreased amounts due to related companies attributed by the repayment to related companies. The ratio remained relatively stable at 1.6 as at 31 December 2012 and 2013, and then increased to 1.8 as at 30 June 2014, primarily because the decrease in amounts due to related companies and the decrease in trade payables, other payables and accruals.

Gearing ratio

Our gearing ratio was 977.6%, 103.2%, 80.9% and 79.5% as at 31 December 2011, 2012, 2013 and 30 June 2014, respectively. The higher gearing ratio in 2011 was mainly attributable to our limited amount of equity and the greater amount due to related companies in respect of advances from related companies to support our business in the early stage. The ratio decreased during Track Record Period as a result of the repayment of amounts due to related companies and the increase in total equity resulting from the accumulation of profit.

Net debt to equity ratio

Our net debt to equity ratio was 702.7%, 68.4%, 45.7% and 48.0% as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively. The decrease in our net debt to equity ratio during the Track Record Period were mainly due to the reasons as detailed in paragraph "Gearing ratio" above.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of offices, shops and warehouse under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	83	1,284	6,946	5,840
In the second to fifth year inclusive	—	1,957	4,442	2,262
Total	83	3,241	11,388	8,102

Capital expenditures during the Track Record Period

Our Group's capital expenditures have principally consisted of expenditures on acquisitions of property, plant and equipment. During the Track Record Period, our Group incurred capital expenditures of approximately HK$0.1 million, HK$2.3 million, HK$1.1 million and HK$0.2 million. Between 30 June 2014 and the Latest Practicable Date, we did not make any material capital expenditures.

Planned capital expenditure

For the year ending 31 December 2014, we estimate that the capital expenditures will amount to approximately HK$0.2 million primarily for office renovations.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally though the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

SENSITIVITY ANALYSIS

Given that we tapped into the retail business in 2013, fluctuations in rental expenses may have material impacts on our results of operations. We have set out below the results of a sensitivity analysis of the impact of changes in rental expenses on combined net profit attributable to the equity shareholders of our Group.

The following table shows the changes in our net profit had our rental expenses fluctuated by 10% and 20% during the Track Record Period:

Hypothetical fluctuations of our rental expenses	**+/-10%**	**+/-20%**
	HK$'000	*HK$'000*
Increase/decrease in rental expenses		
Year ended 31 December 2011	+/-9	+/-19
Year ended 31 December 2012	+/-107	+/-215
Year ended 31 December 2013	+/-543	+/-1,086
Six months ended 30 June 2014	+/-386	+/-773
Decrease/increase in net profit		
Year ended 31 December 2011	-/+8	-/+16
Year ended 31 December 2012	-/+90	-/+179
Year ended 31 December 2013	-/+453	-/+907
Six months ended 30 June 2014	-/+323	-/+645

INDEBTEDNESS

As at 31 October 2014, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, our Group did not have any interest-bearing loans or contingent liabilities.

Interest-bearing loans

As at 31 December 2011, 2012, 2013, 30 June 2014 and 31 October 2014, our Group recorded outstanding interest-bearing revolving loans of about nil, nil, HK$37.5 million, HK$58.5 million and nil, respectively. The loans were mainly raised for inventories procurement and providing liquidity to our Group. The bank loans bear interest at variable market interest rates, which are based on Hong Kong Interbank Offer Rate plus a margin, ranging from 1.23% to 1.65% and 1.23% to 1.85% per annum as at 31 December 2013 and 30 June 2014.

Amount due from/to related companies

Amount due from a related company of about HK$7.7 million as at 30 June 2014 and 31 October 2014 was arisen from the net settlement on maturity of derivative financial instruments we entered to hedge the foreign exchange risk of Remaining Parentco Group. The amount was unsecured, interest free with no fixed terms of repayment, and will be fully settled prior to Listing.

We recorded amounts due to related companies of about HK$74.6 million, HK$47.1 million, HK$22.6 million, nil and nil as at 31 December 2011, 2012, 2013, 30 June 2014 and 31 October 2014, respectively. Except for the amount due to a related company of HK$10.0 million as at 31 December 2013 which was obtained by Parentco for our Group's general working capital purpose and bearing interest at Hong Kong Interbank Offer Rate plus a margin which was identical to the terms offered by the relevant bank to Parentco, the remaining balances are unsecured, interest free with no fixed terms of repayment. All the amount were non-trade in nature and will be fully settled prior to Listing.

Contingent liabilities

As at 31 October 2014, being the latest practicable date for the purpose of the indebtedness statement, our Group did not have any contingent liabilities.

As confirmed by our Directors, our Group had no material defaults in payment of trade and non-trade payables and bank borrowings, nor any material breaches of the finance covenants during the Track Record Period.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding at the close of business on 31 October 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, material covenants, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the "Accountants' Report" in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit, foreign exchange and liquidity.

Interest rate risk

The bank balances comprising short term bank deposits and bank borrowings carry interests at floating rate, thus exposing our Group to cash flow interest rate risk. Our Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

Sensitivity analysis

As the interest rates on bank deposits are minimal during the Track Record Periods, no sensitivity analysis was prepared and reported to the management.

If interest rates on bank borrowings had been 50 basis points higher/lower and all other variables were held constant, our Group's pre-tax profit for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 would decrease/increase by Nil, Nil, HK$187,500, and HK$146,250 respectively. The analysis is prepared assuming the amounts of bank loans outstanding at the end of each Track Record Period were outstanding for the whole year/period. A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year/period end exposure does not reflect the exposure during the Track Record Periods.

Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position.

In order to minimise the credit risk, our management has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

Our Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers, our Group's concentration of credit risk by geographical location of customers are solely in Hong Kong which accounted for majority of the trade receivables as at 31 December 2011, 2012 and 2013 and 30 June 2014. Our Group has concentration of credit risk on loans and receivable of which 28%, 28%, 28% and 24% are liquid funds deposited with several banks as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

Foreign exchange risk

Certain purchase of goods of our Group are denominated in US$, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of our foreign currency denominated monetary assets and monetary liabilities at the end of each Track Record Period are as follows:

				As at
		As at 31 December		**30 June**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	128	4,023	4,821	6,014
Liabilities	17,164	17,665	3,428	4,890

We currently do not have currency hedging policy. However, our management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

Sensitivity analysis

The following analysis indicates the change in our Group's pre-tax profit in response to reasonably possible changes in the foreign exchange rates to which our Group has significant exposure at the end of each Track Record Period. The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each Track Record Period and had been applied to each of our Group entities' exposure to currency risk at that date, and all other variables are held constant.

Non-derivative financial instrument

If the functional currency of our Group had been 50 basis points strengthen/weaken and all other variables were held constant, our Group's pre-tax profit for the year ended 31 December 2011 and/2012 would increase/decrease by HK$11,000 and, HK$9,000 respectively, and our Group's pre-tax profit for the year ended 31 December 2013 and six months ended 30 June 2014, would decrease/increase by HK$1,000 and HK$1,000 respectively.

Derivative financial instrument

In respect to the derivative financial instruments of our Group, if USD had been 50 basis points strengthen/weaken and all other variables were held constant. Our pre-tax profit for the year ended 31 December 2011 and 2013 would decrease/increase by HK$4,653,000 and HK$3,714,000 respectively, while our pre-tax profit for the six months ended 30 June 2014 would increase/decrease by HK$50,000.

In our management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period exposure does not reflect the exposure during the Track Record Period.

Liquidity risk

Our Group's exposure to liquidity risk is minimal and is managed by maintaining a level of cash and cash equivalents deemed adequate by the management to finance our Group's operation. In addition, any shortfall in the funding requirements of our Group's operations may be obtained from bank borrowings.

The following table details our Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. Specifically, 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 dates of financial liabilities are based on the agreed repayment dates:

	Weighted average effective interest rate	On demand or within 3 months	3 to 6 months	Total undiscounted cash flow	Carrying value
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011					
Financial liability					
Non-interest bearing					
Trade and other payables	—	31,601	—	31,601	31,601
Amounts due to related companies	—	74,584	—	74,584	74,584
		106,185	—	106,185	106,185

	Weighted average effective interest rate	On demand or within 3 months	3 to 6 months	Total undiscounted cash flow	Carrying value
	%	HK$'000	HK$'000	HK$'000	HK$'000
Foreign currency forward contracts					
Cash inflow		(37,884)	(73,687)	(111,571)	(111,571)
Cash outflow		39,000	78,000	117,000	117,000
		1,116	4,313	5,429	5,429
At 31 December 2012					
Financial liability					
Non-interest bearing					
Trade and other payables	—	20,914	—	20,914	20,914
Amounts due to related companies	—	47,071	—	47,071	47,071
		67,985	—	67,985	67,985
At 31 December 2013					
Financial liability					
Non-interest bearing					
Trade and other payables	—	60,597	—	60,597	60,597
Amounts due to related companies	—	12,583	—	12,583	12,583
		73,180	—	73,180	73,180
Interest bearing					
Borrowings	1.57	37,500	—	37,500	37,500
Amount due to a related company	0.90	10,000	—	10,000	10,000
		47,500	—	47,500	47,500
Foreign currency forward contracts					
Cash inflow		(77,590)	—	(77,590)	(77,590)
Cash outflow		68,208	—	68,208	68,208
		(9,382)	—	(9,382)	(9,382)

	Weighted average effective interest rate	On demand or within 3 months	3 to 6 months	Over 6 months and less than 1 year	Total undiscounted cash flow	Carrying value
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2014						
Financial liability						
Non-interest bearing						
Trade and other payables	—	41,374	—	—	41,374	41,374
Interest bearing						
Borrowings	1.78	58,500	—	—	58,500	58,500
Foreign currency forward contract						
Cash inflow		—	—	(78,000)	(78,000)	(78,000)
Cash outflow		—	—	78,611	78,611	78,611
		—	—	611	611	611

The above table has been drawn up based on the undiscounted cash flows of financial liability (including principal and interest cash flows) based on the earliest date on which our Group can be required to pay (including principal and interest cash flows).

Borrowings with a repayment on demand clause are included in the "on demand or within 3 months" time band in the above maturity analysis. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the aggregate amounts of these borrowings amounted to Nil, Nil, HK$37,500,000 and HK$58,500,000 respectively. Taking into account our Group's financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that such borrowings will be repaid within 3 months after the end of the reporting period 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 Nil, Nil, HK$37,523,000 and HK$58,540,000 respectively.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

Assuming an Offer Price of HK$0.82 per Offer Share, being the mid-point of the indicative Offer Price range, the listing expenses to be borne by our Company are currently estimated to be approximately HK$27.4 million, of which approximately HK$5.3 million is directly attributable to the Global Offering to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK$22.1 million is to be charged to the combined statements of profit and loss and other comprehensive income, of which approximately HK$1.5 million was charged to the combined statements of profit and loss and other comprehensive income for the six months ended 30 June 2014, and approximately HK$20.6 million is expected to be charged to our consolidated statement of profit or loss for the year ending 31 December 2014.

DIVIDEND POLICY

No dividend or distribution has been declared or made by the Company or any of the companies now comprising our Group during the Track Record Period.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on Cayman Islands and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Global Offering on our net tangible assets as of 30 June 2014 as if it had taken place on 30 June 2014. The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as of 30 June 2014 or any future date following the Global Offering. It is prepared based on our net assets as of 30 June 2014 as set out in the "Accountants' Report" in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the "Accountants' Report" in Appendix I to this prospectus.

	Audited combined net tangible assets of our Group as at 30 June 2014(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets of our Group per Share(3)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Based on an offer price of HK$0.9 per Share	88,284	14,326	102,610	0.37
Based on the offer price of HK$0.73 per Share	88,284	6,938	95,222	0.34

Notes:

(1) The audited combined net tangible assets of our Group as at 30 June 2014 is based on the combined net assets of our Group of HK$88,284,000, as derived from the Accountants' Report on the financial information of our Group for the three years ended 31 December 2013 and the six months ended 30 June 2014 which is set out in the "Accountants' Report" in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 44,800,000 Shares to be issued at an offer price of HK$0.9 and HK$0.73 per Share respectively, after deduction of the estimated underwriting fees and related expenses expected to be incurred by our Group subsequent to 30 June 2014 and does not take into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.

(3) The unaudited pro forma adjusted combined net tangible assets of our Group per Share is arrived at after making the adjustments referred to in note (2) above and on the basis of 280,000,000 Shares in total, assuming that 44,800,000 Shares to be issued pursuant to the Global Offering and capitalisation issue of 235,200,000 Shares of the Company had been completed on 30 June 2014. It does not take into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the sub-sections headed "Contractual and Capital Commitments" and "Indebtedness" in this section.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Based on our unaudited management accounts, our revenue for the four months ended 31 October 2014 decreased by approximately 15.7% as compared to the corresponding period on 2013. The decrease in revenue was primarily due to (i) the anticipated launching of key new mobile phone models by major competitor of Renowned Korean Corporation in September 2014 which in turn affected the sales of the brands of mobile phones that we carried during the four months ended 31 October 2014. The impact brought by the launching of key new mobile phone models by such competitor in September 2014 was more significant than the launching of key new mobile phone models by the same competitor in September 2013; and (ii) the relatively less supply of key newly launched mobile phone models of our major suppliers during the four months ended 31 October 2014 compared to the corresponding period in 2013. Our gross profit margin improved during the four months ended 31 October 2014 as compared to the six months ended 30 June 2014. Such improved financial performance was mainly attributable to more sales incentive and price protection claims obtained from our suppliers.

We note that there were various articles as appeared in certain websites (including reputable research agencies) reporting the recent performance of the Renowned Korean Brand as below:

- *The Renowned Korean Brand was the only company among the top five to see its global shipment volume decline year over year.*

- *One of the flagship mobile phones of the Renowned Korean Brand has suffered in the high-end market from the popularity of the key new mobile phone models of its major competitor, while its dominance in the other mobile phones segment has been challenged by the Chinese handset makers.*

- *As part of its strategy under the intense market competition environment and to focus on the development of its flagship models, according to the management of the Renowned Korean Corporation, the Renowned Korean Corporation plans to decrease the number of mobile phone models to be launched in 2015.*

- *It is announced that the Renowned Korean Corporation will launch new series of mobile phones targeting at mid-range sector in the upcoming months, which is expected to compete against its rivals including the Chinese handset makers.*

- *It was reported that the Renowned Korean Corporation has sold 4.5 million units of its new flagship phablet within 30 days from its launch and is outpacing the sales of its predecessor model, and the holiday shopping season as well as the expanded availability of phablets are drawn to the Renowned Korean Corporation's favour.*

Most of these articles have not disclosed the source of the reported information while certain articles were published by reputable research agencies. As such, the information contained in these articles has not been independently verified by us. We were not aware that the Renowned Korean Corporation has specifically issued any response to the content of these articles on the official website of the Renowned Korean Corporation. Accordingly, no representation is given as to the accuracy of the content of these articles. The Sole Sponsor concurs with our findings. Please refer to the section headed "Industry Overview" in this prospectus for the recent market share of the Renowned Korean Brand in the mobile phones market in Hong Kong.

In the event that our sales of products of the Renowned Korean Brand does not meet our expectation, we believe that we will be able to respond to market challenges in a timely manner and adjust our business direction swiftly to face any new challenges. For more details, please refer to the section headed "Our Business — Sustainability of the Business of our Group" in this prospectus. If we fail to successfully anticipate and respond to changes in consumer demand of the major brand that we distribute and implement effective and responsive merchandising and marketing strategies, we may experience lower sales volumes, excess inventories and lower gross margins. Such could have an adverse effect on our results of operations and financial position.

Recently, there are a few Chinese handset makers adopting an unconventional mobile phones sales model by selling mobiles phones to retailers, chain retailers and/or telecommunications services operators directly without relying on local distributors. Some of them also have stronger reliance on E-commerce channels and social networking sites in sales and marketing than other mainstream mobile phone brands do. According to the Ipsos Report, these Chinese handset makers have adopted a lean chain of distribution model as their current business focuses are on cost-cutting and sales of mid to low-end price range of mobile phones, which are contrary to the mass market strategy of other mainstream mobile phone brands in Hong Kong, including the Renowned Korean Brand. According to the Ipsos Report, it is expected that the conventional distribution channel will continue to remain as the major distribution channel in Hong Kong. Also, these Chinese handset makers have brought very limited impact to the prevailing consumption behavior of retailers in Hong Kong and e-commerce remains as a minor sales channel in the local mobile phones market. Moreover, market share of these Chinese handset makers remained small. Based on the aforesaid, we do not foresee that the new distribution model of Chinese handset makers will bring major changes to the local mainstream mobile phone distribution landscape, and thus we are of the view that the impact to us will be limited.

Our business and prospects are dependent on the popularity of products of the Renowned Korean Brand and the market acceptance of different newly launched products of our suppliers may not be consistent. The Renowned Korean Brand is currently one of the leading brand of mobile phones globally and is expected to remain as one of the leaders in the upcoming future. We believe that our relationship with them is in line with our Group's strategy to follow the prevailing consumer preference and popularity of products and is also in line with the local industry practice to focus on the distribution of a few major brands in order to reinforce the relationship with the key supplier. We are one of the market leaders in the mobile phones distribution business in Hong Kong, supported by a growing distribution network. We have been able to adapt to the market development in light of the changing popularity of brands and have been able to develop and maintain strong successful relationships with a number of suppliers of internationally renowned brands. We have also maintained dialog with other brands with market potential according to our understanding of the prevailing consumer preference. On the basis of the aforesaid, we believe that our business is sustainable.

Our Directors confirm that there is no material build-up in inventory due to price protection compensation and sales incentive recently.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 June 2014 and there has been no event since 30 June 2014 which would materially affect the information in our consolidated financial statement included in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

FUTURE PLANS

Please refer to the section headed "Our Business — Business Strategies" in this prospectus for detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$0.82 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK$9.3 million, assuming that Offer Size Adjustment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

(i) approximately 11.0%, or HK$1.0 million, will be used to upgrade our information system to further improve our operational management capability. Total cost for the upgrade of our information system is estimated at about HK$1.3 million which we intend to finance by the net proceeds of HK$1.0 million from the Global Offering and the remaining by internal resources;

(ii) approximately 79.7%, or HK$7.4 million, will be used for acquisition of property for our office and warehouse. Total capital expenditure for the purchase of premises and the expansion of our office and warehouse is estimated at about HK$57.0 million which we intend to finance by the net proceeds of HK$7.4 million from the Global Offering in about 3 years after Listing and the remaining by bank mortgage loan and internal resources; and

(iii) the remainder of approximately 9.3%, or HK$0.9 million, will be used for working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$0.90 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK$3.5 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK$0.73 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK$3.9 million. Depending on the amount of the net proceeds of the Global Offering based on the Offer Price to be fixed, we intend to apply the net proceeds from the Global Offering in the following order: (a) firstly, the implementation of our new ERP system; (b) secondly, acquisition of property as our new office and warehouse; and (c) lastly, if there is a surplus after application towards the implementation of our new ERP system and the acquisition of property, for our working capital and general capital purposes.

If the Offer Size Adjustment Option is exercised in full and the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$0.90 per Share, we estimate that the additional net proceeds from the offering of these additional Offer Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, will be approximately HK$9.3 million. If the Offer Size Adjustment Option is exercised in full and the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK$0.73 per Share, we estimate that the additional net proceeds from the offering of these additional Offer Shares to be received by us, after deducting underwriting fees and estimated expenses by us in connection with the Global Offering, will be approximately HK$0.8 million. Any additional proceeds received by us from the exercise of the Offer Size Adjustment Option will also be allocated to the acquisition of property as our new office and warehouse.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

PUBLIC OFFER UNDERWRITERS

Haitong International Securities Company Limited

China Rise Securities Asset Management Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company agreeing to the final Offer Price), the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement if they see fit upon the occurrence of any of the following events:

(A) there has come to the notice of the Sole Global Coordinator that:

(i) any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be published in connection with the Hong Kong Public Offering, the roadshow materials notices, advertisements, communications and any other documents issued or used by or on behalf of our Company in connection with the Global Offering (including and supplement or amendments thereto) (collectively, "**Offer Documents**"), was, when it was issued, or has become untrue, incorrect, misleading or deceptive in any material respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the respective dates of the publication of the Offer Documents, constitute a material omission therefrom; or

(iii) any material breach of any of the obligations imposed or to be imposed upon any party (other than any of the Underwriters) to any of the Underwriting Agreements; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the warrantors under the Hong Kong Underwriting Agreement pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of our Group; or

(vi) any breach of, or any event or circumstance rending untrue or incorrect in any material respect, any of the warranties in the Hong Kong Underwriting Agreement; or

(vii) the grant of the approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Offer Size Adjustment Option) is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Offer Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(x) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(B) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Ebola, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of Hong Kong, the United States and the Cayman Islands (the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances resulting in any change or development involving a prospective change, in any local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange; or

(iv) any new laws or any change or development involving a prospective change in any existing laws, or any event or circumstance or series of events or circumstances resulting in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(v) any general moratorium on commercial banking activities or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Relevant Jurisdictions; or

(vi) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Relevant Jurisdictions; or

(vii) any litigation or claim of any third party involving a material amount being threatened or instigated against any member of our Group or any of the warrantors under the Hong Kong Underwriting Agreement; or

(viii) any of the chairman or managing director of our Company being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman or managing director of our Company vacating his office; or

(x) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xi) a material contravention by any member of our Group or any Director of the Companies Ordinance, the Listing Rules or any other laws applicable to the Global Offering; or

(xii) a prohibition from a competent authority on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or shares which may be required to be allotted and issued under the Offer Size Adjustment Option pursuant to the terms of the Global Offering; or

(xiii) material non-compliance with this prospectus and the other Offer Documents or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or

(xiv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the earnings, affairs, assets or liabilities of our Group; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(c) makes or will make impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement, the International Placing or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(C) no resolution having been passed by the board of directors of the Parentco to revoke or withdraw the Distribution.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Capitalisation Issue, the Offer Size Adjustment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholder

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholder has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Global Offering and the Offer Size Adjustment Option as described and contained in this prospectus, it/he/she shall not and shall procure that the relevant registered Shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it is shown by this prospectus to be the beneficial owners; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder.

Our Controlling Shareholder has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

(a) when it pledges or charges any Shares beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Except pursuant to (i) the Global Offering (including pursuant to the Offer Size Adjustment Option); (ii) the Share Option Scheme; and (iii) the Capitalisation Issue, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares), or deposit any Shares or other equity securities of our Company, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company will not enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholder would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**").

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholder

Our Controlling Shareholder hereby undertakes to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the other Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, it shall not (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it shall not enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it would cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company; and

(iii) in the event that it enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it shall take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company.

Our Controlling Shareholders further undertakes to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it will:

(i) when it pledges or charges any securities in the Company in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities so pledged or charged; and

(ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities in the Company will be disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Our Company shall inform the Stock Exchange as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholder and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

International Placing

In connection with the International Placing, it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the Sole Global Coordinator the Offer Size Adjustment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time during the period from the date of this prospectus to: (i) the second Business Day prior to the Listing Date (that is on Tuesday, 13 January 2015); and (ii) the 30th day from the date of this prospectus, whichever is earlier, in writing, to require our Company to allot and issue up to an aggregate of 6,720,000 additional Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Placing to cover, among other things, any excess demand in the International Placing at the absolute discretion of the Sole Global Coordinator.

Commission and expenses

The Underwriters will receive an underwriting commission of 3% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company with reference to the number of new Shares under the Global Offering respectively.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in our Company

Save for their obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

Sole Sponsor's Independence

Haitong satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Haitong is the Sole Sponsor for the listing of the Shares on the Stock Exchange and Haitong Securities is the Sole Global Coordinator, Sole Bookrunner and one of the Joint Lead Managers of the Global Offering.

The Global Offering initially consists of (subject to reallocation and the Offer Size Adjustment Option):

(i) the Hong Kong Public Offering of 4,480,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the sub-section headed "Hong Kong Public Offering" in this section below (including the Employee Preferential Offering of up to 448,000 Offer Shares as described in the sub-section headed "Employee Preferential Offering" below in this section); and

(ii) the International Placing of 40,320,000 Offer Shares (subject to adjustment as mentioned below) as described in the sub-section headed "International Placing" in this section below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to reallocation and the Offer Size Adjustment Option as set out in the sub-section headed "Offer Size Adjustment Option" in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, and any options which may be granted under Share Option Scheme;

(ii) the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date and the Price Determination Agreement not having been subsequently revoked;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, for itself and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements, in each case, on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.sismobile.com.hk** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 14 January 2015 but will only become valid certificates of title at 8:00 a.m. on Thursday, 15 January 2015 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 4,480,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Placing and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent approximately 1.6% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

Of the 4,480,000 Shares initially being offered under the Hong Kong Public Offering, 448,000 Shares (representing 10% and 1% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for subscription by Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the sub-section headed "Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Multiple or suspected multiple applications and any application for more than 4,032,000 Hong Kong Offer Shares (being 100% of the initial number of Hong Kong Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available under the

Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 13,440,000 Offer Shares (in the case of (i)), 17,920,000 Offer Shares (in the case of (ii)) and 22,400,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering respectively (before any exercise of the Offer Size Adjustment Option) and in each case, the number of Offer Shares allocated to the International Placing will be reduced correspondingly, in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the valid applications in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Sole Global Coordinator deems appropriate.

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$0.90 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of HK$0.005% amounting to a total of HK$3,636.28 per board lot of 4,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Price determination of the Global Offering" in this section, is less than the maximum price of HK$0.90 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to apply for Hong Kong Offer Shares and Employee Reserved Shares — 13. Refund of Application Monies" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

EMPLOYEE PREFERENTIAL OFFERING

Up to 448,000 Employee Reserved Shares, representing 10% of the Offer Shares available under the Hong Kong Public Offering and 0.16% of the enlarged issued share capital of our Company upon completion of the Global Offering and the Capitalisation Issue, which are not subject to reallocation to the International Offering as described in the paragraph "Hong Kong Public Offering — Reallocation" above in this section, are available for subscription by Eligible Employees on a preferential basis.

The 448,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, an Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 448,000 Employee Reserved Shares will be rejected. Allocation of Hong Kong Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules. In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving electronic application instruction to HKSCC via CCASS.

As at the Latest Practicable Date, our Group had 58 Eligible Employees.

In case not all the 448,000 Employee Reserved Shares are subscribed for by Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Offer Shares for subscription by the public under the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 40,320,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Offer Size Adjustment Option).

The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Offer Size Adjustment Option

Pursuant to the International Underwriting Agreement, the Company will grant to the Sole Global Coordinator the Offer Size Adjustment Option, which is exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time during the period from the date of this prospectus to: (i) the second Business Day prior to the Listing Date (that is on Tuesday, 13 January 2015); and (ii) the 30th day from the date of this prospectus, whichever is earlier, in writing, to require our Company to allot and issue up to 6,720,000 additional Shares at the Offer Price, representing 15% of the total number of Offer Shares initially available under the Global Offering. Any such additional Shares may be issued to cover any excess demand in the International Placing at the absolute discretion of the Sole Global Coordinator.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the International Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of our Shares in the secondary market after the listing of our Shares on the Stock Exchange and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of our Shares in the secondary market will be effected to cover any excess demand in the International Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part. Our Company will disclose in the allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. In the event that the Offer Size Adjustment Option is exercised in full, 6,720,000 additional Shares will be issued resulting in a total number of 286,720,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 2.3%. As the estimated net proceeds from the Global Offering (calculated at the Offer Price of HK$0.82) will be increased from approximately HK$9.3 million to approximately HK$14.7 million if the Offer Size Adjustment Option is exercised in full and the unaudited pro forma adjusted combined net tangible assets of our Group will be increased from approximately HK$99.1 million to approximately HK$104.5 million, the adjusted combined net tangible asset value per Share will be increased from approximately HK$0.35 to HK$0.37.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus, on a pro rata basis.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 7 January 2015, and in any event on or before Wednesday, 14 January 2015, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company by Wednesday, 14 January 2015, the Global Offering will not proceed and will lapse.

The Offer Price will be not more than HK$0.90 per Share and is expected to be not less than HK$0.73 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with our consent, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.sismobile.com.hk** notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Sole Global Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Wednesday, 14 January 2015 in the manner set out in the section headed "How to apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

COMMENCEMENT OF DEALING IN THE SHARES

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 15 January 2015, it is expected that dealings in the Offer Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Thursday, 15 January 2015, and will be traded in board lots of 4,000 Shares.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares using a **PINK** Application Form. Eligible Employees may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering and the Employee Reserved Shares under the Employee Preferential Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares with a **PINK** Application Form.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares (including any Employee Reserved Shares) if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Wednesday, 7 January 2015 from:

(i) the following addresses of the Hong Kong Underwriters:

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers,
189 Des Voeux Road Central,
Hong Kong

China Rise Securities Asset Management Company Limited
10th Floor, Island Place Tower,
510 King's Road,
North Point, Hong Kong

(ii) any of the branches of the following receiving bank:

Standard Chartered Bank (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156–162 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Tsimshatsui Branch	G/F, 8A–10 Granville Road, Tsimshatsui
	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66–70 Nathan Road, Tsimshatsui
New Territories	Tseung Kwan O Branch	Shop G37–40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
	Metroplaza Branch	Shop No. 175–176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Wednesday, 7 January 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's head office at 4/F, Contempo Place, 81 Hung To Road, Kwun Tong, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Tuesday, 6 January 2015. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from our Company's website at **www.sismobile.com.hk** and the Stock Exchange's website at **www.hkexnews.hk**.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Horsford Nominees Limited — SiS Mobile Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 31 December 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, 2 January 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 3 January 2015	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 5 January 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 6 January 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 7 January 2015	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 7 January 2015, the last application day or such later time as described in the sub-section headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "**Horsford Nominees Limited — SiS Mobile Public Offer**" for the payment must be returned to our Company's head office at 4/F, Contempo Place, 81 Hung To Road, Kwun Tong, Kowloon, Hong Kong by 12:00 noon on Tuesday, 6 January 2015.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE GENERAL

Individuals who meet the criteria in the sub-section "2. Who can apply" above, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the HK eIPO White Form service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 31 December 2014 until 11:30 a.m. on Wednesday, 7 January 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 7 January 2015 or such later time under the sub-section headed "Effects of Bad Weather on the Opening of the Applications List" in this section below.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Wednesday, 31 December 2014	**—**	**9:00 a.m. to 8:30 p.m.(1)**
Friday, 2 January 2015	**—**	**8:00 a.m. to 8:30 p.m.(1)**
Saturday, 3 January 2015	**—**	**8:00 a.m. to 1:00 p.m.(1)**
Monday, 5 January 2015	**—**	**8:00 a.m. to 8:30 p.m.(1)**
Tuesday, 6 January 2015	**—**	**8:00 a.m. to 8:30 p.m.(1)**
Wednesday, 7 January 2015	**—**	**8:00 a.m.(1) to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Wednesday, 7 January 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 7 January 2015, the last application day or such later time as described in the sub-section headed "Effect of Bad Weather on the Opening of the Application Lists" in this section below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 7 January 2015 or such later time as described in the sub-section headed "Effect of Bad Weather on the Opening of the Application Lists" in this section below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications or suspected multiple applications by any Eligible Employee are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE**, **YELLOW** or **PINK** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure of the Global Offering — Price Determination of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 7 January 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 7 January 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the Employee Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Employee

Reserved Shares on Wednesday, 14 January 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on our Company's website at **www.sismobile.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.sismobile.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Wednesday, 14 January 2015;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 14 January 2015 to midnight on Tuesday, 20 January 2015;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 14 January 2015 to Monday, 19 January 2015 (excluding Saturday and Sunday);

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 14 January 2015 to Friday, 16 January 2015 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares (including, if applicable, the Employee Reserved Shares) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares (and the Employee Reserved Shares) is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

— within three weeks from the closing date of the application lists; or

— within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

— you make multiple applications or suspected multiple applications;

— you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offering Shares;

— your Application Form is not completed in accordance with the stated instructions;

— your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

— your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

— the Underwriting Agreements do not become unconditional or are terminated;

— our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;

— your application is for more than 100% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering; or

— you apply for more than 448,000 Employee Reserved Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.90 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 14 January 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 14 January 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 15 January 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form and/or PINK Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 January 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares and/or Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 14 January 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 14 January 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 14 January 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on, Wednesday, 14 January 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 January 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 14 January 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 14 January 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of results" above on Wednesday, 14 January 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 January 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 14 January 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 14 January 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

Deloitte.
德勤

31 December 2014

The Directors
SiS Mobile Holdings Limited

Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to SiS Mobile Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 31 December 2014 in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company was incorporated as an exempted company with limited liability in Cayman Islands on 4 July 2014. Pursuant to a corporate reorganisation, as more fully explained in the section headed "Reorganisation" in the Prospectus ("Group Reorganisation"), the Company became the holding company of the Group upon completion of the Group Reorganisation on 10 October 2014.

The Group is principally engaged in the sales and distribution of mobile phones and related products in Hong Kong.

The Company and its subsidiaries have adopted 31 December as their financial year end date. At the date of this report, the Company has equity interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place of incorporation	Date of incorporation	Issued and fully paid-up share capital	Equity attributable to the Company					Principal activities
				At 31 December			At 30 June	At the date of the report	
				2011	2012	2013	2013		
				%	%	%	%	%	
Direct									
Synergy Technologies (Asia) Limited ("Synergy")	Hong Kong	20 December 2000	HK$5,000,000	100	100	100	100	100	Distribution of mobile phone and related products
Sun Well Limited	Hong Kong	15 February 2013	HK$1	N/A	N/A	100	100	100	Retail sales of mobile phone and related products
Qool International Limited	Hong Kong	4 June 2010	HK$1	100	100	100	100	100	Distribution of mobile phone products
W-Data Technologies Limited ("W-Data")	The British Virgin Islands ("BVI")	26 April 2002	US$1	100	100	100	100	100	Inactive

The financial statements of each of the subsidiaries for the years ended 31 December 2011, 2012 and 2013, or since their respective dates of establishment, where this is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by us (the "Audited Financial Statements").

There are no statutory audit requirements to prepare financial statements for the Company. For the purpose of this report, we have reviewed all the relevant transactions and carried out such procedures as we considered necessary in preparing our report for inclusion in the Prospectus.

For the purpose of this report, the directors of the respective subsidiaries had prepared the financial statements of the relevant subsidiaries for the six months ended 30 June 2014 in accordance with HKFRSs issued by the HKICPA (the "30 June 2014 Financial Statements"). We have carried out an audit on the 30 June 2014 Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Audited Financial Statements and 30 June 2014 Financial Statements (collectively referred to as the "Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section A below, after making such adjustments as we consider appropriate for the purpose of preparing our report for the inclusion in the Prospectus. The Underlying Financial Statements are the responsibility of the directors of the respective subsidiaries who approved their issue.

The directors of the Company are responsible for the contents of the Prospectus in which the report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis set out in note 2 to Section A, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 and of the combined results and combined cash flows of the Group for the Relevant Periods.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the six months ended 30 June 2013 together with the notes thereon have been extracted from the Group's combined financial statements for the same period (the "30 June 2013 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We conducted our review on the 30 June 2013 Financial Information in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of Financial Information, which conform with HKFRS.

A. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
	NOTES	**2011**	**2012**	**2013**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	5	513,600	1,376,575	1,274,845	601,022	846,723
Cost of sales		(496,027)	(1,309,630)	(1,218,869)	(573,222)	(823,157)
Gross profit		17,573	66,945	55,976	27,800	23,566
Other income	6	560	1,541	2,779	372	945
Fair value (loss) gain on derivative financial instruments		(5,429)	4,374	9,410	5,296	(2,303)
Selling and distribution expenses		(4,510)	(11,694)	(14,470)	(6,700)	(7,544)
Administrative and other expenses		(1,623)	(8,089)	(15,336)	(6,083)	(10,445)
Finance costs	7	—	(76)	(163)	(21)	(326)
Profit before tax	8	6,571	53,001	38,196	20,664	3,893
Income tax expense	9	(1,446)	(8,304)	(4,705)	(2,619)	(1,661)
Profit and total comprehensive income attributable to owners of the Company for the year/period		5,125	44,697	33,491	18,045	2,232

Combined Statements of Financial Position

		At 31 December			At 30 June
	NOTES	**2011**	**2012**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current Assets					
Property, plant and equipment	12	121	2,009	2,015	1,610
Total Non-current Assets		121	2,009	2,015	1,610
Current Assets					
Inventories	13	44,025	65,352	101,726	83,229
Trade and other receivables, deposits and prepayments	14	57,405	49,009	79,035	82,207
Amount due from a related company	20	—	—	—	7,691
Derivative financial instruments	15	—	—	9,382	—
Tax recoverable		5	—	—	974
Cash and cash equivalents	16	21,623	18,267	30,301	27,849
Total Current Assets		123,058	132,628	220,444	201,950
Current Liabilities					
Trade payables, other payables and accruals	19	33,816	28,172	71,173	54,786
Amounts due to related companies	20	74,584	47,071	22,583	—
Derivative financial instruments	15	5,429	—	—	611
Tax liabilities		1,486	6,833	5,151	1,379
Borrowings	21	—	—	37,500	58,500
Total Current Liabilities		115,315	82,076	136,407	115,276
Net Current Assets		7,743	50,552	84,037	86,674
Total assets less current liabilities and net assets		7,864	52,561	86,052	88,284
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	17	—	—	—	—
Reserves	18	7,864	52,561	86,052	88,284
Equity attributable to owners of the Company and total equity		7,864	52,561	86,052	88,284

Combined Statements of Changes in Equity

	Attributable to owners of the Company			
	Share capital	**Special reserve**	**Retained earnings (accumulated loss)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As of 1 January 2011	—	—	(759)	(759)
Acquisition of subsidiaries *(Note 28)*	—	3,498	—	3,498
	—	3,498	(759)	2,739
Profit and total comprehensive income for the year	—	—	5,125	5,125
As of 31 December 2011	—	3,498	4,366	7,864
Profit and total comprehensive income for the year	—	—	44,697	44,697
As of 31 December 2012	—	3,498	49,063	52,561
Profit and total comprehensive income for the year	—	—	33,491	33,491
As of 31 December 2013	—	3,498	82,554	86,052
Profit and total comprehensive income for the period	—	—	2,232	2,232
As of 30 June 2014	—	3,498	84,786	88,284
As of 1 January 2013	—	3,498	49,063	52,561
Profit and total comprehensive income for the period	—	—	18,045	18,045
As of 30 June 2013 (unaudited)	—	3,498	67,108	70,606

Combined Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating activities					
Profit before tax	6,571	53,001	38,196	20,664	3,893
Adjustments for:					
Depreciation of property, plant and equipment	39	397	1,051	440	645
(Reversal on) impairment of inventories	(1,011)	(412)	1,728	320	(858)
Allowance for doubtful debts	—	1	—	—	—
Interest expense	—	76	163	21	326
Fair value loss (gain) on derivative financial instruments	5,429	(4,374)	(9,410)	(5,296)	2,303
Interest income	—	(91)	—	—	—
Loss on disposal of property, plant and equipment	3	32	1	—	—
Operating cash flow before movements in working capital	11,031	48,630	31,729	16,149	6,309
Movements in working capital:					
Decrease (increase) in inventories	29,216	(20,915)	(38,102)	(52,814)	19,355
(Increase) decrease in trade and other receivables, deposits and prepayments	(23,868)	8,395	(30,026)	(10,410)	(3,172)
(Decrease) increase in trade payables, other payables and accruals	(40,363)	(5,644)	43,001	30,408	(16,387)
Cash (used in) from operations	(23,984)	30,466	6,602	(16,667)	6,105
Interest paid	—	(76)	(163)	(21)	(326)
Tax paid — net	(12)	(2,952)	(6,387)	—	(6,407)
Net cash (used in) from operating activities	(23,996)	27,438	52	(16,688)	(628)

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Investing activities					
Interest received	—	91	—	—	—
Net settlement on maturity of derivative financial instruments	—	(1,055)	28	—	7,690
Advances to related companies	—	—	—	—	(7,691)
Acquisition of subsidiaries *(Note 28)*	3,420	—	—	—	—
Additions to property, plant and equipment	(53)	(2,317)	(1,058)	(625)	(240)
Net cash from (used in) investing activities	3,367	(3,281)	(1,030)	(625)	(241)
Financing activities					
Advances from related companies	59,683	135,143	112,573	76,012	60,900
Repayment of advances from related companies	(17,872)	(162,656)	(137,061)	(54,005)	(83,483)
New bank loans raised	—	60,000	103,786	15,300	91,000
Repayment of bank loans	—	(60,000)	(66,286)	(15,300)	(70,000)
Net cash from (used in) financing activities	41,811	(27,513)	13,012	22,007	(1,583)
Net increase (decrease) in cash and cash equivalents	21,182	(3,356)	12,034	4,694	(2,452)
Cash and cash equivalents at the beginning of the year/period	441	21,623	18,267	18,267	30,301
Cash and cash equivalents at the end of the year/period	21,623	18,267	30,301	22,961	27,849

Notes to the Financial Information

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 July 2014. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed Corporate Information in the Prospectus. The Company's immediate holding company is SiS International Holdings Limited ("SiS"), a company incorporated in Bermuda with its shares listed on the Stock Exchange which is a subsidiary of Summertown Limited. The directors of the Company and its subsidiaries (the "Directors") consider that the Company's ultimate holding company is Summertown Limited, a limited liability company incorporated in the BVI.

The Company is an investment holding company. The principal activities of its subsidiaries are sales and distribution of mobile phones and related products in Hong Kong.

The Financial Information is presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

Group reorganisation

Pursuant to the Group Reorganisation to rationalise the group structure to prepare for the listing of the shares of the Company, the Company acquired the entire equity interests in the companies comprising the Group from SiS. The Group Reorganisation was completed on 10 October 2014 and since then, the Company became the holding company of the companies comprising the Group (the "Combined Entities"). The Combined Entities and the Company are under common control of SiS before and after the Group Reorganisation. Therefore, the acquisition of the Combined Entities are accounted for as business combination under common control by applying the principles of merger accounting.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods include the results, changes in equity and cash flows of the Combined Entities as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation or acquisition by SiS, whichever period is shorter.

The combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 have been prepared to present the assets and liabilities of the Combined Entities as if the current group structure had been in existence as at those dates.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied all the HKFRSs which are effective for the Group's accounting period beginning on 1 January 2014 throughout the Relevant Periods.

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[6]
HKFRS 15	Revenue from Contracts with Customers[5]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 January 2017
[6] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Directors anticipate that the application of the new standards, interpretations and amendments will have no material impact on the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. The Financial Information also complies with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for the Relevant Periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the 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 this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial information of the entities controlled by the Company or its subsidiaries. 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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 Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

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 is recognised when the services are provided.

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 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

Operating lease payments where the Group is the lessee are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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 property, 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 property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, amount due from a related company, cash and cash equivalents are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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 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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade 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, 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 asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the 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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related companies and borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant 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 premiums 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.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

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

Impairment losses on assets

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

Recoverable amount is the higher of fair value less costs 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 other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories, representing trading merchandise, are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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 the temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (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 are recognised in profit or loss.

5. REVENUE

Revenue represents the net amount received and receivable for goods sold arising from the distribution of mobile phone and IT products.

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Other income includes:					
Exchange gain, net	330	776	831	372	106
Advertising and promotion income	118	512	1,842	—	717
Interest income	—	91	—	—	—

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank borrowings wholly repayable within five years	—	76	114	21	216
Interest on amount due to a related company	—	—	49	—	110
	—	76	163	21	326

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration	69	198	318	147	129
Directors' remuneration					
— Fee	—	—	—	—	—
— Salary	574	1,271	1,477	717	603
— Contribution to retirement benefit	6	14	15	7	7
Other staff cost					
— Salary	3,963	10,447	13,354	6,073	7,163
— Contribution to retirement benefit	97	303	489	205	306
Total staff costs	4,640	12,035	15,335	7,002	8,079
Allowance for doubtful debts	—	1	—	—	—
Cost of inventories recognised as an expense	495,961	1,309,596	1,218,846	573,211	823,152
(Reversal on) impairment of inventories	(1,011)	(412)	1,728	320	(858)
Depreciation of property, plant and equipment	39	397	1,051	440	645
Listing expenses	—	—	—	—	1,500
Loss on disposal of property, plant and equipment	3	32	1	—	—
Operating lease rentals in respect of rented premises	94	1,074	5,431	1,176	3,864

9. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hong Kong:					
Current	1,446	8,322	5,119	2,619	1,243
(Over)underprovision in prior years	—	(18)	(414)	—	418
Income tax expense	1,446	8,304	4,705	2,619	1,661

The tax charge for the years/periods can be reconciled to the profit before tax as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	6,571	53,001	38,196	20,664	3,893
Tax at applicable statutory tax rate of 16.5%	1,084	8,745	6,302	3,410	643
Tax effects of income not taxable in determining taxable profit	—	(20)	(1,557)	(874)	(159)
Tax effects of expenses not deductible in determining taxable profit	—	2	2	—	627
Tax effects of deductible temporary differences not recognised	(6)	(51)	(37)	—	—
Tax effects of tax loss not recognised	408	3	406	84	239
Utilisation of tax losses previously not recognised	—	(533)	—	—	—
(Over)underprovision of prior years' tax expense	—	(18)	(414)	—	418
Others	(40)	176	3	(1)	(107)
Total tax expense for the year/period	1,446	8,304	4,705	2,619	1,661

The Group has unused tax losses of approximately HK$3,233,000, HK$26,000, HK$2,484,000 and HK$3,934,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively, available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams as at the end of the reporting period. Such tax losses may be carried forward indefinitely.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments:

For the year ended 31 December 2011

Name of director	Directors' fees	Salaries and allowances	Performance related incentive payment	Contribution to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fong Po Kiu	—	400	174	6	580
Lim Kiah Meng*	—	—	—	—	—
Lim Kia Hong*	—	—	—	—	—
Lim Hwee Hai*	—	—	—	—	—
	—	400	174	6	580

For the year ended 31 December 2012

Name of director	Directors' fees	Salaries and allowances	Performance related incentive payment	Contribution to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fong Po Kiu	—	1,071	200	14	1,285
Lim Kiah Meng*	—	—	—	—	—
Lim Kia Hong*	—	—	—	—	—
Lim Hwee Hai*	—	—	—	—	—
	—	1,071	200	14	1,285

For the year ended 31 December 2013

Name of director	Directors' fees	Salaries and allowances	Performance related incentive payment	Contribution to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fong Po Kiu	—	1,177	300	15	1,492
Lim Kiah Meng*	—	—	—	—	—
Lim Kia Hong*	—	—	—	—	—
Lim Hwee Hai*	—	—	—	—	—
	—	1,177	300	15	1,492

For the six months ended 30 June 2013 (unaudited)

Name of director	Directors' fees	Salaries and allowances	Performance related incentive payment	Contribution to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fong Po Kiu	—	617	100	7	724
Lim Kiah Meng*	—	—	—	—	—
Lim Kia Hong*	—	—	—	—	—
Lim Hwee Hai*	—	—	—	—	—
	—	617	100	7	724

For the six months ended 30 June 2014

Name of director	Directors' fees	Salaries and allowances	Performance related incentive payment	Contribution to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fong Po Kiu	—	528	75	7	610
Lim Kiah Meng*	—	—	—	—	—
Lim Kia Hong*	—	—	—	—	—
Lim Hwee Hai*	—	—	—	—	—
	—	528	75	7	610

* These Directors were remunerated by SiS and its subsidiaries other than the Group. No apportionment has been made as the Directors are of the opinion that it is impracticable to apportion such remuneration between their services provided to the Company's fellow subsidiary and each of its subsidiaries.

No directors waived any emoluments during the Relevant Periods.

(b) Five highest paid individuals

The five highest paid individuals included one, one, one, one (unaudited) and one director of the Company for the year ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2013 and 2014 respectively. The emoluments of the remaining four, four, four, four (unaudited) and four individuals for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other benefits	932	4,014	2,494	1,302	1,066
Contributions to retirement benefit scheme	22	50	57	29	29
Performance related incentive payments	140	11	120	120	109
	1,094	4,075	2,671	1,451	1,204

Note: The performance related incentive payments are determined based on the financial performance and resources of the Group and the performance of the individual during the Relevant Periods.

Their emoluments were within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013** (unaudited)	**2014**
HK$Nil to HK$1,000,000	4	2	3	4	4
HK$1,000,001 to HK$1,500,000	—	2	1	—	—
	4	4	4	4	4

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the statements of profit or loss and other comprehensive income of the Group for the Relevant Periods is on a combined basis as disclosed in note 2.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings *HK$'000*	Office equipment *HK$'000*	Office renovations *HK$'000*	Total *HK$'000*
COST				
As of 1 January 2011	—	—	—	—
Acquisition of subsidiaries *(Note 28)*	8	77	25	110
Additions	9	44	—	53
Disposals/written off	—	(6)	—	(6)
As of 31 December 2011	17	115	25	157
Additions	342	445	1,530	2,317
Disposals/written off	(59)	(57)	(40)	(156)
As of 31 December 2012	300	503	1,515	2,318
Additions	83	565	410	1,058
Disposals/written off	(1)	—	—	(1)
As of 31 December 2013	382	1,068	1,925	3,375
Additions	20	61	159	240
As of 30 June 2014	402	1,129	2,084	3,615
ACCUMULATED DEPRECIATION				
As of 1 January 2011	—	—	—	—
Charge for the year	4	30	5	39
Disposals/written off	—	(3)	—	(3)
As of 31 December 2011	4	27	5	36
Charge for the year	50	145	202	397
Disposals/written off	(48)	(50)	(26)	(124)
As of 31 December 2012	6	122	181	309
Charge for the year	139	275	637	1,051
As of 31 December 2013	145	397	818	1,360
Charge for the period	78	190	377	645
As of 30 June 2014	223	587	1,195	2,005
CARRYING VALUES				
At 31 December 2011	13	88	20	121
At 31 December 2012	294	381	1,334	2,009
At 31 December 2013	237	671	1,107	2,015
At 30 June 2014	179	542	889	1,610

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

Furniture and fittings	2–4 years
Office equipment	3–4 years
Office renovations	Shorter of lease term or 4 years

13. INVENTORIES

Inventories represents the finished goods purchased from the supplier for the distribution to wholesalers or for retail-sales.

During the year ended 31 December 2011 and 2012, and the six months ended 30 June 2014, a reversal on impairment of inventories of HK$1,011,000, HK$412,000 and HK$858,000, respectively, have been recognised and included in cost of sales. The reversal relates to a provision no longer required on the subsequent sales of certain of these inventories which indicated that the circumstance that previously caused inventories to be written down below cost no longer exist.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	51,789	40,134	45,322	11,545
Less: Allowance for doubtful debts	—	(1)	—	—
	51,789	40,133	45,322	11,545
Other receivables	3,546	7,470	31,221	67,630
Refundable deposits	78	489	1,988	2,182
Prepayments	1,992	917	504	850
	5,616	8,876	33,713	70,662
	57,405	49,009	79,035	82,207

Details of trade receivables denominated in foreign currency is as follows:

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar ("US$")	—	271	—	—

Trade receivables comprise amounts receivable from the sales and distribution of mobile and IT products in Hong Kong.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. No interest is charged on overdue debts.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period.

Ageing of trade receivables

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1–30 days	37,318	29,268	31,799	8,818
31–60 days	7,444	8,758	13,503	2,589
61–90 days	27	1,990	3	18
91–120 days	6,861	117	9	92
121 days and above	139	—	8	28
Total	51,789	40,133	45,322	11,545

Included in the trade receivable balance are debts with total carrying amount of HK$12,910,000, HK$16,585,000, HK$16,154,000 and HK$2,097,000 which are past due as at 31 December 2011, 2012 and 2013 and 30 June 2014 for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and repayment history of the debtors and settlement after the end of each reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

Ageing of trade receivables which are past due but not impaired based on due date

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1–30 days	4,063	12,445	16,124	1,873
31–60 days	1,843	4,007	4	104
61–90 days	6,865	117	18	92
91–120 days	76	16	—	28
121 days and above	63	—	8	—
	12,910	16,585	16,154	2,097

Movement in allowance for doubtful debts

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	79	—	1	—
(Written off of) impairment losses recognised on receivables	(79)	1	(1)	—
Balance at end of year/period	—	1	—	—

The allowance for doubtful debts is provided on individually impaired trade debtors which have either been in severe financial difficulties or defaulted payments.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Major terms of foreign currency forward contracts of the Group as at 31 December 2011 are as follows:

The Group entered into four foreign currency forward contracts with total principal amount of US$15,000,000 to buy Singapore dollar ("S$") at specified rates ranging from S$1.2207 to S$1.2625 to US$1. These contracts matured on dates ranging from 8 March 2012 to 3 May 2012.

Major terms of foreign currency forward contracts of the Group as at 31 December 2012 are as follows:

No foreign currency forward contract was outstanding as at 31 December 2012.

Major terms of foreign currency forward contracts of the Group as at 31 December 2013 are as follows:

The Group entered into two foreign currency forward contracts with total principal amount of US$10,000,000 to sell Japanese Yen ("JPY") at specified rates ranging from JPY91.330 to JPY93.750 to US$1. These contracts matured on dates from 28 January 2014 to 19 February 2014.

Major terms of foreign currency forward contracts of the Group as at 30 June 2014 are as follows:

The Group entered into four foreign currency forward contracts with total principal amount of US$10,000,000 to sell JPY at specific rates ranging from JPY101.72 to JPY102.35 to US$1. These contracts will be matured on dates from 6 February 2015 to 16 March 2015.

16. CASH AND CASH EQUIVALENTS

Bank balances carry interest at market rates ranging from 0.001% to 2% per annum with an original maturity of three months or less throughout the Relevant Periods.

Bank balances that are denominated in US$, currencies other than the functional currencies of the Combined Entities, amounted to HK$113,000, HK$2,148,000, HK$559,000 and HK$1,170,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively.

17. SHARE CAPITAL

The Company was incorporated on 4 July 2014 and therefore there was no issued share capital shown in the combined statements of financial position as at 31 December 2011, 2012 and 2013 and 30 June 2014. Upon incorporation, the authorised capital is 3,800,000 shares of HK$0.1 each, and 1 share was issued at par.

18. RESERVES

Special reserve

Special reserve includes the contribution from SiS in relation to the acquisition of Synergy as set out in Note 28 and the aggregate share capital of the Combined Entities before the Group Reorganisation.

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	THE GROUP			
	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	31,460	20,773	60,335	41,218
Advance received from customer	59	243	1,292	1,840
Accrued staff costs	1,395	1,888	2,678	2,418
Accruals	761	5,127	6,606	9,154
Other payables	141	141	262	156
	33,816	28,172	71,173	54,786

The average credit period on purchase of goods is 15 to 45 days. Trade payables that are denominated in US$, currency other than the functional currencies of the Combined Entities amounted to HK$17,164,000, HK$17,665,000, HK$3,428,000 and HK$4,890,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. The following is an aged analysis of the trade payables, based on the invoice date, at the end of each reporting period.

The aging of trade payables is as follows:

	THE GROUP			
	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	24,644	15,750	56,851	38,217
31 to 90 days	6,434	4,785	3,246	2,763
91 to 120 days	7	107	—	—
Over 120 days	375	131	238	238
	31,460	20,773	60,335	41,218

20. AMOUNTS DUE FROM/TO RELATED COMPANIES

The related companies are the wholly-owned subsidiaries of SiS.

Except for the amount due to a related company of HK$10,000,000 as at 31 December 2013 bearing interest at Hong Kong Interbank Offer Rate plus a margin, the remaining balances are unsecured, interest free with no fixed terms of repayment.

21. BORROWINGS

The amounts represent revolving bank loans denominated in HK$ bearing interest at variable market interest rates, which are based on Hong Kong Interbank Offer Rate plus a margin, ranging from 1.23% to 1.65% and 1.23% to 1.85% per annum as at 31 December 2013 and 30 June 2014 respectively.

22. DIVIDEND

No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group during the Relevant Periods and up to the date of this report.

23. 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 throughout the Relevant Periods.

The capital structure of the Group consists of advances from related companies, bank borrowings and equity attributable to owners of the Company, comprising retained profits and other reserve.

The Directors review the capital structure periodically. As part of this review, the Directors assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the Directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the issue of debts.

24. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT POLICIES

(i) Categories of financial instruments

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Derivative financial instruments	—	—	9,382	—
Loans and receivables:				
Trade and other receivables	55,335	47,603	76,543	79,175
Amount due from a related company	—	—	—	7,691
Cash and cash equivalents	21,623	18,267	30,301	27,849
	76,958	65,870	116,226	114,715
Financial liabilities				
Derivative financial instrument	5,429	—	—	611
Other financial liabilities held at amortised cost:				
Trade and other payables	31,601	20,914	60,597	41,374
Amounts due to related companies	74,584	47,071	22,583	—
Borrowings	—	—	37,500	58,500
	111,614	67,985	120,680	100,485

The Group is exposed to financial risks arising from its business activities and manages them through established risk management processes, proper monitoring and reporting to the management.

(ii) Interest rate risk

The bank balances comprising short term bank deposits and bank borrowings carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

Sensitivity analysis

As the interest rates on bank deposits are minimal during the Relevant Periods, no sensitivity analysis was prepared and reported to the management.

If interest rates on bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 would decrease/increase by Nil, Nil, HK$187,500, and HK$146,250 respectively. The analysis is prepared assuming the amounts of bank loans outstanding at the end of each reporting period were outstanding for the whole year/period. A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year/period end exposure does not reflect the exposure during the Relevant Periods.

(iii) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers, the Group's concentration of credit risk by geographical location of customers are solely in Hong Kong which accounted for majority of the trade receivables as at 31 December 2011, 2012 and 2013 and 30 June 2014. The Group has concentration of credit risk on loans and receivable of which 28%, 28%, 28% and 24% are liquid funds deposited with several banks as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

(iv) Foreign exchange risk

Certain purchase of goods of the Group are denominated in US$, the currency other than the functional currencies of the relevant group entities.

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

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	128	4,023	4,821	6,014
Liabilities	17,164	17,665	3,428	4,890

The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

Sensitivity analysis

The following analysis indicates the change in the Group's pre-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each reporting period. The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant.

Non-derivative financial instrument

If the functional currency of the Group had been 50 basis points strengthen/weaken and all other variables were held constant, the Group's pre-tax profit for the year ended 31 December 2011 and 2012 would increase/decrease by HK$11,000 and HK$9,000 respectively, and the Group's pre-tax profit for the year ended 31 December 2013 and six months ended 30 June 2014 would decrease/increase by HK$1,000 and HK$1,000 respectively.

Derivative financial instrument

In respect to the derivative financial instruments of the Group, if USD had been 50 basis points strengthen/weaken and all other variables were held constant. The Group's pre-tax profit for the year ended 31 December 2011 and 2013 would decrease/increase by HK$4,653,000 and HK$3,714,000 respectively, while the Group's pre-tax profit for the six months ended 30 June 2014 would increase/decrease by HK$50,000.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the Relevant Periods.

(v) Liquidity risk

The Group's exposure to liquidity risk is minimal and is managed by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation. In addition, any shortfall in the funding requirements of the Group's operations may be obtained from bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. Specifically, 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 dates of financial liabilities are based on the agreed repayment dates:

	Weighted average effective interest rate	On demand or within 3 months	3 to 6 months	Total undiscounted cash flow	Carrying value
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011					
Financial liability					
Non-interest bearing					
Trade and other payables	—	31,601	—	31,601	31,601
Amounts due to related companies	—	74,584	—	74,584	74,584
		106,185	—	106,185	106,185
Foreign currency forward contracts					
Cash inflow		(37,884)	(73,687)	(111,571)	(111,571)
Cash outflow		39,000	78,000	117,000	117,000
		1,116	4,313	5,429	5,429
At 31 December 2012					
Financial liability					
Non-interest bearing					
Trade and other payables	—	20,914	—	20,914	20,914
Amounts due to related companies	—	47,071	—	47,071	47,071
		67,985	—	67,985	67,985
At 31 December 2013					
Financial liability					
Non-interest bearing					
Trade and other payables	—	60,597	—	60,597	60,597
Amounts due to related companies	—	12,583	—	12,583	12,583
		73,180	—	73,180	73,180
Interest bearing					
Borrowings	1.57	37,500	—	37,500	37,500
Amount due to a related company	0.90	10,000	—	10,000	10,000
		47,500	—	47,500	47,500

	Weighted average effective interest rate	On demand or within 3 months	3 to 6 months	Total undiscounted cash flow	Carrying value
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Foreign currency forward contracts					
Cash inflow		(77,590)	—	(77,590)	(77,590)
Cash outflow		68,208	—	68,208	68,208
		(9,382)	—	(9,382)	(9,382)

	Weighted average effective interest rate	On demand or within 3 months	3 to 6 months	Over 6 months and less than 1 year	Total undiscounted cash flow	Carrying value
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2014						
Financial liability						
Non-interest bearing						
Trade and other payables	—	41,374	—	—	41,374	41,374
Interest bearing						
Borrowings	1.78	58,500	—	—	58,500	58,500
Foreign currency forward contracts						
Cash inflow		—	—	(78,000)	(78,000)	(78,000)
Cash outflow		—	—	78,611	78,611	78,611
		—	—	611	611	611

The above table has been drawn up based on the undiscounted cash flows of financial liability (including principal and interest cash flows) based on the earliest date on which the Group can be required to pay (including principal and interest cash flows).

Borrowings with a repayment on demand clause are included in the "on demand or within 3 months" time band in the above maturity analysis. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the aggregate amounts of these borrowings amounted to Nil, Nil, HK$37,500,000 and HK$58,500,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such borrowings will be repaid within 3 months after the end of the reporting period 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 Nil, Nil, HK$37,523,000 and HK$58,540,000 respectively.

(vi) Fair values

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The derivative financial instruments, represents the foreign currency forward contracts as set out in Note 15, are measured at fair value at the end of each reporting period. The fair value of foreign currency forward contracts are measured at the present value of future cash flows estimated using quoted forward exchange rates, which is observable at the end of each reporting period and categorised as level 2.

There were no transfers between Levels 1, 2 and 3 during the Relevant Periods.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values. The fair values of other financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

25. RELATED PARTIES TRANSACTIONS

Certain related party disclosures have been disclosed in Notes 7 and 20. The Directors are of the opinion that all the related party transactions have been established under terms as negotiated between the related parties.

(a) Transactions with holding company and fellow subsidiary companies

Except for the interest expenses to a related company as disclosed in Note 7, the Group sold goods to a fellow subsidiary of approximately HK$6,000, HK$23,000, HK$53,000, HK$34,000 (unaudited) and HK$7,000 for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 (unaudited) and 2014 respectively. Besides, SiS provided a corporate guarantee to the banks in respect of the facilities granted to the Group during the Relevant Periods as set out in Note 21.

(b) Significant balances with related parties

The significant balances with related parties have been disclosed in Note 20.

(c) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The Directors considered the key management personnel of the Group are the Directors. The remuneration of members of key management personnel of the Group are disclosed in Note 10.

26. OPERATING LEASE COMMITMENTS

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

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	83	1,284	6,946	5,840
In the second to fifth year inclusive	—	1,957	4,442	2,262
	83	3,241	11,388	8,102

Operating lease payments represents rental payable by the Group for certain of its office premise. Leases are negotiated for an average term of three years and rentals are fixed throughout the lease period.

27. SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which is the Directors, in order to allocate resources to segments and to assess their performance.

The Group is principally engaged in the distribution of mobile phone and IT products in Hong Kong. Revenue and gross profit (which constitutes an operating segment) is the measure reported to the Directors for the purposes of resource allocation and performance assessment. The accounting policies of the operating segments are the same as the Group's accounting policies. The Directors considers that all products distributed by the Group have similar nature. Therefore, the Directors concluded that there is only one reportable segment and no further analysis for segment information is presented.

Major customer information

For the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, revenue from customers contributing over 10% of the total revenue of the Group is from two, one, one, one (unaudited) and one customers with total amount of HK$110,026,000, HK$275,065,000, HK$181,504,000, HK$99,148,000 (unaudited) and HK$296,543,000 respectively, in relation to the distribution of mobile and IT products.

28. ACQUISITION OF SUBSIDIARIES

On 15 July 2011, SiS acquired 100% of the issued share capital of Synergy for a total consideration of HK$22,300,000. The consideration is based on the net assets to be acquired of HK$3,498,000 and the amount due to Synergy's former holding company of HK$18,802,000. The acquisition has been accounted for using the purchase method. Synergy is the holding company of W-Data, which is engaged in the distribution of mobile phone, IT and communication products. Assets acquired and liabilities, which appropriate to their fair values, recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	110
Inventories	8,659
Trade and other receivables, deposits and prepayment	14,059
Cash and cash equivalents	3,420
Trade payables, other payables and accruals	(22,703)
Tax liabilities	(47)
	3,498

The gross contractual amounts of those trade and other receivables acquired amounted to HK$11,640,000, which approximate its fair value, at the date of acquisition. None of the contractual amount is expected not to be recoverable in full.

Net cash inflow arising for acquisition:

	HK$'000
Cash and cash equivalent balances acquired	3,420

Included in revenue and profit for the year ended 31 December 2011 are HK$284,709,000 and HK$7,312,000 respectively attributable to the business generated by Synergy and its subsidiary.

Had the acquisition been completed on 1 January 2011, total group revenue and profit for the year ended 31 December 2011 would be approximately HK$612,768,000 and HK$5,093,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

Pre-acquisition results of businesses acquired

The pre-acquisition results and cash flows of Synergy and its subsidiary from 1 January 2011 to 14 July 2011 ("Pre-acquisition Period"), and financial position as at the date of completion of the acquisition are as follows:

Consolidated statement of profit or loss and other comprehensive income

	HK$'000
Revenue	99,168
Cost of sales	(92,665)
Gross profit	6,503
Other income	173
Selling and distribution expenses	(4,258)
Administrative and other expenses	(2,401)
Profit before tax	17
Income tax expense	(49)
Loss and total comprehensive expense attributable to owner of the Company for the period	(32)

	HK$'000
Consolidated statement of financial position	
Non-current Asset	
Property, plant and equipment	110
Current Assets	
Inventories	8,659
Trade and other receivables, deposits and prepayment	14,059
Cash and cash equivalents	3,420
	26,138
Current Liabilities	
Trade payables, other payables and accruals	22,703
Tax liabilities	47
	22,750
Net current Assets	3,388
Net Assets	3,498
Capital and Reserve	
Share capital	5,000
Accumulated losses	(1,502)
	3,498

Included in the trade and other receivables, deposits and prepayment is trade debtors of approximately HK$11,640,000 in which approximate HK$431,000 are aged over 90 days.

Included in the trade payables, other payables and accruals is trade payables of approximately HK$3,241,000 in which approximate HK$630,000 are aged over 90 days.

Consolidated statement of changes in equity

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
As of 1 January 2011	5,000	(1,470)	3,530
Loss and total comprehensive expense for the period	—	(32)	(32)
As of 14 July 2011	5,000	(1,502)	(3,498)

Consolidated statement of cash flows

	HK$'000
Operating activities	
Profit before taxation	17
Adjustment for:	
Depreciation of property, plant and equipment	26
Operating cash flow before movements in working capital	43
Movement in working capital:	
Increase in inventories	(845)
Decrease in trade and other receivables, deposits and prepayments	5,833
Decrease in amounts due from related companies	408
Decrease in trade payables, other payables and accruals	(6,013)
Net cash used in operating activities	(574)
Cash used in investing activity	
Purchase of property, plant and equipment	(24)
Cash used in financing activity	
Repayment to a shareholder	(440)
Net decrease in cash and cash equivalents	(1,038)
Cash and cash equivalents at the beginning of the period	4,458
Cash and cash equivalents at the end of the period	3,420

B. SUBSEQUENT EVENTS

Except as mentioned in note 2 in respect to the Group Reorganisation, no significant event took place subsequent to 30 June 2014.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the subsidiaries of the Company subsequent to 30 June 2014.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended 31 December 2013 and the six months ended 30 June 2014 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma financial information is prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, and is set out here to provide investors with further information about how the Global Offering might have affected the combined net tangible assets of the Group after completion of the Global Offering as if the Global Offering had taken place on 30 June 2014. Prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position as at 30 June 2014 or at any future date.

The following is an unaudited pro forma statement of adjusted combined net tangible assets of the Group which is prepared based on the audited combined net tangible assets of the Group as at 30 June 2014 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group following the Global Offering.

	Audited combined net tangible assets of the Group as at 30 June 2014	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets of the Group**	**Unaudited pro forma adjusted combined net tangible assets of the Group per Share**
	HK$	*HK$*	*HK$*	*HK$*
	('000)	*('000)*	*('000)*	*Note 3*
	Note 1	*Note 2*		
Based on an offer price of HK$0.9 per Share	88,284	14,326	102,610	0.37
Based on the offer price of HK$0.73 per Share	88,284	6,938	95,222	0.34

Notes:

(1) The audited combined net tangible assets of the Group as at 30 June 2014 is based on the combined net assets of the Group of HK$88,284,000, as extracted from the Accountants' Report on the financial information of the Group for the three years ended 31 December 2013 and the six months ended 30 June 2014 which is set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 44,800,000 Shares to be issued at an offer price of HK$0.9 and HK$0.73 per Share respectively, after deduction of the estimated underwriting fees and related expenses expected to be incurred by the Group subsequent to 30 June 2014 and does not take into account of any Shares

which may be issued upon the exercise of the Offer Size Adjustment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is arrived at after making the adjustments referred to in note (2) above and on the basis of 280,000,000 Shares in total, assuming that 44,800,000 Shares to be issued pursuant to the Global Offering and capitalisation issue of 235,190,000 Shares of the Company had been completed on 30 June 2014. It does not take into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.

B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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

TO THE DIRECTORS OF SIS MOBILE HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SiS Mobile Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 June 2014 and related notes as set out in section A of Appendix II to the prospectus issued by the Company dated 31 December 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 June 2014 as if the global offering of shares of the Company had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2013 and the six months ended 30 June 2014, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 31 December 2014

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Companies Law.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 16 December 2014 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his close associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a Director by law;

(ff) if he ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to it within 30 days of any change in such Directors or officers, including a change of the name of such Directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a Shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to Shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the Shareholders not less than 21 days before the general meeting to those Shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on 4 July 2014 subject to the Companies Law. Certain provisions of Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is ultra vires the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 21 July 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 July 2014. Our Company's registered office is located as at the date of this prospectus at Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

We have established a principal place of business in Hong Kong at 4/F, Contempo Place, 81 Hung To Road, Kwun Tong, Kowloon, Hong Kong, and were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 17 October 2014 under the same address. Mr. Lim Kiah Meng and Ms. Wong Yi Ting have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and our Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Articles of Association is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation of the Company, the authorised share capital of the Company was HK$380,000 divided into 3,800,000 Shares of nominal value of HK$0.10 each. The following alterations in the share capital of the Company have taken place since its date of incorporation up to the date of this prospectus:

(a) on 7 July 2014, one Share of HK$0.10 was issued and allotted for cash at par to the initial subscriber, Parentco;

(b) pursuant to the Share Purchase Agreement, the Company acquired the entire issued share capital in each of Qool and Synergy held by SiS Distribution. In consideration, the Company allotted and issued 3,999 Shares and 6,000 Shares to SiS Distribution in respect of the acquisition of the entire issued share capital in Qool and Synergy, respectively. Upon completion, the Company held the entire issued share capital in each of Qool and Synergy;

(c) SiS Distribution declared a special dividend by way of distribution in specie of its entire shareholding in the Company in favour of Parentco on 25 September 2014. Completion of the distribution in specie took place simultaneously to the completion of the Share Purchase Agreement. Upon completion, SiS Distribution ceased to have any shareholding in the Company and Parentco in turn holds 100% of the issued share capital of the Company;

(d) on 16 December 2014, the authorised share capital of our Company was increased from HK$380,000 divided into 3,800,000 Shares of HK$0.10 each to HK$50,000,000 divided into 500,000,000 Shares of HK$0.10 each by the creation of an additional 496,200,000 Shares of HK$0.10 each pursuant to a resolution passed by the sole Shareholder of our Company referred to in paragraph 3 below;

(e) 235,190,000 Shares will be allotted and issued to Parentco, credited as fully paid at par by capitalising and applying a sum of HK$23,519,000 standing to the credit of the share premium account of our Company on or about the Listing Date; and

(f) immediately upon completion of the Capitalisation Issue, the Distribution and the Global Offering (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option), a total of 280,000,000 Shares (inclusive of the 44,800,000 new Shares to be issued under the Global Offering) will be issued fully paid or credited as fully paid and 220,000,000 Shares will remain unissued. In the event that the Offer Size Adjustment Option is exercised in full, an additional 6,720,000 Shares will be issued fully paid or credited as fully paid. Other than pursuant to the Global Offering and the exercise of the Offer Size Adjustment Option, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in the sub-section headed "3. Resolutions in Writing of the Sole Shareholder of Our Company Passed on 16 December 2014" in this Appendix below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Resolutions in Writing of the Sole Shareholder of Our Company Passed on 16 December 2014

Pursuant to written resolutions of the sole Shareholder passed on 16 December 2014 which, among other things:

(a) the amended and restated Memorandum and Articles of Association were approved and adopted conditional upon and with effect from the Listing;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 3,800,000 Shares of HK$0.10 each to HK$50,000,000 divided into 500,000,000 Shares of HK$0.10 each by the creation of an additional 496,200,000 Shares of HK$0.10 each;

(c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); (ii) the entering into of the Price Determination Agreement; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Global Offering was approved and our Directors were authorised to approve the allotment and issue of the Shares, as the case may be, pursuant to the Global Offering on and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms to be published by the Company in accordance with the Listing Rules;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-section headed "D. Share Option Scheme" in this Appendix below, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

(iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise HK$23,519,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 235,190,000 Shares for allotment and issue to Parentco.

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. The Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For information with regard to the Reorganisation, please refer to the section headed "History and Reorganisation" in this prospectus.

5. Our subsidiaries

Our subsidiaries are set out in the "Accountants' Report", the text of which is set out in Appendix I to this prospectus.

6. Changes in share capital of our subsidiaries

Our Company's subsidiaries are referred to in the "Accountants' Report", the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, the Company has no other subsidiaries.

On 15 February 2013, Sun Well was incorporated in Hong Kong with an authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each with one share being allotted and issued to Ready-made. On 4 March 2013, Synergy acquired one share, representing the entire issued share capital of Sun Well, from Ready-made for a service fee of approximately HK$3,000.

Save as disclosed above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Relevant legal and regulatory requirements

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, amongst which it is provided that:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully-paid up in the case of shares) on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of a general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of the sole Shareholder passed on 16 December 2014, conditional upon the conditions as stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus being fulfilled (or, if applicable, waived), a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all the powers of the Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option). The Repurchase Mandate will remain in effect until (a) the conclusion of the next annual general meeting of the Company, (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association to be held or (c) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the Repurchase Mandate, whichever is the earliest.

(ii) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Companies Law, any repurchases by the Company may be made out of profits of the Company, out of the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits or the share premium account of the Company, or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that the Directors believe that such repurchases will benefit the Company and its Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share.

(c) Funding of repurchases

In repurchasing the Shares, the Company may only apply funds of the Company legally available for such purpose in accordance with its Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws and regulations of Cayman Islands.

On the basis of the current financial position of the Company as disclosed in the prospectus, and taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse impact on the working capital and/or the gearing position of the Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital position of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(d) Number of Shares which may be repurchased

On the basis of 280,000,000 Shares in issue immediately following the completion of the Global Offering (without taking into account the exercise of the Offer Size Adjustment Option), the Directors would be authorised under the Repurchase Mandate to repurchase up to 28,000,000 Shares during the period in which the Repurchase Mandate remains in force.

(e) General

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws and regulations of Cayman Islands.

If as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding public shareholding. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent that in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No connected person of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within the two years immediately preceding the date of this prospectus which are or may be material:

(1) a share purchase agreement dated 10 October 2014 entered into between SiS Distribution (as vendor) and the Company (as purchaser), pursuant to which SiS Distribution agreed to transfer the entire issued share capital in each of Qool and Synergy held by it to the Company. In consideration, the Company allotted and issued 3,999 Shares and 6,000 Shares to SiS Distribution in respect of the acquisition of the entire issued share capital in Qool and Synergy, respectively;

(2) the Deed of Non-Competition;

(3) a deed of indemnity dated 24 December 2014 entered into between our Controlling Shareholder and our Company (for itself and as trustee for its subsidiaries) (the "**Deed of Indemnity**") in respect of, amongst others, taxation referred to in the sub-section headed "E. Other Information — 1. Indemnities" in this Appendix; and

(4) the Hong Kong Underwriting Agreement.

2. Our intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material to our Group's business.

(a) Trademarks

(i) As at the Latest Practicable Date, SiS Asia Pte. Ltd., an indirect wholly-owned subsidiary of the Parentco has registered and has granted a non-exclusive license to the Group to use the following trademark. Details of such trademark are as follows *(Note 1)*:

Trademark	Class	Place of registration	Registered Owner	Trade Mark Number	Expiry Date
QOOL	9	Hong Kong	SiS Asia Pte. Ltd.	300213533	12 May 2024

Note 1:

Please refer to the section headed "Continuing Connected Transactions — Exempt Continuing Connected Transactions" in this prospectus for the background and reasons for the grant of, and additional details of, the above non-exclusive licence.

(ii) As at the Latest Practicable Date, the Parentco has applied for registration of, and has granted a non-exclusive license to the Group, to use the following trademark, certificates of registration for which have not yet been issued. Details of such trademark are as follows *(Note 2)*:

Trademark	Class	Place of Application	Application Number	Application Date	Applicant
A B	9, 16, 35, 38, 42	Hong Kong	303157713	7 October 2014	Parentco

Note 2:

Please refer to the section headed "Continuing Connected Transactions — Exempt Continuing Connected Transactions" in this prospectus for the background and reasons for the grant of, and additional details of, the above non-exclusive licence.

(b) Domain Names

Domain Name	Registrant	Registration Date	Expiry Date
synergy-asia.com.hk	Synergy	10.2.2006	17.2.2017
wdata.com.hk	W-Data	16.9.2008	26.9.2018
sismobile.com.hk	Company	09.7.2014	10.7.2019

Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to the Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests or short positions of Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations

Immediately following completion of the Distribution and the Global Offering (without taking into account of: (i) any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the Share Option Scheme and (ii) any change to the capital structure of Parentco between the Latest Practicable Date and the Distribution Record Date), the interests and/or short positions of the Directors and chief executives of the Company in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed, are as follows:

(i) Long positions in the Shares

Name of Director/ chief executive	Capacity	*Note*	Number of Shares	Approximate percentage of shareholding %
LIM Kiah Meng	Interest in controlled corporation	*1*	146,531,557	52.33
	Beneficial interests		1,729,024	0.62
	Interest of his child under 18 or spouse		144,000	0.05
	Interests held jointly with another person		170,880	0.06
LIM Kia Hong	Interest in controlled corporation	*1*	146,531,557	52.33
	Beneficial interests		1,846,754	0.66
	Interest of his child under 18 or spouse		161,280	0.06
LIM Hwee Hai	Beneficial interests		1,065,984	0.38
	Interest of his child under 18 or spouse		1,145,330	0.41

Notes

(1) These 146,531,557 Shares are held by Parentco which is owned as to approximately 50.66%, 4.61%, 4.61% and 4.61% by Gold Sceptre, Kelderman Limited, Valley Tiger Limited, Swan River Limited, respectively. By virtue of the SFO, the above-mentioned companies are deemed to be interested in the same parcel of Shares held by the Parentco. In addition, Mr. Lim Kiah Meng and his spouse, Ms. Fauzijus Tjandra and Mr. Lim Kia Hong and his spouse, Ms. Tan Kah Leng together own 40.5% and 39.5%, respectively of the issued share

capital of Summertown which owns the entire issued share capital of each of Gold Sceptre, Kelderman Limited, Valley Tiger Limited, Swan River Limited. By virtue of the SFO, Mr. Lim Kia Hong and Mr. Lim Kiah Meng are deemed to be interested in the same parcel of Shares held by the Parentco.

(ii) Long position in shares of associated corporations

Name of Director/ chief executive	**Name of associated corporation**	**Capacity/ Nature of interests**	*Note*	**Number of shares in the associated corporation** *(Note 7)*	**Approximate percentage of shareholding** %
LIM Kiah Meng	Parentco	Interest of controlled corporation	*1*	178,640,000	64.47%
		Interests held jointly with another person	*2*	534,000	0.19%
		Interest of his child under 18 or spouse	*3*	450,000	0.16%
		Beneficial interests		5,403,200	1.95%
	ITCL	Interest of controlled corporation	*4*	40,059,390	53.41%
LIM Kia Hong	Parentco	Interest of controlled corporation	*1*	178,640,000	64.47%
		Interest of his child under 18 or spouse	*3*	504,000	0.18%
		Beneficial interests		5,771,108	2.08%
	SiS Thailand	Beneficial interests		241,875	0.07%
		Interest of controlled corporation	*5*	165,616,595	47.29%
LIM Hwee Hai	Parentco	Beneficial interests		3,331,200	1.20%
		Interest of his spouse	*6*	3,579,158	1.29%
	SiS Thailand	Beneficial interests		244,687	0.07%
CHU Chung Yi	Parentco	Beneficial interests		1,662,000	0.60%

Notes

(1) Gold Sceptre holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of Parentco. Mr. Lim Kiah Meng and his spouse, Ms. Fauzijus Tjandra and Mr. Lim Kia Hong and his spouse, Ms. Tan Kah Leng together own 40.5% and 39.5%, respectively of the issued share capital of Summertown which owns the entire issued share capital of each of the above-mentioned companies. By virtue of the SFO, Mr. Lim Kia Hong and Mr. Lim Kiah Meng are deemed to be interested in Parentco.

(2) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse, Ms. Fauzijus Tjandra.

(3) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 608,000 shares on behalf of six beneficiaries aged below 18. Out of these 608,000 shares, 400,000 shares and 208,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

(4) A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse, Ms. Fauzijus Tjandra who hold 7,350,000 shares in ITCL, while Parentco indirectly holds 32,709,390 shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has a total interest of 66.85% in Parentco. By virtue of the SFO, Mr. Lim Kiah Meng has a deem interest of 32,709,390 shares in ITCL.

(5) Parentco indirectly holds 165,616,595 shares of the issued capital of SiS Thailand. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.77% in Parentco, therefore Mr. Lim Kia Hong has a deem interest in SiS Thailand under the SFO.

(6) 3,579,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. By virtue of the SFO, Mr. Lim Hwee Hai and Madam Lim are spouse, so they have deemed interest in their spouse's shares.

(7) The above information are based on the number of shares held in the respective associated corporations as at the Latest Practicable Date.

2. Disclosure of interests and short positions of the substantial shareholders in the Shares and underlying shares of our Group

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

3. Particulars of service contracts and letters of appointment

(a) Executive Directors

Except for Mr. Lim Kiah Meng who has entered into a service contract with the Company for an initial term of three years, each of the executive Directors has entered into a service contract with the Company for an initial term of one year with effect from the date of appointment and thereafter be continuous unless and until terminated by not less than three months' advance notice in writing served by either party on the other or by payment in lieu of such notice in accordance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

(b) Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Directors has entered into a letter of appointment with the Company for a period of two years and each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of one year, in each case commencing from the date of appointment subject to the provision of retirement and rotation of Directors under the Articles of Association. Such appointment may be terminated by not less than one month's advance notice in writing served by either party on the other.

The non-executive Directors and the independent non-executive Directors are not contractually entitled to any bonus and/or other remuneration for holding their office as a Director.

4. Directors' Remuneration

(a) The aggregate sums of approximately HK$580,000, HK$1,285,000, HK$1,492,000 and HK$610,000 were paid to the Directors as remuneration for the three financial years ended 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively (being such part of the remuneration paid by the Parentco Group to the Directors which was allocated to the Group as expenses by reference to their involvement in the operations of the Group). Further information in respect of the Directors' and chief executive's emoluments and employees' remuneration is set out in the "Accountants' Report" in Appendix I to this prospectus.

(b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK$2,200,000 will be paid to the Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) for the financial year ending 31 December 2014.

(c) None of the Directors or past directors of any member of the Group has been paid any sum of money for each of the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 and the six months ended 30 June 2014 respectively for (a) loss of office as director of any member of the Group or any other office in connection with the management affairs of any member of the Group or (b) as an inducement to join or upon joining any member of the Group.

(d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 and the six months ended 30 June 2014 respectively.

(e) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

5. Disclaimer

Save as disclosed in this prospectus:

(a) none of the Directors or chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following completion of the Distribution and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provision of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(b) so far as is known to any of the Directors, no person (other than the Directors or chief executives of the Company) has an interest or short position in the Shares and underlying Shares of the Company immediately following completion of the Distribution and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, once the Shares are listed on the Stock Exchange;

(c) none of the Directors nor experts referred to in the sub-section headed "E. Other Information — 9. Qualification and consent of experts" in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;

(d) none of the Directors nor experts referred to in the sub-section headed "E. Other Information — 9. Qualification and consent of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

(e) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

(f) none of the Directors nor experts referred to in the sub-section headed "E. Other Information — 9. Qualification and consent of experts" in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from the Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of the Group.

D. SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by a written resolution passed by our Shareholders on 16 December 2014. The terms of the Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants (as defined in paragraph (b) below) to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its Shareholders, and to maintain or attract business relationship with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

The Board is of the view that the Share Option Scheme may provide the Qualified Participants with the opportunity of participating in the growth of the Group by acquiring Shares in the Company which may in turn assist in the attraction and retention of the Qualified Participants.

To ensure the achievement of the purpose of the Share Option Scheme, its rules do not specify any minimum holding period and/or performance targets as a condition for the exercise of an option but subject to the determination of the Board. The Board is given the authority under the Share Option Scheme rules to determine and state in the offer letter of grant any minimum holding period and/or performance targets as conditions for exercise of an option. In addition, the Board has the authority under the Share Option Scheme rules to determine the basis of eligibility of any Qualified Participant and the grant of an option on a case by case basis as the Board in its sole discretion considers appropriate. Hence, the Board believes that the rules of the Share Option Scheme will serve to achieve its purpose as well as protect the value of the Company.

(b) Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to:

(i) any executive Director, or employee (whether full time or part time) of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest;

(ii) any non-executive Directors (including independent non-executive Directors) of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest (together with (i) above, "**Eligible Employee**");

(iii) any customer, business or joint venture partner, adviser, consultant, contractor, supplier, agent or service provider of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest who is an individual; or

(iv) any full-time employee of any customer, business or joint venture partner, adviser, consultant, contractor, supplier, agent, customer or service provider of the Company or any subsidiary or any entity in which the Company or any subsidiary holds any equity interest,

who the Board considers, in its sole discretion, has contributed or will contribute to the Company or any subsidiary or any entity in which the Company or any subsidiary holds any equity interest (collectively, the "**Qualified Participant**").

(c) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate**"), excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company, provided that:

(i) the Company may seek approval by the Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate as refreshed must not exceed 10% of the total number of Shares in issue as at the date of such Shareholder approval. For these purposes, options previously granted under the Share Option Scheme and any other share option schemes of the Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted. The Company shall send to the Shareholders a circular containing the information required under Chapter 17 of the Listing Rules;

(ii) the Company may seek separate approval by the Shareholders in general meeting for granting options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought. A circular will be sent by the Company to the Shareholders in accordance with the Listing Rules; and

(iii) the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

The maximum number of Shares in respect of which options may be granted shall be adjusted in such manner as the auditors of the Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of the Company but shall not in any event exceed the limits imposed by the Listing Rules.

(d) Maximum entitlement of each Qualified Participant

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

(e) Grant of options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates under the Share Option Scheme must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a grantee of the options).

Any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of grant:

(i) would represent in aggregate more than 0.1% of the Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

At the general meeting to approve such proposed grant of options, the grantee, his associates and all core connected persons (as defined in the Listing Rules) of the Company must abstain from voting in favour of the proposed grant unless they intend to vote against the proposed grant and that intention has been stated in the circular to be dispatched to Shareholders in accordance with the Listing Rules. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules. The Company shall send to the Shareholders a circular containing the details and information required under Chapter 17 of the Listing Rules.

(f) Acceptance of an offer of options

An offer of the grant of an option shall be made to a Qualified Participant by letter in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. The offer shall remain open for such period (not exceeding 30 days, inclusive of, and from, the date of offer) as the Board may determine and notify to the Qualified Participant.

An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favor of the Company of HK$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Qualified Participant.

(g) Subscription price

The subscription price shall be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer;

(ii) the average of the 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 offer; and

(iii) the nominal value of the Shares.

(h) Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective from the date on which the last of the conditions (as set out in paragraph (x) below) is fulfilled (the "**Adoption Date**") until the end of the period of ten years commencing on the Adoption Date (the "**Scheme Period**"), after which time no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of the Scheme Period shall continue to be valid and exercisable after the end of the Scheme Period in accordance with the terms of the Share Option Scheme.

(i) Performance target and minimum holding period

There is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by a grantee before the option can be exercised unless the Board otherwise determined and stated in the offer letter of the grant of options.

(j) Restriction on the time of grant of options

The Company may not grant any option after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. Without prejudice to the foregoing, no option shall be granted during the period specified in the Listing Rules as being a period during which no option may be granted.

No grant of options shall be made to a Qualified Participant who is a Director during a period in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or the Company's own equivalent code.

(k) Ranking of the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of allotment. Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

(l) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable (except for the transmission of an option on the death of any grantee to a person who of succession is entitled to the option). No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so (except that the grantee may nominate a nominee, of which the grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the grantee and the nominee has been provided to the satisfaction of the Board).

(m) Rights on ceasing employment/death

If the grantee who is an Eligible Employee ceases to be so engaged by reason other than his death or the termination of his employment on one or more of the grounds under subparagraph (s)(v) below or retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement, the grantee shall be entitled to exercise the option up to his entitlement at the date of cessation (to the extent exercisable but not already exercised) within a period of 1 month from the date of such cessation, which date shall be the last day on which the grantee was at work with the Company, the relevant subsidiary or any entity in which the Company or any subsidiary holds any equity interest (whether salary is paid in lieu of notice or not) (or within such longer period as the Board may determine).

In the event of death of the grantee (being an individual) before exercising the option in full, and none of the events which would be a ground for termination of his employment under subparagraph (s)(v) below has arisen in case such grantee is an Eligible Employee, his legal personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine.

(n) Rights on retirement

If the grantee being an Eligible Employee ceases to be so engaged by reason of retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his employment as specified in subparagraph (s)(v) below has arisen, the grantee shall be entitled within a period of 12 months from the date of retirement (or such longer period as the Board may determine) to exercise the option up to the grantee's entitlement (to the extent exercisable but not already exercised).

(o) Rights on termination of business relationship with the Group

In the event that the grantee being a non-Eligible Employee in the absolute opinion of the Board ceases to be qualified as a Qualified Participant by reason of termination of its business relation with the relevant member of the Group or otherwise, such grantee shall be entitled within a period of 1 month from the date of termination (or such other period as the Board may determine) to exercise the option up to its entitlement (to the extent exercisable but not already exercised).

(p) Rights on take-over

If a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the Shareholders (or all Shareholders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the option period of an outstanding option, the grantee (or his legal personal representatives) shall be entitled to exercise the option (to the extent not already exercised but whether vested or not) at any time before the expiry of the period of 10 Business Days following the date on which the offer becomes or is declared unconditional.

(q) Rights on winding-up

If an effective resolution is passed for the voluntary winding-up of the Company or an order of court is made for the winding-up of the Company, a grantee may in respect of outstanding options by notice in writing to the Company within 15 Business Days after the date of such resolution, elect to be treated as if the option (to the extent not already exercised but whether vested or not) had been exercised immediately before the passing of the resolution. The notice must state the number of Shares in respect of which the election is made and be accompanied by a remittance for the full amount of the subscription price for the relevant Shares. Immediately upon receipt of the notice by the Company, the grantee will become entitled to receive out of the assets available in the liquidation pari passu with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of the election.

(r) Rights on company reconstructions

If a compromise or arrangement between the Company and its Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to all grantees on the same day as it gives notice of the meeting to its Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on the earlier of:

(i) the date 2 calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court;

exercise the option (to the extent not already exercised but whether vested or not) (whether in full or in part), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. The Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms present to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(s) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period which must expire not more than 10 years from the date of grant;

(ii) the expiry of the periods referred to in paragraphs (m), (n), (o), (p), (q) or (r) above;

(iii) the date of the commencement of the winding-up of the Company in respect of the situation contemplated in paragraph (q) above;

(iv) the date the scheme or compromise referred to in paragraph (r) above becomes effective;

(v) the date on which the grantee being an Eligible Employee ceases to be a Qualified Participant by reason of the termination of his employment on the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally, or has been convicted of a criminal offence involving his integrity or honesty, or on any other ground on which an employer would be entitled to terminate his employment forthwith pursuant to applicable laws or under the grantee's employment contract;

(vi) the date on which the grantee commits a breach of paragraph (l) above;

(vii) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the grantee has failed to satisfy or comply with such conditions, restrictions or limitation;

(viii) in respect of the grantee being a consultant or adviser (whether individual or corporation), the date on which the Board resolves that the consultant or adviser fails to comply with any provisions of the relevant contracts, or breaches its fiduciary duty under the common law; and

(ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

(t) Alteration of capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the grantee) such corresponding alterations (if any) in (i) the number of Shares subject to any option so far as such option remains unexercised; (ii) the subscription price; (iii) the method of exercise of the option; and/or (iv) the number of Shares subject to the Share Option Scheme, as the auditors of the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that are required to give each grantee the same proportion of the share capital as that to which the grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a grantee at less than its nominal value.

(u) Cancellation of options

Unless the grantee agrees, the Board may only cancel an option (which has been granted but no yet exercised) if, at the election of the Board, either:

(i) the Company pays to the grantee an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial adviser appointed by the Board;

(ii) the Board offers to grant to the grantee replacement options (or options under any other share option scheme) provided that such replacement options are granted under a scheme with available unissued options (excluding the cancelled options) within the limit mentioned in paragraph (c) above, or makes such arrangements as the grantee may agree to compensate him for the loss of the option;

(iii) the Board makes such arrangements as the grantee may agree to compensate him for the cancellation of the option; or

(iv) termination of the Share Option Scheme.

The Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. In particular, all options granted and accepted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(v) Alteration of the Share Option Scheme

The Board may by resolution amend any of the provisions of the Share Option Scheme except the following, which shall be approved by the Shareholders in general meeting:

(i) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee;

(iii) any change to the authority of the Board or the scheme administrator; and

(iv) any amendments to the terms of options granted to a grantee who is a substantial shareholder or an independent non-executive Director, or any of their respective associates.

provided that any amendments of the Share Option Scheme provisions or terms of the options shall comply with the requirements of the Listing Rules.

(w) Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional upon:

(i) the approval of the Shareholders for the adoption of the Share Option Scheme; and

(ii) the approval by the Stock Exchange of the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme.

If the permission referred to in subparagraph (ii) is not granted within six months after the date of the Share Option Scheme was conditionally adopted:

(iii) the Share Option Scheme will forthwith determine;

(iv) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(v) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option; and

(vi) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by the Company.

Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Indemnities

Our Controlling Shareholder (the "**Indemnifier**") has entered into the Deed of Indemnity with the Company in favor of each member of our Group (being the contract referred to in paragraph (j) of the sub-section headed "B. Further Information about the Business — 1. Summary of Material Contracts in this Appendix" above) to provide the following indemnities:

Under the Deed of Indemnity, among others, the Indemnifier will indemnify each of the Company and our subsidiaries against, among others, (a) taxation falling on the Company and our subsidiaries resulting from, or by reference to, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; and (b) any actions, claims, losses, damages, costs, charges or expenses which may be made, suffered or incurred by any of the Company or our subsidiaries in respect of or arising directly or indirectly arising from any taxation or taxation claim (as defined therein).

The Indemnifier will, however, not be liable under the Deed of Indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of the Company and our subsidiaries for the three years ended 31 December 2013 and the six months ended 30 June 2014; (b) the taxation falling on the Company and our subsidiaries in respect of any accounting period commencing on or after 1 July 2014 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifier, the Company, our subsidiaries or any of them otherwise than in the course of normal day to day trading operations on or before the Listing Date; and (c) the taxation arises or is incurred as a consequence of any change in law or the interpretation thereof or practice by the relevant tax authority having retrospective effect coming into force after the Listing Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

2. Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group, that would have a material adverse effect on the results of operations or financial position of the Group as a whole.

3. Sole Sponsor and Sole Sponsor's fee

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and all the Shares to be issued as mentioned in this prospectus, including any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option.

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

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The fee payable by the Company to the Sole Sponsor to act as sponsor to the Company in connection with the Global Offering is HK$7.5 million.

4. Registration procedures

The register of members of the Company will be maintained in Cayman Islands by Appleby Trust (Cayman) Ltd. and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's share register in Hong Kong and may not be lodged in Cayman Islands.

5. Taxation of holders of Shares

(a) Cayman Islands

Under the present laws of Cayman Islands, transfers and other disposals of Shares are exempted from Cayman Islands stamp duty as long as the Company does not hold any interest in land in the Cayman Islands.

(b) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(c) Generally

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of the Company, the Directors, the Sole Sponsor, the Underwriters and all of their respective directors, agents or advisers nor any other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in the Shares.

6. Agency fees and commissions received

The Underwriters will receive an underwriting commission as referred to in the section headed "Underwriting — Commission and expenses" in this prospectus.

7. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US$5,000 and have been paid by the Company.

8. Promoter

The Company has no promoter for the purpose of the Listing Rules.

9. Qualification and consent of experts

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus:

Expert	Qualifications
Haitong International Capital Limited	Licensed corporation holding a license under the SFO to conduct type 6 (advising on corporate finance) regulated activity.
Deloitte Touche Tohmatsu	Certified public accountants
Appleby	Legal adviser as to Cayman Islands law

Each of the above parties has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which they are respectively included.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Reserves available for distribution

As at the Latest Practicable Date, our Company has no reserves available for distribution to our Shareholders.

12. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2014 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and

(ii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial condition of the Group in the 12 months preceding the date of this prospectus.

(c) The principal register of members of our Company will be maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

(d) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this prospectus, together with copies of the Application Forms, the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 9. Qualification and consent of experts" in Appendix IV to this prospectus, and copies of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts" in Appendix IV to this prospectus have been delivered to the Registrar of Companies in Hong Kong for registration.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Cleary Gottlieb Steen & Hamilton (Hong Kong), 37th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong during normal business hours from the date of this prospectus up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the "Accountants' Report" prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of the subsidiaries of the Company incorporated in Hong Kong (except for W-Data which was established in BVI on 26 April 2002) provided by Deloitte Touche Tohmatsu for the three years ended 31 December 2013 and the six months ended 30 June 2014;

(d) the report received from Deloitte Touche Tohmatsu on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the statement of adjustments of the Company for the three years ended 31 December 2013 and the six months ended 30 June 2014;

(f) the letter of advice prepared by Appleby summarising certain aspects of Companies Law referred to in Appendix III to this prospectus;

(g) the rules of the Share Option Scheme referred to in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus;

(h) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(i) the service contracts and appointment letters with each of the Directors, referred to in the section headed "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus;

(j) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 9. Qualification and consent of experts" in Appendix IV to this prospectus; and

(k) the Companies Law.

SiS Mobile Holdings Limited

新龍移動集團有限公司*