

# HK Asia Holdings Limited 港亞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1723

## SHARE OFFER

Sole Sponsor

**CLC** CLC INTERNATIONAL LIMITED  
創僑國際有限公司

Joint Bookrunners

 國金證券(香港)有限公司  
SINOLINK SECURITIES (HK) CO. LTD.

 **Opus** Capital Limited  
創富融資有限公司

Joint Lead Managers

**CLC** CLC SECURITIES LIMITED  
創僑證券有限公司

 國金證券(香港)有限公司  
SINOLINK SECURITIES (HK) CO. LTD.

 **Opus** Capital Limited  
創富融資有限公司



## IMPORTANT

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

### HK Asia Holdings Limited

### 港亞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

#### SHARE OFFER

Number of Shares offered under the Share Offer	:	100,000,000 Shares (comprising 83,000,000 New Shares and 17,000,000 Sale Shares, subject to the Over-allotment Option)
Number of Placing Shares	:	90,000,000 Shares (comprising 73,000,000 New Shares and 17,000,000 Sale Shares, subject to adjustment and the Over-allotment Option)
Number of Public Offer Shares	:	10,000,000 New Shares (subject to adjustment)
Maximum Offer Price	:	HK\$1.3 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1723

#### Sole Sponsor



#### Joint Bookrunners



#### Joint Lead Managers



#### Co-Manager



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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong, the Stock Exchange of Hong Kong Limited 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 Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us (for the Company and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 14 September 2018 and, in any event, not later than Monday, 17 September 2018. The Offer Price will be not more than HK\$1.3 and is currently expected to be not less than HK\$1.0, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Monday, 17 September 2018 between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us (for the Company and on behalf of the Selling Shareholder), the Share Offer will not proceed and will lapse. Applicants for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.3 for each Offer Share, together with a 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price is lower than HK\$1.3 as finally determined.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our consent (for the Company and on behalf of the Selling Shareholder), reduce the number of Public Offer Shares being offered under the Share Offer and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Public Offer Shares and/or the indicative Offer Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.hkasiaholdings.com](http://www.hkasiaholdings.com) not later than the morning of the last day for lodging applications under the Public Offer. For more details, please see "Structure of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe or purchase, and to procure applicants for the subscription or purchase of, the Public Offer Shares, are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting – Underwriting Arrangements and Expenses – Public Offer – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. persons.

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

11 September 2018

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## EXPECTED TIMETABLE <sup>(1)</sup>

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Latest time to complete electronic applications under <b>HK eIPO White Form</b> service through the designated website <u><a href="http://www.hkeipo.hk">www.hkeipo.hk</a></u> <sup>(2)</sup> . . . . .	11:30 a.m. on Friday, 14 September 2018
Application lists of the Public Offer open <sup>(3)</sup> . . . . .	11:45 a.m. on Friday, 14 September 2018
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms and to give <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> . . . . .	12:00 noon on Friday, 14 September 2018
Latest time to complete payment for <b>HK eIPO White Form</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .	12:00 noon on Friday, 14 September 2018
Application lists of the Public Offer close <sup>(3)</sup> . . . . .	12:00 noon on Friday, 14 September 2018
Expected Price Determination Date <sup>(5)</sup> . . . . .	Friday, 14 September 2018
(1) Announcement of <ul style="list-style-type: none"><li>• the Offer Price;</li><li>• the level of applications in respect of the Public Offer;</li><li>• the level of indications of interest in the Placing; and</li><li>• the basis of allotment of the Public Offer Shares under the Public Offer</li></ul> to be published on the website of the Stock Exchange at <u><a href="http://www.hkexnews.hk">www.hkexnews.hk</a></u> <sup>(6)</sup> and our website at <u><a href="http://www.hkasiaholdings.com">www.hkasiaholdings.com</a></u> <sup>(6)</sup> on or before . . . . .	Wednesday, 26 September 2018
(2) Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares – Publication of Results" from . . . . .	Wednesday, 26 September 2018
A full announcement of the Public Offer containing (1) and (2) above to be published on the website of the Stock Exchange at <u><a href="http://www.hkexnews.hk">www.hkexnews.hk</a></u> <sup>(6)</sup> and our website at <u><a href="http://www.hkasiaholdings.com">www.hkasiaholdings.com</a></u> <sup>(6)</sup> from . . . . .	Wednesday, 26 September 2018
Results of allocations in the Public Offer will be available at <u><a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a></u> with a "search by ID" function from . . . . .	Wednesday, 26 September 2018

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## EXPECTED TIMETABLE <sup>(1)</sup>

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Despatch of Share certificates or deposit of the Share  
certificates into CCASS in respect of wholly or partially  
successful applications pursuant to the Public Offer on <sup>(7)(8)(9)</sup> . . . . . Wednesday,  
26 September 2018

Despatch of HK eIPO White Form e-Auto Refund payment  
instructions/refund cheques in respect of wholly or partially  
successful applications (if applicable) or wholly or partially  
unsuccessful applications pursuant to the Public Offer on <sup>(7)(8)(9)</sup> . . . . . Wednesday,  
26 September 2018

Dealings in Shares on the Stock Exchange to commence at . . . . . 9:00 a.m. on Thursday,  
27 September 2018

*Notes:*

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Share Offer, including its conditions, are set out in “Structure of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.hkasiaholdings.com](http://www.hkasiaholdings.com).
- (2) You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment 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 Friday, 14 September 2018, the application lists will not open on that day. For more details, please see “How to Apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
- (4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for the Public Offer Shares – 6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) We expect to determine the Offer Price by agreement with the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 14 September 2018 and, in any event, not later than Monday, 17 September 2018. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us (for the Company and on behalf of the Selling Shareholder) by Monday, 17 September 2018, the Public Offer and the Placing will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum Offer Price of HK\$1.3 per Offer Share payable by applicants for Public Offer Shares under the Public Offer, applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.3 for each Share, together with the brokerage fee of 1.0%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027% but will be refunded the surplus application monies as provided for in “How to Apply for the Public Offer Shares” in this prospectus.

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## EXPECTED TIMETABLE <sup>(1)</sup>

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- (6) None of the Company's website or any of the information contained on the Company's website forms part of this prospectus.
- (7) We will not issue any temporary documents of title in respect of the Shares. Share certificates will become valid certificates of title at 8:00 a.m. on Thursday, 27 September 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong Identity Card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong Identity Card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong Identity Card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
- (9) Applicants who have applied on **WHITE** Application Forms or through HK eIPO White Form Service for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all required information in their applications may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, between 9:00 a.m. to 1:00 p.m. on Wednesday, 26 September 2018 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all required information may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. 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 for Public Offer Shares by giving electronic application instructions to HKSCC should refer to "How to Apply for the Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies – (iv) If you Apply Via Electronic Application Instructions to HKSCC" in this prospectus for details. Applicants who apply through the HK eIPO White Form service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the application payment 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) despatched 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 will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in "How to Apply for the Public Offer Shares – 13. Refund of Application Monies" and "How to Apply for the Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. 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. 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. 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.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Neither we nor the Selling Shareholder have 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 Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Share Offer.*

*Information contained on our website at [www.hkasiaholdings.com](http://www.hkasiaholdings.com) does not form part of this prospectus.*

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## SUMMARY

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***This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety 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 “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.***

### BUSINESS OVERVIEW

We are principally conducting wholesale and retail sales of Pre-paid Products (i.e. SIM Cards and Top-up Vouchers) in Hong Kong. The Pre-paid Product allow users to make local and international phone calls and also enjoy mobile data services. During the Track Record Period, substantially all of our Pre-paid Products sold (by us in terms of our revenue) are Operator A Products supplied by the Network Operator A, which accounted for 100.0%, about 99.8% and 91.3% of our total revenue for FY2016, FY2017 and FY2018 respectively. Please refer to the section headed “Risk Factors – Risks relating to the business of our Group – Our revenue was substantially generated from the sale of Operator A Products and we rely heavily on the Network Operator A for the supply of our Operator A Products, our business and results of operation may be adversely affected if (i) Network Operator A terminates or refuses to renew the Operator A 2018 Distribution Agreement; (ii) the renewed terms become less favourable to us; and (iii) Network Operator A adjusts or reduces the level of discretionary discounts given to us” on pages 36 – 37 in this prospectus.

The target end-users of the Operator A Products are predominantly Filipino or Indonesian mobile users, and most of whom are domestic helpers in Hong Kong. We sell Operator A Products through our Sales Network for Operator A Products, which comprises (i) our self-managed retail shops, (ii) a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and (iii) retailers in Hong Kong. During the Track Record Period, we operated five self-managed retail shops and we had an average of about 250 retailers within our Sales Network for Operator A Products. For further details in relation to the relationship between Customer A and Customer B, please refer to the section headed “Business – Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” on pages 130 – 131 in this prospectus.

In March 2017, we started selling Operator B Products supplied by Network Operator B targeting our Brand S Target Users who have demands for local and international phone calls and/or mobile data services in Hong Kong or overseas, which include mainly (i) local users travelling overseas, who have multiple mobile phones, and would not like to join a post-paid plan and/or occasionally demand for high volume data usage; and (ii) tourists travelling to Hong Kong. We sell Operator B Products through our Sales Network for Operator B Products, which comprises (i) our self-managed retail shops and (ii) retailers in Hong Kong. As at 31 March 2018, we had 465 retailers within our Sales Network for Operator B Products.



## SUMMARY

We operate our business as a wholesaler as we have not entered into any long-term contract with our customers, and we have no control over our customers. It is also possible that our suppliers and customers may choose to deal with one another directly. For details of such risks, please refer to the paragraphs headed “We sell our Pre-paid Products through our wholesaler and our retailers within our Sales Networks, over whom we have no control. We do not have any inventory management and pricing policies to ensure that there is no cannibalisation between our retail shops, the wholesaler and our retailers within our Sales Networks” and “Our suppliers and customers may choose to deal with one another directly” under the section headed “Risk Factors – Risks relating to the business of our Group” on pages 39 and 37, respectively, in this prospectus.

According to Frost & Sullivan Report, we captured a market share of about 33.5% (in terms of retail sales revenue in 2017) and ranked first in Hong Kong’s Pre-paid Products distribution market targeted at Filipinos; we also captured a market share of about 24.2% and ranked second in Hong Kong’s Pre-paid Products distribution market targeted at Indonesians.

During the early part of FY2016, we also carried out the Discontinued Business of selling mobile phones, electronics and accessories in our retail shops. The Discontinued Business were disposed to a company outside our Group (which is wholly owned by our Controlling Shareholder) in FY2016, and the inventories related to the Discontinued Business were disposed of by our Group at cost with effect from 30 September 2015.

### OUR PRE-PAID PRODUCTS

During the Track Record Period, our revenue comprised sales of Operator A Products and Operator B Products, among which over 90% of such Pre-paid Products (in terms of our revenue) were supplied by Network Operator A, one of the four mobile network operators in Hong Kong.

The table below sets forth the breakdown of revenue by category during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Network Operator A</b>						
– SIM Cards	4,633	2.3	7,550	3.9	4,046	2.1
– Top-up Vouchers	195,683	97.7	184,023	95.9	172,411	89.2
<b>Network Operator B</b>						
– SIM Cards	–	–	214	0.1	10,507	5.4
– Top-up Vouchers	–	–	194	0.1	6,280	3.3
<b>Total</b>	<u>200,316</u>	<u>100.0</u>	<u>191,981</u>	<u>100.0</u>	<u>193,244</u>	<u>100.0</u>

## SUMMARY

During the Track Record Period, a majority of our revenue was generated from the sales of Operator A Products, which accounted for about HK\$200.3 million, HK\$191.6 million and HK\$176.5 million, representing 100.0%, about 99.8% and 91.3% of our total revenue for FY2016, FY2017 and FY2018, respectively. During the Track Record Period, the revenue generated from the sales of Operator B Products amounted to nil, about HK\$0.4 million and HK\$16.8 million for FY2016, FY2017 and FY2018 respectively. For details of our sales analysis by categories of Pre-paid Products during the Track Record Period, please refer to the section headed “Financial Information – Description of selected combined statement of profit or loss and other comprehensive income items – Revenue” on page 201 in this prospectus.

The table below sets forth the breakdown of revenue by types of users during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Indonesian mobile users	60,624	30.3	63,588	33.1	53,683	27.8
Filipino mobile users	139,692	69.7	127,985	66.7	122,775	63.5
Other users	—	—	408	0.2	16,786	8.7
Total	<u>200,316</u>	<u>100.0</u>	<u>191,981</u>	<u>100.0</u>	<u>193,244</u>	<u>100.0</u>

During the Track Record Period, Operator A Products comprised three brands of SIM Cards and their respective Top-up Vouchers, namely, Brand C SIM Card, Brand H SIM Card and Brand KK SIM Card. Brand C SIM Cards and Brand H SIM Cards are designed and featured mainly for Indonesian mobile users, and Brand KK SIM Cards are designed and featured mainly for Filipino mobile users in Hong Kong. Such SIM cards may only be used after being topped up by the respective brand of Operator A Top-up Vouchers. A particular brand of Operator A Top-up Voucher does not work with other brands of SIM Cards supplied by Network Operator A. Currently, for each brand of the Operator A SIM Cards, mobile users may purchase Operator A Top-up Vouchers with face values of HK\$20, HK\$50 or HK\$100 each.

The types of target end-users of the Brand S products are relatively broad, which include mainly (i) local users travelling overseas, who have multiple mobile phones, and would not like to join a post-paid plan and/or occasionally demand for high volume data usage; and (ii) tourists travelling to Hong Kong. Apart from standard mobile services (such as making local phone calls, sending text messages and mobile data services), mobile users using our Brand S SIM Cards are allowed to subscribe for various local and international roaming data packages and IDD phone call packages at a relatively low price. Such SIM card may only be used after being topped up by the Brand S Top-up Vouchers. Top-up Vouchers of brands other than Brand S supplied by Network Operator B cannot be used to top-up the mobile accounts of the Brands S SIM Cards. Currently, mobile users may purchase Brand S Top-up Vouchers with face value of HK\$80 each.

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## SUMMARY

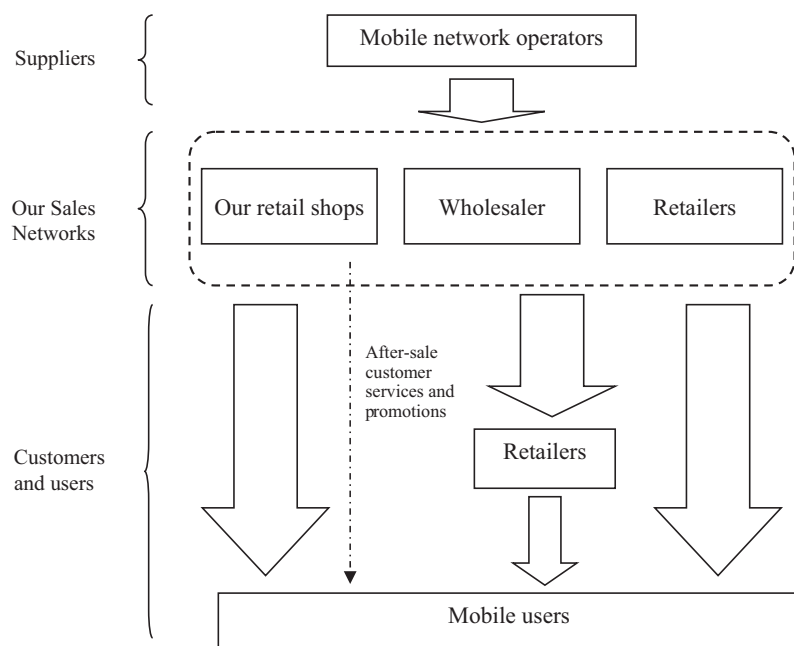
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For details of the features of our Pre-paid Products, please refer to the section headed “Business – Our Pre-paid Products” on pages 110 – 115 in this prospectus.

### OUR BUSINESS MODELS

During the Track Record Period, we sold our Pre-paid Products through our Sales Network for Operator A Product and Sales Network for Operator B Products. Pursuant to Operator A 2008 Distribution Agreement, Operator A 2015 Distribution Agreement and Operator A 2018 Distribution Agreement, we have been granted exclusivity in distributing Operator A Products; whereas pursuant to the Operator B 2016 Distribution Agreement, we distribute Operator B Products on a non-exclusive basis. As the target users of the Operator A Products and the Operator B Products are different, the criteria for selecting and appointing retailers for selling Operator A Products and Operator B Products are also different. As such, the degree of overlapping between our two Sales Networks is low. During the Track Record Period, there were about 20 retailers within our Sales Network for Operator A Products who are also retailers within our Sales Network for Operator B Products.

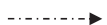
The following diagram illustrates our existing business model:



**Notes:**



Supply and sales of SIM Cards and Top-up Vouchers



After-sale customer services and promotions

## SUMMARY

### OUR CUSTOMERS AND SALES NETWORKS

Set out below is a breakdown of our sales by types of sales channels during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Our own retail shops	42,495	21.2	48,631	25.3	62,553	32.4
Wholesaler	54,269	27.1	47,774	24.9	40,361	20.9
Retailers within our Sales Networks	103,552	51.7	95,576	49.8	90,330	46.7
Total	<u>200,316</u>	<u>100.0</u>	<u>191,981</u>	<u>100.0</u>	<u>193,244</u>	<u>100.0</u>

Set out below is the breakdown of our gross profit and gross profit margin by types of sales channels during the Track Record Period:

	FY2016		FY2017		FY2018	
	Gross Gross profit profit margin margin HK\$'000	%	Gross Gross profit profit margin margin HK\$'000	%	Gross Gross profit profit margin margin HK\$'000	%
Our own retail shops	12,182	28.7	15,186	31.2	22,550	36.0
Wholesaler	13,614	25.1	13,384	28.0	12,502	31.0
Retailers within our Sales Networks	27,143	26.2	27,247	28.5	26,771	29.6
Total	<u>52,939</u>	<u>26.4</u>	<u>55,817</u>	<u>29.1</u>	<u>61,823</u>	<u>32.0</u>

During the Track Record Period, we operated five self-managed retail shops, two of which are located in Central, one in Causeway Bay, one in Tsuen Wan and one in Yuen Long. All of our retail shops were principally engaged in the retail sales of Operator A Products. Apart from selling our Pre-paid Products in our retail shop, we also provide our target end-users with after-sale services, such as technical support and general enquiry. In these retail shops, we have been hiring some staff who are able to speak Filipino or Indonesian languages, to facilitate effective communication with our target end-users of Operator A Products.



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## SUMMARY

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During the Track Record Period, apart from our five retail shops, our Sales Network for Operator A Products comprise a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and an average of about 250 retailers (e.g. telecom stores, newsstands and convenience stores), while our Sales Network for Operator B Products had 465 retailers as at 31 March 2018. We have a seller and buyer relationship with our retailers and wholesaler within our Sales Networks. We do not allow product returns or refunds for our Pre-paid Products sold except if the product is defective or with quality issues that we will arrange for replacement of products to our customers. Given our seller and buyer relationship with our customers within our Sales Networks, we do not have control over our customers within our Sales Networks.

During the Track Record Period, we derived a significant portion of our revenue from two of our customers, namely, Customer A and Retailer A. For FY2016, FY2017 and FY2018, our sales to Customer A amounted to about HK\$54.3 million, HK\$47.8 million and HK\$32.5 million, representing about 27.1%, 24.9% and 16.8% of our total revenue, respectively. Such decrease in our sales to Customer A during FY2018 was primarily due to the decrease in our sales of Pre-paid Products for Filipino mobile users and also partly to its replacement by Customer B in January 2018. Our sales to Retailer A amounted to about HK\$39.6 million, HK\$27.4 million and HK\$24.9 million, representing about 19.8%, 14.3% and 12.9% of our total revenue, respectively. Such decrease in our sales to Retailer A during the Track Record Period was primarily due to our decrease in sales of Pre-paid Products for Filipino mobile users to Retailer A. For details, please refer to the section headed “Business – Our Customers and Sales Networks – Reliance on our major customers” on page 129 in this prospectus.

In general, our own retail shops generate higher gross profit margin because we generally sell our Pre-paid Products to mobile-user at face value at our own retail shops. For sales to the wholesaler and retailers within our Sales Networks, we offer a discount with reference to the face values stated on the relevant Pre-paid Products. For FY2016 and FY2017, the gross profit margin attributable to our sales to the wholesaler was lower than that for the retailers within our Sales Networks because we offered a slightly higher level of discounts to the wholesaler as bulk purchase discount. For FY2018, the gross profit margin attributable to our sales to the wholesaler was slightly higher than that for retailers within our Sales Networks, primarily attributable to the increase in sales of Operator B Products and the gross profit margin of which was lower than that of Operator A Products. Our overall gross profit margin was about 26.4%, 29.1% and 32.0% for FY2016, FY2017 and FY2018, respectively. Our overall gross profit margin for FY2016 was lower compared to FY2017 and FY2018, which was primarily attributable to a lower level of discretionary discounts offered by Network Operator A for that year. Our overall gross profit margin for FY2018 was higher which is primarily due to a higher level of discount given by Network Operator A and the increase in revenue generated from our retail shops which generally had a higher gross profit margin.

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## SUMMARY

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### PRICING POLICY

At our own retail shops, we generally sell the Pre-paid Products at their face values, but occasionally we may offer discounts to our customers. Our Group sells the Pre-paid Products to wholesaler and retailers within our Sales Networks at a discount with reference to the face values stated on the relevant Pre-paid Products. The discount rate offered as bulk purchase discount by our Group to certain customers who place relatively higher volume of orders with us is generally higher than those offered to other customers.

### MARKETING AND PROMOTION

Occasionally, we sell Top-up Vouchers at a discount (such as on a “buy ten, get one free” basis). Before we discontinued our Discontinued Business in FY2016, we sometimes sold packages of mobile phone and SIM Cards at an attractive price to promote our Pre-paid Products. To encourage more frequent top-ups, we operate from time to time reward redemption programmes for mobile users who purchase Top-up Vouchers (whether at our own retail shops or through retailers within our Sales Networks).

### SUPPLIERS

During the Track Record Period, over 90% of our Pre-paid Products sold by us were sourced from Network Operator A. We entered into Operator A 2008 Distribution Agreements, Operator A 2015 Distribution Agreement and Operator A 2018 Distribution Agreement with Network Operator A, under which we have been granted exclusivity in distributing Operator A Products. In March 2017, we started selling Operator B Products supplied by Network Operator B under Operator B 2016 Distribution Agreement on a non-exclusive basis.

#### **Reliance on Network Operator A**

During the Track Record Period, over 90% of our Pre-paid Products sold by us were sourced from the Network Operator A and so we relied on Network Operator A. According to the Frost & Sullivan Report, in Hong Kong’s Pre-paid Products distribution market in 2017, Network Operator A ranked second and had a market share of about 20.6% in terms of retail sales volume. Our Directors are of the view that the reliance is mainly due to (i) the dominance of Network Operator A in the mobile communications industry as it is one of the four mobile network operators in Hong Kong; (ii) our long and established business relationship with Network Operator A since 2003; and (iii) we consider that Network Operator A is a reliable supplier that our Group can rely on.

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## SUMMARY

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Our Directors are of the view that the sustainability of our business are contributed by (i) the conclusion of the Operator A 2018 Distribution Agreement which granted us the exclusivity of distributing Operator A Products during the term of the Operator A 2018 Distribution Agreement; (ii) the maintenance of our Sales Network for Operator A Products and provision of after-sale services as our competitive edge; and (iii) selling other mobile network operator products as our contingency plan. We have been selling Operator B Products since March 2017 as one of our measures to diversify our supplier network. For details, please refer to the section headed “Business – Our Suppliers – Reliance on Network Operator A” on pages 138 – 144 in this prospectus.

During the Track Record Period, we were offered various levels of discounts by Network Operator A at its discretion. The level of discretionary discounts given by Network Operator A depends on, to a large extent, the total amount of products purchased during a particular period of time and the results of negotiation of our management with Network Operator A. Any significant reduction in such discounts may affect our profitability and financial results. For details, please refer to the section headed “Risk Factors – Our revenue was substantially generated from the sale of Operator A Products and we rely heavily on the Network Operator A for the supply of our Operator A Products, our business and results of operation may be adversely affected if (i) Network Operator A terminates or refuses to renew the Operator A 2018 Distribution Agreement; (ii) the renewed terms become less favourable to us; and (iii) Network Operator A adjusts or reduces the level of discretionary discounts given to us.” on pages 36 – 37 in this prospectus.

Our Directors believe that the risk of disintermediation is low because of (i) the extended term of exclusivity under the Operator A 2018 Distribution Agreement; (ii) business strategies of the mobile network operators to lower their operating cost; (iii) cash settlement by us with Network Operator A and Network Operator B; and (iv) the well-established business relationship with Network Operator A. Besides, our Group may face increasing competition due to the emergence of e-commerce platforms and online retail market. However, our Directors believe that the risk of technological disruption for purchasing Top-Up Voucher through apps is currently small. According to the Frost & Sullivan Report, offline store is still the major distribution channel of Pre-paid Products in Hong Kong. For details, please refer to the section headed “Business – Our Suppliers – Reliance on Network Operator A” on pages 138 – 144 in this prospectus.

### COMPETITIVE STRENGTHS

We attribute our success to the following key competitive strengths:

- effective supply and retail management through our extensive Sales Networks which essentially cover all 18 districts in Hong Kong;
- established and stable relationship with Network Operator A and the conclusion of Operator A 2018 Distribution Agreement; and
- customised service platform with experienced sales team and flexible strategy

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## SUMMARY

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### BUSINESS STRATEGIES

Our goal is to be a leading distributor of Pre-paid Products in Hong Kong. Our Group plans to accomplish by implementing the following strategies:

- expansion of our Sales Networks by setting up retail shops to strengthen our market presence in various districts and increasing the number of retailers in our Sales Networks;
- enhancement of promotion campaign through advertising on various media, engaging well-known television or movie celebrities in the Filipino or Indonesian communities to promote our products, renovating or decorating our retail shops, organising more in-store marketing and promotion activities; and
- enhancement of operational efficiency by strengthening our inventory management capability by upgrading our management information system.

### COMPETITION LANDSCAPE

According to the Frost & Sullivan Report, the distribution markets of (i) Pre-paid Products and (ii) the Pre-paid Products targeted at Indonesians and Filipinos in Hong Kong are relatively concentrated, whereby the top 5 players together take an aggregate of 86.1% and 89.0% of the total market share in terms of the respective retail sales revenue in 2017. According to Frost & Sullivan Report, our Group was ranked the largest distributor of Pre-paid Products targeted at Filipinos in terms of retail sales revenue in 2017, which captured a market share of about 33.5%. We were also ranked the second largest distributor of Pre-paid Products targeted at Indonesians in terms of retail sales revenue in 2017, which captured a market share of about 24.2%.

For further details, please refer to the section headed “Industry Overview – Competitive Landscape of Hong Kong’s Pre-paid Products Distribution Market” on pages 73 – 75 in this prospectus.

### SUMMARY OF FINANCIAL INFORMATION

The table below sets out a summary of the audited combined financial information during the Track Record Period. You should read the following financial information together with the financial information included in the accountants’ report set out in Appendix I to this prospectus, including the notes thereto.



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## SUMMARY

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### Selected items in our combined statements of profit or loss and other comprehensive income

	For the years ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	200,316	191,981	193,244
Cost of sales	(147,377)	(136,164)	(131,421)
Gross profit	52,939	55,817	61,823
Gross profit margin	26.4%	29.1%	32.0%
Profit for the years attributable to owners of the Company	23,011	26,312	19,393

Our revenue decreased by about 4.1% (or HK\$8.3 million) from about HK\$200.3 million for FY2016 to about HK\$192.0 million for FY2017. The decrease was mainly attributable to the decrease in revenue of about HK\$14.5 million from sales to the wholesaler and retailers within our Sales Networks which was mainly due to lower level of discounts and reward redemption programmes being offered by our Group for FY2017. Such decrease was partly offset by the increase in revenue from sales in our own retail shops of about HK\$6.1 million, especially for our retail shops in Central and Causeway Bay resulting from the increase in advertising and promotion activities carried out by us during FY2017.

Our revenue increased by about 0.6% (or HK\$1.2 million) from about HK\$192.0 million for FY2017 to about HK\$193.2 million for FY2018. The increase was mainly attributable to the increase in sales of Operator B Products of about HK\$16.4 million. Such increase was partially offset by the decrease in sales to the Indonesian mobile users by about HK\$9.9 million, which was mainly due to certain discounts offered by a mobile network operator on some competitive products, and the decrease in sales to the Filipino mobile users by about HK\$5.2 million, which was primarily due to the decrease in sales to the wholesaler of about HK\$4.8 million during the period. Our profit for the year decreased by about 26.2% (or HK\$6.9 million) from about HK\$26.3 million for FY2017 to about HK\$19.4 million for FY2018 mainly due to the increase in non-recurring Listing expenses of about HK\$7.0 million and advertising and promotion expenses of about HK\$2.1 million for FY2018.

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## SUMMARY

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### Selected items in our combined statements of financial position

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	1,695	1,495	2,606
Total current assets	69,133	78,341	72,878
Total current liabilities	(23,141)	(5,857)	(12,022)
Net current assets	45,992	72,484	60,856

Our net current assets decreased from about HK\$72.5 million as at 31 March 2017 to about HK\$60.9 million as at 31 March 2018. The decrease was mainly due to the settlement of amounts due from a director and related parties of about HK\$29.9 million in aggregate by setting off the dividend declared in September 2017, the increase in amount due to a related party of about HK\$5.2 million and the decrease in inventories of about HK\$3.7 million, which was partially offset by the increase in cash and cash equivalents of about HK\$21.2 million. For further details, please refer to the section headed “Financial Information – Net Current Assets” on pages 218 – 220 in this prospectus.

### SELECTED FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	As at/For the year ended 31 March		
	2016	2017	2018
Return on equity (%)	45.2	35.6	30.6
Return on total assets (%)	30.4	33.0	25.7
Current ratio ( <i>times</i> )	3.0	13.4	6.1
Quick ratio ( <i>times</i> )	1.9	7.2	3.4
Gearing ratio (%)	39.6	–	–

For details, please refer to the section headed “Financial Information – Key Financial Ratios” on pages 231 to 233 in this prospectus.

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## SUMMARY

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### INFORMATION ON CONTROLLING SHAREHOLDER

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Mr. Siu will directly hold 75% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Siu is the Controlling Shareholder of our Company. For further details, please refer to the section headed “Relationship with the Controlling Shareholder” on pages 160 – 166 in this prospectus.

### USE OF PROCEEDS

The net proceeds from the New Issue, after deducting underwriting fees and commission and other expenses in connection with the Share Offer, are estimated to amount to approximately HK\$53.9 million (assuming an Offer Price of HK\$1.15 per Offer Share, being the mid-point of the indicative Offer Price range).

We intend to use the net proceeds for the following purposes:

- about HK\$35.9 million (66.6%) for setting up of five retail shops across Hong Kong, Kowloon and New Territories, among which about HK\$4.4 million will be used for capital expenditure and about HK\$31.5 million will be used for operating costs;
- about HK\$2.1 million (3.9%) for hiring additional sales personnel to identify potential retailers;
- about HK\$13.0 million (24.1%) for carrying out marketing and promotional activities to strengthen our market position in the distribution of our Pre-paid Products;
- about HK\$2.5 million (4.6%) for implementing an enterprises resources planning system which can be integrated with our accounting system in order to enhance our operational efficiency; and
- about HK\$0.4 million (0.8%) for working capital and other general corporate purposes.

For details, please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds” on pages 237 – 238 in this prospectus.

We estimate that the net proceeds to be received by the Selling Shareholder from the sale of Sale Shares will be about HK\$18.1 million (assuming an Offer Price of HK\$1.15 per Offer Share, being the mid-point of the indicative offer price range). Proceeds from the sale of the Sale Shares by the Selling Shareholder will not belong to the Company.

### OFFERING STATISTICS

All statistics in the following table are based on the assumption that the Share Offer has been completed and 400,000,000 Shares are in issue immediately after the completion of the Share Offer.

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## SUMMARY

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	<b>Based on an Offer Price of HK\$1.0 per Offer Share</b>	<b>Based on an Offer Price of HK\$1.3 per Offer Share</b>
Market capitalisation	HK\$400.0 million	HK\$520.0 million
Unaudited pro forma adjusted combined net tangible assets per Share attributed to owners of the Company	HK\$0.30	HK\$0.36

For the calculation of the unaudited pro forma adjusted combined net tangible asset value per Share attributable to owners of the Company, please refer to the Appendix II to this prospectus.

### LISTING EXPENSES

Our estimated listing expenses include underwriting commissions, professional fees and other fees and expenses in connection with the Share Offer. Assuming an Offer Price of HK\$1.15 per Offer Share, being the mid-point of our indicative Offer Price range, the total listing expenses will be about HK\$43.0 million, of which about HK\$1.4 million will be borne by the Selling Shareholder and about HK\$41.6 million will be borne by our Group.

It is estimated that about HK\$14.2 million will be capitalised upon the Listing and about HK\$27.4 million has been or will be charged to our combined statements of profit or loss and other comprehensive income, of which (i) about HK\$4.4 million, HK\$2.4 million and HK\$9.4 million has been incurred and charged for FY2016, FY2017 and FY2018 respectively; and (ii) about HK\$11.2 million is expected to be incurred and charged for FY2019. Our Directors expect that our financial results for FY2019 would be materially and adversely affected by the non-recurring listing expenses to be charged to our combined statements of profit or loss and other comprehensive income.

### DIVIDEND

For FY2016 and FY2017, we did not pay any dividend. During FY2018, our subsidiary (namely, HK Mobile) declared in September 2017 a special dividend to its then shareholder of HK\$30.0 million, among which part of the dividend declared of about HK\$26.2 million was settled by setting off the amount due from a director and the amounts due from/to related parties assigned to Mr. Siu up to 31 July 2017, while the remaining of about HK\$3.8 million was settled in cash. Dividend declared and paid in the past should not be regarded as an indication of the dividend policy to be adopted by our Company following Listing. We currently do not have any pre-determined distribution ratio. Our Directors consider that, in general, the amount of any future dividends to be declared by our Company will depend on our Group's results of operations, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. Future declarations of dividends will be at the absolute discretion of our Directors. We cannot assure you that we will be able to distribute dividends in any year. The declaration and payment of dividends may also be limited by legal restriction and by loan or other agreement that our Company and its subsidiaries may enter into in the future.



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## SUMMARY

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### RISK FACTORS

Investing in our Shares involves substantial risk and our ability to successfully operate our business is subject to numerous risks. Any of the factors set forth under the section headed “Risk Factors” in this prospectus may limit our ability to successfully execute our business strategy. The following highlights some of the risks which are considered to be material by our Directors:

- our revenue was substantially generated from the sale of Operator A Products and we rely heavily on the Network Operator A for the supply of our Operator A Products, and our business and results of operation may be adversely affected if (i) Network Operator A terminates or refuses to renew the Operator A 2018 Distribution Agreement, (ii) the renewed terms become less favourable to us and (iii) Network Operator A adjusts or reduces the level of discretionary discounts given to us;
- our suppliers and customers may choose to deal with one another directly;
- our business and prospects are dependent on the brand awareness, mobile network quality and performance of our suppliers and the demand for their products;
- we sell our Pre-paid Products through our wholesaler and our retailers within our Sales Networks, over whom we have no control. We do not have any inventory management and pricing policies to ensure that there is no cannibalisation between our retail shops, the wholesaler and our retailers within our Sales Networks;
- our Group is subject to the risk of obsolescence for our inventories;
- uncertainties relating to the change of technology (including instant messaging applications) and the use of the SIM Cards in mobile phones and channels of topping-up pre-paid store value mobile accounts in Hong Kong may adversely affect our business and results of operations;
- our results of operations may be adversely affected by the development, use and availability of internet and free public Wi-Fi hotspots in Hong Kong;
- a substantial amount of our Group’s revenue is derived from our major customers and we have not entered into long-term sales contracts with customers; and
- we derive most of our revenue, directly or indirectly, from Filipino and Indonesian mobile users who are working in Hong Kong as domestic helpers.

You should carefully consider all of the information set forth in this prospectus and, in particular, you should evaluate the specific factors as set out in the section headed “Risk Factors” on pages 36 – 52 in this prospectus in deciding whether to invest in our Shares.

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## SUMMARY

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### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Based on our Group's unaudited management accounts, the revenue generated from the sales of Operator A Products and Operator B Products for the four months ended 31 July 2018 were about HK\$59.0 million and HK\$10.8 million respectively, representing an increase of about 9.2% and 132.3% respectively comparing to the four months ended 31 July 2017. As at 31 July 2018, we had 274 and 560 retailers within the respective Sales Network for Operator A Products and Operator B Products, respectively.

The amount of revenue generated from the sales of Operator A Products and Operator B Products disclosed above is extracted from the unaudited combined financial statements for the four months ended 31 July 2018 and 2017, which are unaudited but have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Save for the listing expenses as disclosed in the paragraph headed "Listing expenses" in this section, we did not have any significant non-recurrent items in our combined statements of profit or loss and other comprehensive income. Our Directors have confirmed that as at the Latest Practicable Date, save for (a) the listing expenses to be incurred as stated in the paragraph headed "Listing expenses" in this section; (b) the anticipated significant increase in administrative expenses including professional fees and Directors' remuneration after the Listing; and (c) the expected increase in selling and distribution expenses including the expenses relating to the setting up of new retail shops and additional marketing and promotional activities to strengthen our market position as stated in the section headed "Future Plans and Use of Proceeds" in this prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 March 2018 and up to the date of this prospectus, and there has been no event since 31 March 2018 and up to the date of this prospectus which would materially and adversely affect our business operations or financial conditions.

### NON-COMPLIANCES

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance with the IRO and MPFSO. For details of such instances of non-compliance, please refer to the section headed "Business – Non-compliance Incidents" on pages 153 – 159 in this prospectus.

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## DEFINITIONS

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*Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed “Glossary” in this prospectus.*

“Application Form(s)”	<b>WHITE, YELLOW and GREEN</b> application form(s), or where the context so requires, any one of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 27 August 2018 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of directors of our Company
“Brand C”	a brand of the pre-paid SIM Cards and Top-up Vouchers offered by the Network Operator A, which is designed primarily to be sold to Indonesian mobile users, brief features of which are set out in the section headed “Business – Our Pre-paid Products – Network Operator A” in this prospectus
“Brand H”	a brand of the pre-paid SIM Cards and Top-up Vouchers offered by the Network Operator A, which is designed primarily to be sold to Indonesian mobile users, brief features of which are set out in the section headed “Business – Our Pre-paid Products – Network Operator A” in this prospectus
“Brand KK”	a brand of the pre-paid SIM Cards and Top-up Vouchers offered by the Network Operator A, which is designed primarily to be sold to Filipino mobile users, brief features of which are set out in the section headed “Business – Our Pre-paid Products – Network Operator A” in this prospectus

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## DEFINITIONS

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“Brand S”	a brand of the pre-paid SIM Cards and Top-up Vouchers offered by the Network Operator B, which is designed primarily to be sold to Brand S Target Users, who demand for local and international phone calls and/or mobile data services in Hong Kong or overseas, brief features of which are set out in the section headed “Business – Our Pre-paid Products – Network Operator B” in this prospectus.
“Brand S Target Users”	the target end-users of our Brand S products supplied by Network Operator B are those who demand for local and international phone calls and/or mobile data services in Hong Kong or overseas, which include mainly (i) local users travelling overseas, who have multiple mobile phones, and would not like to join a post-paid plan and/or occasionally demand for high volume data usage; and (ii) tourists travelling to Hong Kong
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 299,999,999 Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to the section headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of the sole Shareholder on 27 August 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant



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## DEFINITIONS

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	collectively, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China, which excludes for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
“China Way”	China Way (Far East) Limited (創威(遠東)有限公司), a company incorporated in Hong Kong with limited liability on 26 November 2004
“close associates”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong, which has become effective from 3 March 2014), as amended, supplemented or otherwise modified from time to time
“Company”	HK Asia Holdings Limited (港亞控股有限公司) (formerly known as HK Asia Mobile Communications Holdings Limited (港亞移動通訊控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 5 May 2016
“Competition Legal Counsel”	Mr. Henry H.G. Cheng, barrister-at-law, advising on Hong Kong laws in respect of certain provisions of the Competition Ordinance and matters in relation to the compliance of our Group
“Competition Ordinance”	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong)
“Connected Person(s)” or “connected person(s)”	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to connected person of our Company

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## DEFINITIONS

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“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, refers to Mr. Siu
“Co-Manager”	Innovax Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, acting as the co-manager of the Share Offer
“Core Connected Person(s)” or “core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“COWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong, which has become effective from 3 March 2014), as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 3 September 2018 and made by our Controlling Shareholder in favour of our Company in respect of taxation and other indemnities referred to the section headed “Statutory and General Information – E. Other Information – 1. Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 27 August 2018 and made by our Controlling Shareholder in favour of our Group, which contains certain non-compete undertakings given in favour of our Group
“Director(s)”	the director(s) of our Company
“Discontinued Business”	the business of selling mobile phones, electronics and accessories carried out in our retail shops, which was discontinued in FY2016.
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research firm which we have engaged to conduct detailed market analyses of, and provide reports on (among other matters) Pre-paid Products in Hong Kong in connection with the Share Offer
“Frost & Sullivan Report”	the report entitled “Independent Market Research – Hong Kong Pre-paid Products Distribution Market” dated 11 September 2018 issued by Frost & Sullivan

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## DEFINITIONS

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“Filipino”	a person who has or had the nationality or citizenship of the Philippines
“FY2016”, “FY2017”, “FY2018”	each of the financial years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively
“FY2019”, “FY2020”, “FY2021”, “FY2022”	each of the financial years ending 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022, respectively
“GDP”	gross domestic product
“Golden Bright”	Golden Bright Holdings Limited (金正集團有限公司), a company incorporated in Hong Kong with limited liability on 5 June 2012, and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by <b>WHITE</b> Form eIPO Service Provider, as designated by our Company
“Group”, “our Group”, “we” or “us”	our Company, its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Harvest Triple”	Harvest Triple Holdings Limited (三興集團有限公司), a company incorporated in Hong Kong with limited liability on 20 April 2012, and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“HK Asia Mobile”	HK Asia Mobile Communications Limited (港亞移動通訊有限公司), a company incorporated under the laws of BVI on 13 June 2016 with limited liability and a direct wholly-owned subsidiary of our Company as at the Latest Practicable Date
“HK Asia Telecom”	Hong Kong Asia Telecom Limited (香港亞洲電訊有限公司), a company incorporated in Hong Kong with limited liability on 6 September 2010, and an indirect wholly-owned subsidiary of our Company after the Reorganisation

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## DEFINITIONS

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“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designed website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK Mobile”	Hong Kong Mobile Phone Limited (香港手提電話有限公司), a company incorporated in Hong Kong with limited liability on 4 March 2009, and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKT Direct Selling Centre”	Hong Kong Telecommunication Direct Selling Centre Limited (香港電信直銷中心有限公司), a company incorporated in Hong Kong with limited liability on 10 July 2015 and a company wholly owned by Mr. Siu
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Independent Third Party(ies)”	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected person(s) of our Company within the meaning ascribed to it in the Listing Rules
“Indonesia”	The Republic of Indonesia
“Indonesian(s)”	a person who has or had the nationality or citizenship of Indonesia
“INED(s)”	independent non-executive Director(s) of our Company

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## DEFINITIONS

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“IRD”	the Inland Revenue Department of Hong Kong Government
“IRO”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)
“IRO Legal Counsel”	Mr. Martin W.H. Wong, barrister-at-law, advising on Hong Kong laws in respect of certain provisions of the IRO and matters in relation to the non-compliance of our Group
“Issuing Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information on which is set out in the paragraph headed “Statutory and General Information – A. Further information about our Company – 3. written resolutions of the sole Shareholder on 27 August 2018” in Appendix IV to this prospectus
“Joint Bookrunners”	Sinolink Securities (Hong Kong) Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO; and Opus Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the joint bookrunners, joint lead managers and Underwriters in the Share Offer
“Joint Lead Managers”	CLC Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO; Sinolink Securities (Hong Kong) Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO; and Opus Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the joint lead managers and Underwriters in the Share Offer

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## DEFINITIONS

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“Kinson Group”	Kinson Group Company Limited (京訊集團有限公司), a company incorporated in Hong Kong with limited liability on 6 February 2014, and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Latest Practicable Date”	3 September 2018, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its bulk-printing
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Main Board of the Stock Exchange, which is expected to be Thursday, 27 September 2018
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum”	the memorandum of association of our Company conditionally adopted on 27 August 2018 with effect from the Listing Date and as amended from time to time
“MP Direct Selling Centre”	Mobile Phone Direct Selling Centre Limited (手提電話直銷中心有限公司), a company incorporated in Hong Kong with limited liability on 7 December 1995, which is an indirect wholly-owned subsidiary of our Company after the Reorganisation
“MPF”	the mandatory provident fund under the MPFSO
“MPF Legal Counsel”	Mr. Bernard Mak, barrister-at-law, advising on Hong Kong laws in respect of certain provisions of the MPFSO and its subsidiary legislations and matters in relation to the non-compliance of our Group



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## DEFINITIONS

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“MPFA”	the Mandatory Provident Fund Schemes Authority
“MPFSO”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)
“Mr. Lee”	Mr. Lee Kwok Wai (李國偉), one of the directors of MP Direct Selling Centre, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group, respectively, which are indirect subsidiaries of the Company
“Mr. Siu”	Mr. Siu Muk Lung (蕭木龍), our Controlling Shareholder, an executive Director and the Chairman of the Board
“Mrs. Siu”	Ms. Lee Chun Yuk (李珍玉), the spouse of Mr. Siu
“Network Operator A”	the supplier of Operator A Products to us, one of the four mobile network operators in Hong Kong (and, in the context of Operator A Distribution Agreements, such member of the mobile network operator which then entered into the relevant agreements with us), and which is an Independent Third Party (other than being our supplier); and it also distributes (among other products) mobile phones and accessories
“Network Operator B”	the supplier of Operator B Products to us, one of the four mobile network operators in Hong Kong (and, in the context of Operator B 2016 Distribution Agreement, such member of the mobile network operator which then entered into such agreement with us), and which is an Independent Third Party (other than being our supplier) which also distributes (among other products) mobile phones and accessories
“New Issue”	the issue of New Shares under the Share Offer by our Company for subscription at the final Offer Price
“New Shares”	the 83,000,000 new Shares initially being offered for subscription at the final Offer Price by the Company under the Share Offer

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## DEFINITIONS

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“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), which price is to be determined in the manner as further described in the section headed “Structure of the Share Offer – Price payable on application” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares together, where relevant, with any additional Shares to be issued upon the exercise of the Over-allotment Option
“Old HKCO”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which was repealed by the Companies Ordinance on 3 March 2014
“Operator A 2008 Distribution Agreement”	the agreement dated 12 December 2008 and entered into between Network Operator A and MP Direct Selling Centre (one of our subsidiaries), which provides for the terms of distribution of the Operator A Products for an initial term from 12 December 2008 to 11 December 2010, which was extended until December 2012; further details of which are set out in the section headed “Business – Our Suppliers – Network Operator A” in this prospectus
“Operator A 2015 Distribution Agreement”	the agreement dated 2 December 2015 and entered into between Network Operator A and HK Mobile (one of our subsidiaries), which provides for the terms of distribution of the Operator A Products for an initial term from 1 November 2015 to 31 October 2019, which was subsequently replaced by the Operator A 2018 Distribution Agreement
“Operator A 2018 Distribution Agreement”	the agreement dated 10 July 2018 and entered into between Network Operator A and HK Mobile (one of our subsidiaries), which replaces the Operator A 2015 Distribution Agreement and with retrospective effect provides for the terms of distribution of the Operator A Products for an initial term from 1 November 2015 to 31 October 2022, which upon its initial expiry is extendable for another 36 months; further details of which are set out in the section headed “Business – Our Suppliers – Network Operator A – Operator A 2018 Distribution Agreement” in this prospectus

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## DEFINITIONS

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“Operator A Distribution Agreements”	collectively, the Operator A 2008 Distribution Agreement, the Operator A 2015 Distribution Agreement and the Operator A 2018 Distribution Agreement
“Operator A SIM Card(s)”	collectively, Brand KK SIM card(s), Brand H SIM card(s) and Brand C SIM card(s) supplied by the Network Operator A
“Operator A Products”	Operator A SIM Cards and Operator A Top-up Vouchers, which are the products authorised by Network Operator A to be solely distributed by our Group pursuant to the terms of the Operator A Distribution Agreements
“Operator A Top-up Voucher(s)”	the Top-up Vouchers for the Brand KK, Brand H and Brand C SIM Cards supplied by Network Operator A
“Operator B 2016 Distribution Agreement”	the agreement dated 18 November 2016 and entered into between Network Operator B and HK Asia Telecom (one of our subsidiaries), which provides for the terms of distribution of the Operator B Products for an initial term from 18 November 2016 to 17 November 2019, which upon its initial expiry is extendable for another 36 months; further details of which are set out in the section headed “Business – Our Suppliers – Network Operator B – Operator B 2016 Distribution Agreement” in this prospectus
“Operator B Products”	Brands S SIM Cards and its relevant Top-up Vouchers, which are the products authorised by Network Operator B to be distributed by our Group on a non-exclusive basis pursuant to the terms of the Operator B 2016 Distribution Agreement
“Operator B SIM Card(s)” or “Brand S SIM Card(s)”	Brand S SIM cards supplied by the Network Operator B
“Operator B Top-up Voucher(s)” or “Brand S Top-up Voucher(s)”	the Top-up Vouchers for the Brand S SIM Cards supplied by the Network Operator B

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## DEFINITIONS

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“Over-allotment Option”	the option expected to be granted by our Company to the Joint Bookrunners, exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) under the Placing Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the number of Offer Shares initially available under the Share Offer at the Offer Price to cover over-allocations in the Placing, details of which are set out in the section headed “Structure of the Share Offer – Placing – Over-allotment Option” in this prospectus
“Philippines”	The Republic of the Philippines
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company and the Selling Shareholder for cash at the Offer Price, with professional, institutional and other investors as described in the section headed “Structure of the Share Offer – Placing” in this prospectus
“Placing Shares”	the 73,000,000 New Shares being initially offered by our Company for subscription and 17,000,000 Sale Shares being offered by the Selling Shareholder for purchase, at the Offer Price pursuant to the Placing (subject to adjustment as described in the section headed “Structure of the Share Offer – Price Determination of the Share Offer” in this prospectus) together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement relating to the Placing, which is expected to be entered into by our Company, the Selling Shareholder, our Controlling Shareholder, our executive Directors, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Manager and the Placing Underwriters on or around the Price Determination Date, as further described in the section headed “Underwriting – Placing” in this prospectus

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## DEFINITIONS

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“Price Determination Agreement”	the agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the final Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, 14 September 2018, on which the Offer Price is to be fixed for the purpose of the Share Offer and, in any event, no later than 12:00 noon on Monday, 17 September 2018
“Public Offer”	the offer of the Public Offer Shares by our Company for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price), payable in full on application, on and subject to the terms and conditions stated herein and in the Application Forms
“Public Offer Shares”	the 10,000,000 New Shares being initially offered by us for subscription under the Public Offer, subject to adjustment as described in the section headed “Structure of the Share Offer – Price Determination of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 10 September 2018, relating to the Public Offer and entered into by our Company, our Controlling Shareholder and our executive Directors, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Manager and the Public Offer Underwriters, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Development – Our Group’s Reorganisation” in this prospectus

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## DEFINITIONS

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“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraph headed “Statutory and General Information – A. Further information about our Company – 3. written resolutions of the sole Shareholder on 27 August 2018” in Appendix IV to this prospectus
“Retail Outlets”	the retail shops operated by retailers within our Sales Networks, which sell our Pre-paid Products
“Sale Shares”	the 17,000,000 Shares being offered for sale by the Selling Shareholder at the final Offer Price under the Placing
“Sales Network for Operator A Products”	our network of (i) our self-managed retail shops, (ii) a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and (iii) retailers, which sell our Operator A Products to mobile users and comprised an average of about 250 retailers during the Track Record Period. For further details in relation to the relationship between Customer A and Customer B, please refer to the section headed “Business – Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” in this prospectus
“Sales Network for Operator B Products”	our network of (i) our self-managed retail shops and (ii) retailers, which sell our Operator B Products to mobile users and comprised 465 retailers as at 31 March 2018
“Sales Networks”	collectively, our Sales Network for Operator A Products and our Sales Network for Operator B Products
“Selling Shareholder”	Mr. Siu, whose name and particulars are set out in the section headed “Statutory and General Information – E. Other Information – 11. Particulars of the Selling Shareholder” in Appendix IV to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong



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## DEFINITIONS

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“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) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 27 August 2018, the principal terms of which are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Sole Sponsor” or “Sponsor” or “CLC International”	CLC International Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sole sponsor to our Company’s application for the Listing
“Stabilising Manager”	Sinolink Securities (Hong Kong) Company Limited
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between (i) our Controlling Shareholder and (ii) the Stabilising Manager (or its affiliates acting on its behalf), pursuant to which the Stabilising Manager may borrow up to 15,000,000 Shares from our Controlling Shareholder on the terms set out therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)” or “substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 31 March 2016, 2017 and 2018

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## DEFINITIONS

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“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“wholesaler(s)”	wholesaler(s) who is/are Independent Third Party(ies) and which sell(s) or will sell our Operator A Products or Operator B Products to their own customers, which may include mobile users or other retailers
“HK\$”, “HKD” or “Hong Kong dollars” or “cents”	Hong Kong dollars and cents, the legal currency of Hong Kong
“sq.ft.” or “ft <sup>2</sup> ”	square foot (feet)
“sq.m.” or “m <sup>2</sup> ”	square metre(s)
“US\$” or “U.S. dollar(s)” or “USD”	United States dollars, the lawful currency for the time being of the United States
“%”	per cent.

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## GLOSSARY

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*This glossary contains definitions or explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to the standard industry meaning or usage of these terms.*

“IDD”	international direct dialling
“internet”	a global network of interconnected, separately administered public and private computer networks that use transmission control protocol or internet protocol for communications
“mobile data”	data transmitting technology that delivers non-voice information to a mobile device which is principally used for web browsing and the use of software applications on mobile handsets
“mobile network operator(s)”	provider of mobile services that owns or controls all the elements necessary to sell and deliver services to an end user including radio spectrum allocation, wireless network infrastructure
“mobile TV”	digital broadcasting service that transmits images and sound by digital wireless system, and enables mobile or handset devices to receive TV programmes in a moving environment
“mobile user(s)”	user(s) of mobile account(s) registered with Hong Kong mobile network operators to use mobile related service
“mobile value-added services”	all other mobile-related services beyond standard voice calls
“mobile virtual network operator” or “MVNO”	Operators which do not own the network infrastructure but provide public radiocommunications services to customers or mobile users through, the radiocommunications infrastructure of an mobile network operator
“OFCA”	Office of the Communications Authority of Hong Kong
“Pre-paid Products”	pre-paid stored value products in the market, which comprise SIM Cards and Top-up Vouchers

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## GLOSSARY

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“pre-paid SIM cards”	mobile service model for which subscribers pay upfront for the services like calling, messaging, data usage and any other services, etc. Under this service model, users purchase the credit before using the services. There are two main market segments for pre-paid card sales in Hong Kong, namely, (i) Pre-paid SIM Card Products for local use in Hong Kong, (including pre-paid SIM card products for inbound tourists, ethnic minorities and local residents); and (ii) Pre-paid SIM card products for overseas use (outside Hong Kong) mainly targeted at outbound tourists
“Pre-paid SIM card products for inbound tourists”	pre-paid SIM cards products providing local mobile service for inbound tourists in Hong Kong.
“Pre-paid SIM card products for ethnic minorities”	pre-paid SIM card products providing local mobile service for those long staying ethnic minorities in Hong Kong like Filipino, Indonesian, and other ethnic minorities.
“Pre-paid SIM card products for local residents”	pre-paid SIM card products providing mobile service for Hong Kong local residents.
“Pre-paid SIM card products for overseas use”	pre-paid SIM card products for outbound travellers using in other countries.
“post-paid SIM card”	mobile service model for which subscribers pay bill after using the services. Normally, subscribers’ contract specifies a limit or “allowance” of minutes, data usage, text messages etc., and the users will be billed at a flat rate for any usage equal to or less than that allowance
“SIM Card(s)”	subscriber identification module, an integrated circuit that contains information to identify the subscribed in any public mobile network and enables mobile communication with any wireless device that is able to accept the module
“telecom”	telecommunication
“top up” or “top-up”	recharge or add value
“Top-up Voucher(s)”	a voucher for recharging or topping-up a mobile account with credit

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business and prospects;
- our ability to attract and retain customers and end-users;
- future developments, trends and conditions in the industry, in Hong Kong and in the specific markets in which we operate our strategic businesses;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry, in Hong Kong and in the specific markets in which we operate our businesses;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends.

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## **FORWARD-LOOKING STATEMENTS**

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Subject to the requirements of the Listing Rules, we do not intend publicly 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 in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.



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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making any investment decisions in relation to our Company.*

*Our business, financial condition, operating results or growth prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of our Shares could significantly decrease due to any of these risks and uncertainties and you may lose all or part of your investment. In addition, we are also subject to other risks and uncertainties that are not currently known to us or which currently deem to be immaterial.*

*These risks and uncertainties could also have a material adverse effect on our business, financial condition, operating results, profitability and future prospects. This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions, which involve risks and uncertainties. Our future results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this prospectus.*

### RISKS RELATING TO THE BUSINESS OF OUR GROUP

Our revenue was substantially generated from the sale of Operator A Products and we rely heavily on the Network Operator A for the supply of our Operator A Products, our business and results of operation may be adversely affected if (i) Network Operator A terminates or refuses to renew the Operator A 2018 Distribution Agreement; (ii) the renewed terms become less favourable to us; and (iii) Network Operator A adjusts or reduces the level of discretionary discounts given to us.

We have been selling Pre-paid Products supplied by Network Operator A since 2003. Network Operator A was our sole supplier of Operator A Products until 2017 when we started selling Operator B Products. Our revenue was substantially generated from sale of Operator A Products, which accounted for 100%, about 99.8% and 91.3% of our total revenue for each of FY2016, FY2017 and FY2018, respectively. The Operator A 2018 Distribution Agreement we entered into with Network Operator A for the supply of Operator A Products has, with retrospective effect an initial term from 1 November 2015 to 31 October 2022, and is extendable for another 36 months. The Operator A 2018 Distribution Agreement will not be renewed, if Network Operator A gives written notice to us indicating its intention not to renew such agreement at least 3 months prior to the expiry of the initial term. There is no assurance that Network Operator A will renew the Operator A 2018 Distribution Agreement with us upon the expiry of the initial term.

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## RISK FACTORS

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If we fail to comply with the terms of such agreement (or such other ancillary terms and conditions prescribed by Network Operator A from time to time), or we fail to remedy any such breach on a timely basis, Network Operator A is entitled to terminate the Operator A 2018 Distribution Agreement prior to its expiry and our business, financial position and results of operations may be materially and adversely affected.

In the event that Network Operator A alters its existing business arrangements with us on a material basis (including not renewing the Operator A 2018 Distribution Agreement with us upon its expiry) or terminates our engagement as its authorised distributor in Hong Kong, we cannot assure that we can successfully put in place any alternative arrangements within a short period of time. If we lose supply from Network Operator A or if the terms or discount level on Operator A Products of any renewed distribution agreements become less favourable to us, our business, profitability, financial position and results of operations may be materially and adversely affected.

During the Track Record Period, we were offered various levels of discounts by Network Operator A at its discretion. The level of discretionary discounts given by Network Operator A depends on, to a large extent, the total amount of products purchased during a particular period of time and the results of negotiation of our management with Network Operator A. Any significant reduction in such discounts may affect our profitability and financial results.

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

Currently, Network Operator A offers five brands of Pre-paid Products targeting Filipino or Indonesian markets, of which three brands are exclusively distributed by our Group, whereas the remaining two are exclusively distributed by another distributor appointed by Network Operator A. Our Group began selling Operator A Products from 2003 onward, and was granted the exclusivity to distribute Operator A Products pursuant to Operator A 2008 Distribution Agreement, Operator A 2015 Distribution Agreement and Operator A 2018 Distribution Agreement. Management of our Group have been acquainted with, and have had business relationship with the officers of Network Operator A, who take charge of pre-paid SIM cards and related top-up vouchers. Based on the discussion with relevant personnel of Network Operator A and our observation of Network Operator A's marketing strategy throughout the years, we understand that it has been the business strategy of Network Operator A not to engage in direct sales activities with second-level customers or mobile users of the Pre-paid Products targeting the Filipino or Indonesian markets, but to appoint distributors like us to distribute their products to the said customers, in order to lower their operating cost while maintaining a market reach to the target end-users in Hong Kong.

If there is any change in the mobile telecom industry landscape or if the mobile network operators changes its policy so that it will deal with second-level customers and/or such mobile users directly, it may reduce our competitiveness in terms of pricing, and thus our business and results of operations may be materially and adversely affected.

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## RISK FACTORS

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**Our business and prospects are dependent on the brand awareness, mobile network quality and performance of our suppliers and the demand for their products.**

We rely to a large extent on the brand awareness, mobile network quality and performance of our suppliers. The telecom market in Hong Kong is highly competitive, our business and prospects are dependent on the business and performance of the our suppliers and the market demand for their products. It is not improbable that Network Operator A and Network Operator B may become unable to maintain quality standards or to keep abreast of the technological developments. Besides, market sentiments may change or a significant number of mobile users may switch to use the services of their competitors. The market demand for the products of Network Operator A and Network Operator B may experience a slowdown due to the occurrence of any of these or other factors, and the demand for their products may decrease significantly. Our business, financial position, and results of operations would thereby be materially and adversely affected.

As a distributor, we do not directly monitor the quality, design or control procedures of our suppliers, and thus we do not and are not in a position to warrant the quality of the products provided by our suppliers. We rely entirely on our suppliers' quality control procedures and standards to ensure the quality of the products that we sell. It is probable that some of the products are defective or damaged during transportation from our suppliers to us, and mobile users may request for return or replacement of such defective or damaged products. We may incur extra costs for dealing with return or replacement procedures. If any products that we sell or distribute have defects or performance problems, our reputation and ability to sell or distribute other products to customers could suffer and we may be subject to liability claims arising from such defects or problems. All these may materially and adversely affect our business, financial condition and results of operations.

The stability of mobile telecom services provided by our suppliers is susceptible to damage from human error, fire, earthquakes, floods, power loss, telecommunications failure, sabotage, hackers and similar events. Any damage to or failure of the network infrastructures of Network Operator A or Network Operator B could result in interruptions in, or suspension of the services to the mobile users of the Pre-paid Products, which could have a material adverse effect on our business, operation results and financial conditions.

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## RISK FACTORS

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**We sell our Pre-paid Products through our wholesaler and our retailers within our Sales Networks, over whom we have no control. We do not have any inventory management and pricing policies to ensure that there is no cannibalisation between our retail shops, the wholesaler and our retailers within our Sales Networks.**

For each of FY2016, FY2017 and FY2018, about 51.7%, 49.8% and 46.7% of our revenue was generated from our retailers within our Sales Networks, respectively. Our revenue generated from our wholesaler was about 27.1%, 24.9% and 20.9% during the corresponding years. We expect to continue to work together with our wholesaler and our retailers within our Sales Networks for our sales. As such, the performance of our wholesaler and our retailers within our Sales Networks and the ability of them to sell our Pre-paid Products are crucial to the future growth of our business.

We have no ownership or managerial control over any of the wholesaler and our retailers. In such connection, we do not have any inventory management and pricing policies to ensure that there is no cannibalisation between our retail shops, the wholesaler and our retailers within our Sales Networks.

If cannibalisation happens among our retail shops, our wholesaler and our retailers within our Sales Networks, our business, financial condition and results of operations may be adversely affected.

**Our Group is subject to the risk of obsolescence for our inventories.**

Upon delivery of SIM Cards and Top-up Vouchers by our suppliers, we generally are not entitled to return such products to our suppliers for a refund, except that defective products or those which are expired may be returned for replacement. As at 31 March 2016, 2017, and 2018, the inventory level of our Pre-paid Products amounted to about HK\$25.3 million, HK\$36.1 million and HK\$32.5 million respectively. The average number of inventory turnover days of our Group for each of FY2016, FY2017 and FY2018 was about 62.0 days, 82.4 days and 95.3 days, respectively. The increase in our average inventory turnover days from about 62.0 days for FY2016 to about 82.4 days for FY2017 and to about 95.3 days for FY2018 was primarily attributable to the increase in inventory for Operator B Products which was launched in March 2017. During the Track Record Period, we did not record any impairment of inventories as a result of expiry or damage of products, nor did we make any provision for impairment of inventories. However, if we are not able to sell our Pre-paid Products on a timely basis, apart from the adverse effect on our cash flow, we may have to write-off the obsolescent stocks, and our financial and operational performance will be adversely affected.

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## RISK FACTORS

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**Uncertainties relating to the change of technology (including instant messaging applications) and the use of the SIM Cards in mobile phones and channels of topping-up pre-paid store value mobile accounts in Hong Kong may adversely affect our business and results of operations.**

We have generated revenue from selling SIM Cards and Top-up Vouchers in Hong Kong. We expect that our future results of operations will continue to depend on numerous factors affecting the development of mobile accounts technology and top-up channels, which may be beyond our control, including the use of internet as a top-up and payment channels, changes in user behaviors and preferences on the mobile instant messaging applications. As indicated in the Frost & Sullivan Report, subscribers using smartphones nowadays tend to use instant messaging applications as a result of the increasing mobile data usage and the penetration of voice over internet protocol. This tendency hindered the demand for both outgoing and incoming telecommunication traffic in Hong Kong through mobile voice telecommunication (e.g. local phone calls or IDD). Both the outgoing and incoming telecommunication traffic in Hong Kong decreased from 2013 to 2017. For such period, the outgoing telecom traffic to Indonesia showed a downward trend with CAGR of -15.3%, while that to Philippines showed a downward trend with CAGR of -10.2%. The popularisation of mobile instant messaging application is expected to reduce the use of traditional mobile voice call service or IDD call service, which is likely to pose threats to our Pre-paid Products. With the advancement of technology, it is possible that the operation of mobile phones does not require SIM Cards. Any decline in the use of SIM Cards and Top-up Vouchers in general, or our failure to respond to industry trends and user requirements, may adversely affect our business and results of operations.

**Our results of operations may be adversely affected by the development, use and availability of internet and free public Wi-Fi hotspots in Hong Kong.**

Our revenue is generated from the sale of SIM cards and Top-up Vouchers in Hong Kong. As we understand, a significant portion of pre-paid card users top-up their mobile accounts frequently because these users make local and IDD calls frequently or have subscribed for mobile data services. With the advancement of internet technology, mobile users are able to get contact with their friends or relatives overseas without using IDD services. The Hong Kong government and an increasing number of merchants are also offering free Wi-Fi at various tourist spots, public transport, shopping malls and restaurants across Hong Kong, and mobile users can make use of these hotspots without subscribing to mobile data service. The number of public Wi-Fi hotspots in Hong Kong increased from 20,307 in 2013 to 49,025 in 2017. As increasingly more public Wi-Fi spots are available and a vast majority of households have their own Wi-Fi network, the usage of mobile data services may decrease. Our future results of operations may be affected by the increasing use, development and availability of Wi-Fi or other types of internet services in Hong Kong. If the use of internet as a means of communication is more common and the availability of free Wi-Fi increases, the use of our products may be adversely affected and our ability to grow our business would be impeded.

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## RISK FACTORS

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**A substantial amount of our Group’s revenue is derived from our major customers and we have not entered into long-term sales contracts with our customers.**

Our five largest customers accounted for about 58.7%, 52.8% and 41.4% of our Group’s total revenue for FY2016, FY2017 and FY2018, respectively. Among these five largest customers, one of them was a wholesaler and the remainings were retailers.

Our largest customer during the corresponding periods accounted for about 27.1%, 24.9% and 16.8% of our Group’s respective total revenue and it was replaced in January 2018. For further details in relation to the replacement please refer to the section headed “Business – Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” in this prospectus. While our Group did not experience 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 SIM Cards or Top-up Vouchers from our Group at levels or prices comparable to those during the Track Record Period or at all.

Our Group generally does not enter into any long-term sales contracts with our customers. Consequently, most of our customers do not owe long term purchase commitment to our Group, thus there can be no assurance that our Group will be able to maintain or increase sales to these customers or other customers at current levels or at all.

**We derive most of our revenue, directly or indirectly, from Filipino and Indonesian mobile users who are working in Hong Kong as domestic helpers.**

We derive most of our revenue, directly or indirectly, from Filipino and Indonesian mobile users who are working in Hong Kong as domestic helpers. The SIM Cards sold by us have features of charging lower call rates for making calls to particular destinations (i.e. the Philippines or Indonesia). Accordingly, our financial performance depends heavily on the Government’s policy of allowing these people to work in Hong Kong as domestic helpers and the needs and financial resources of these Filipino and Indonesian domestic helpers. If the population of Filipino and Indonesian domestic helpers in Hong Kong is significantly reduced due to the change of Government’s policy, the economic, social or political factors or if their preferred mode of communications changes, our revenue from sales of SIM Cards or Top-up Vouchers will be adversely affected. In November 2017, an order was issued by the Department of Labor and Employment of the Philippines, pursuant to which the processing of new applications for Overseas Employment Certificates (“OE Certificates”) was suspended for about 15 days. The suspension was not further extended, and the processing of new applications for OE Certificates was resumed in December 2017. As the grant of OE Certificates is a pre-requisite for Filipino domestic helpers to come to work in Hong Kong, any prolonged suspension of processing of any such applications for OE Certificates or taking of longer time to complete the processing may adversely affect the number of Filipino domestic helpers coming to Hong Kong. There is no assurance that the governments of the Philippines or Indonesia will not implement or issue similar or other policy or order in the future, which may reduce the number of persons coming to Hong Kong to work as domestic helpers, and may adversely affect our Group’s revenue from sales of SIM Cards or Top-up Vouchers.



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## RISK FACTORS

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**We are dependent on key management personnel. The loss of any key members of the management team may impair our Group's ability to identify and secure new 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. Mr. Siu, one of our executive Directors, has over 20 years of experience in the mobile telecom industry with in-depth knowledge of various aspects of telecom business development. As at 31 March 2018, our management team also has an average of 8 years of experience in the mobile telecom industry. 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 or ceasing to serve our Group. If any or all of these key senior management cease to render services to our Group, it may not be possible for our Group to promptly recruit suitable candidates to replace them in a short period of time 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 telecom industry, 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 only lease properties for our business operations. If we are unable to find suitable locations for our retail shops on commercially acceptable terms or renew the existing leases, our business, results of operations and financial condition may be adversely affected.**

For FY2016, FY2017 and FY2018, the rent and rates of our retail shops amounted to about HK\$11.8 million, HK\$11.0 million and HK\$11.8 million, respectively which accounted for 50.4%, 45.8% and 39.3% of the total operating expenses (excluding finance cost, income tax and listing expenses), respectively. As at the Latest Practicable Date, we entered into five lease agreements for our retail shops (including one which is leased from one of the associates of our Controlling Shareholder). The term of tenancies of our retail shops we rented from Independent Third Parties was about two to three years. Among these four leases from Independent Third Parties, two of them will expire in January 2020, one in February 2020, and one in May 2020.

Moreover, two premises (including our office) in which our business operates are held by associates of our Controlling Shareholder. For details, please refer to the section headed "Connected Transactions" in this prospectus.

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## RISK FACTORS

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Our business depends significantly upon our ability to secure locations with relatively easy accessibility for our retail shops. These locations generally are in high demand. Our Group has experienced an increase in rental costs for our retail shops. We cannot assure you that we will be able to find suitable locations on commercially acceptable terms when we establish new retail shops, or when renewing the leases, our landlords will not increase our current rent or will offer us favourable terms.

If we are unable to renew such lease agreements on favourable terms and conditions, in particular the rental charges, or if any landlord terminates such lease agreements for any reasons (such as remedial work being carried out at the premises), we may be required to relocate our retail shops to alternative premises which causes disruptions in our operations and our retail shops can potentially be relocated to a less desirable location and not easily accessible by our target mobile users, we may lose our customers. We estimated that the cost of relocating each retail shop will cost us about HK\$0.9 million for each retail shop. Failure to establish or maintain our retail shops successfully in such strategic locations on favourable terms may lead to reduced sales and/or increased operating costs of the business carried out at such locations which may in turn have a material adverse effect on our overall profitability and future growth potential.

**The application of HKFRS 16 may affect our financial position and gearing due to our operating lease arrangements.**

All our retail shops and our office are located at leased premises, and the relevant leases are classified as operating leases. As set out in Note 30 of the Accountants' Report, the total future minimum lease payments under non-cancellable operating leases of our Group in respect of office premises and retail shops as at 31 March 2016, 2017 and 2018 amounted to approximately HK\$14.7 million, HK\$28.4 million and HK\$23.9 million, respectively.

During the Track Record Period, our future operating lease commitments were not reflected in our statements of financial position. HKFRS 16 "Leases", which we expect to apply for the first time for our financial year beginning on 1 April 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months (unless the underlying asset is of low value), a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee and retail stores should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for lease that are classified as operating leases under the predecessor standard, HKAS 17. In addition, we plan to open five retail shops across Hong Kong, Kowloon and New Territories, and these new provisions under HKFRS 16 for accounting treatment of leases are potentially relevant to our financial statements.

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## RISK FACTORS

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Our Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on our Group's results, but it is expected that certain portion of these commitments will be required to be recognised in the combined statement of financial position as right-of use assets and lease liabilities. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in our Group's consolidated statements of cash flow. Further details of the application of HKFRS 16 are set out in Note 3 of the Accountants' Report in Appendix I to this prospectus.

### **We have records of non-compliance with certain Hong Kong regulatory requirements**

We have previously been involved in a number of non-compliance matters on various occasions, including non-compliance with certain statutory requirements in the IRO and the MPFSO. For details, please refer to the section headed "Business – Non-compliance Incidents" in this prospectus. There is no assurance that the relevant authorities would not take any enforcement action against our operating subsidiaries and/or our Directors in relation to the non-compliance matters. Any enforcement action may result in prosecution and/or conviction, which may have an adverse effect on our reputation and financial performance. In addition, if there is any conviction, we may also be subject to penalties under: (i) the IRO; and (ii) the MPFSO and potential prosecution and liabilities on the part of our Directors. Therefore, in the event that any such enforcement action is taken, there is no assurance that our business and financial position or prospect will not be adversely affected.

### **We do not own the intellectual property rights necessary to operate our business, and if any of these intellectual property rights were to become unavailable to us, we could face disruptions in our operations.**

As at the Latest Practicable Date, we are licensed by the Network Operator A under the Operator A 2018 Distribution Agreement to use their trademarks for the purpose of promoting the sale of Operator A Products in our retail shops and Retail Outlets or in the advertisements or promotions of such products. We are also licensed by Network Operator B under the Operator B 2016 Distribution Agreement to use their trademark for the purpose of promoting the sale of the Operator B Products in our retail shops and Retail Outlets.

For the the Network Operator A trademark which we were licensed to use under the Operator A 2018 Distribution Agreement, the Network Operator A has the right to terminate the licensing arrangement in respect of its trademark with our Group by giving us one-week notice.

If the trademarks of Network Operator A or Network Operator B become unavailable to us, we could face a loss of brand recognition in the markets in which we operate, as well as disruptions in our operations. As a consequence, our business, financial condition and results of operations could be materially and adversely affected due to the importance of the trademarks to the branding of our business operations.

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## RISK FACTORS

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**We cannot assure that we will declare dividend in the future.**

For FY2016 and FY2017, we did not pay any dividend. For FY2018, our subsidiary (namely, HK Mobile) declared in September 2017 a special dividend to its then shareholder of HK\$30.0 million, among which about HK\$26.2 million was settled by setting off the amounts due from a director and the amounts due from/to related parties assigned to Mr. Siu up to 31 July 2017, while the remaining of about HK\$3.8 million was settled in cash. Dividend declared and paid in the past should not be regarded as an indication of the dividend policy to be adopted by our Company following Listing.

We cannot assure that we will declare or pay dividends to our Shareholders in the future. However, such declaration, payments and amount of any future dividend will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial condition, contractual restrictions, macroeconomic outlook and other factors considered relevant by our Board of Directors. There can be no assurance that we will declare or distribute any dividend on our Shares. Please refer to the section headed “Financial Information – Dividend” in this prospectus.

**We operate principally in Hong Kong, and adverse economic or other events affecting the region or any significant worsening to the present global financial condition could significantly impact our business.**

Our business of selling and distributing SIM Cards and Top-up Vouchers is concentrated principally in a narrow geographic region of Hong Kong. Changes in demand, economic and political developments and regulatory changes in the region will have a significant effect on our business, results of operations and financial condition. In addition, adverse weather conditions, earthquakes, fires, power loss, telecommunications failures, breakage of land or submarine transmission cables, military or terrorist activity or similar events within Hong Kong may cause significant disruption to our business operations. The outbreak of any severe contagious disease or pandemic within Hong Kong could also have a material adverse effect on our business, results of operations and financial performance. Any significant and protracted worsening to the present global financial and economic climate could result in a change to the spending or usage behaviour of our customers which could have an adverse impact on our business, results of operations and financial performance.

**If we fail to successfully implement our strategies and effectively manage our growth, our business and results of operations could be harmed.**

Details of our strategies and business plans are set out in the sections headed “Business – Business Strategies” and “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 secure premises for our expansion 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 strategies and 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.

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## RISK FACTORS

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**Our insurance policies may not provide adequate coverage for all claims associated with our business operations.**

As at the Latest Practicable Date, we have obtained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice of Hong Kong where we have operations. For more details on our insurance policies, please refer to the section headed “Business – Insurance Coverage” in this prospectus. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. There is no assurance that any business interruptions will not arise in the future, whether due to change of regulations, economic conditions or other causes which may not have any insurance coverage or the insurance coverage is inadequate. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

**Our failure to maintain high-quality customer service could harm our reputation or loss of customers, which would materially and adversely affect our results of operations.**

We believe that our focus on customer services is critical to enhancing our relationship with our suppliers, our customers and mobile users of our products; such focus is also critical to ensuring and maintaining satisfaction of our customers and mobile users. As a result, we have dedicated our efforts in the training of our sales representatives in our retail shops. If we fail to consistently provide high-quality customer service, our customers and mobile users of our products may be less inclined to use our products or recommend potential users of our products to use products offered by other mobile network operators. Unsatisfactory customer service can disrupt our operations, adversely affect the user experience, cause our users to stop using our products, and damage our reputation, any of which could materially and adversely affect our results of operations.

**Our business may be affected by the Competition Ordinance**

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) came into full effect in Hong Kong on 14 December 2015. The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. The key prohibition include (1) prohibition of agreements between businesses which have the object or effect of preventing, restricting or distorting competition in Hong Kong; and (2) prohibiting companies with market power, including monopolists, abusing their power. There are very severe penalties for breach of the Competition Ordinance, including financial penalties of up to 10.0% of total gross revenue obtained in Hong Kong for each year of infringement, up to a maximum of three years in which the contravention occurs. For further details of the Competition Ordinance, please refer to the section headed “Regulatory Overview – Laws and Regulations on Sales of Goods and Supply of Services – Competition Ordinance (Chapter 619 of the Laws of Hong Kong)” in this prospectus.

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## RISK FACTORS

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Since the Competition Ordinance has only been operational since December 2015, there are uncertainties on the full effect of the rules in respect of compliance, infringement and its effect on our sales. We may face difficulties and may need to incur legal costs in ensuring our compliance with the rules. We may also inadvertently infringe the Competition Ordinance and under such circumstance, we may be subject to fines and/or other penalties, incur substantial legal costs and may result in business disruption and/or negative media coverage, which could adversely affect our business, results of operations and reputation.

### RISKS RELATING TO THE MOBILE TELECOM INDUSTRY

**We operate in a highly competitive environment. Our market share could be reduced and our results of operations and growth prospects could be materially and adversely affected by such intense competition.**

The mobile telecom industry is highly competitive. We compete principally with other retailers and distributors of SIM Cards and Top-up Vouchers. We may also compete with branches of the four leading Hong Kong mobile network operators which may sell the SIM Cards and Top-up Vouchers directly instead of with specialised wholesale and retail distributors of SIM Cards and Top-up Vouchers, like us. Competition among providers of mobile telecom services continue to drive prices lower for Pre-paid Products. In addition, Hong Kong mobile network operators (including Network Operator A) may offer similar products to mobile users which are our target mobile users through various channels, including payments at their branches and payments through their self-service terminals. They may also engage third-party distributors, such as convenient stores, newsstands and agency branches, to sell SIM Cards and Top-up Vouchers to mobile users. For details, please refer to the section headed “Industry Overview – Competitive Landscape of Hong Kong’s Pre-paid Products distribution market” in this prospectus.

Our current or future competitors may have greater brand recognition, pricing advantage and greater financial, marketing and other resources than we do, which may offer them an advantage in selling and distributing SIM Cards and Top-up Vouchers, conducting marketing and promotional activities and hiring talent in the industry. In addition, some of our competitors may be able to source SIM Cards and Top-up Vouchers, the functions and pricing of which are similar to our existing products, from mobile network operators and their distributors (or, where relevant, mobile network operators of other jurisdictions) on more favourable terms. If our Group fail to compete successfully against existing or future competitors, our market share may decrease and our business, financial condition and prospect will be materially and adversely affected.

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## RISK FACTORS

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Our market position will also depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including new services, pricing strategies by competitors, changes in consumer preferences and economic, political and social conditions in Hong Kong. Any failure by us to compete effectively, including in terms of pricing of services, anticipating and developing new technologies and services, acquisition of new customers and mobile users and retention of existing customers and mobile users, could have a material adverse effect on our business, financial condition and results of operations.

**Our business is dependent on the governments policy on Hong Kong mobile telecom industry and consumer's preference, the prospect of which may vary from time to time. Regulatory reforms and new regulatory initiatives affecting the telecom industry may adversely affect us.**

Our business is sensitive to the consumer spending on mobile telecom services. We cannot assure you that it will grow rapidly in the future. According to the Frost & Sullivan Report, the spending on the mobile telecom services increased in the previous years was due to more frequent and greater extent of use of internet. Development of Hong Kong mobile telecom industry could be negatively affected by factors such as unfavorable government policies and changes of consumer preferences which may decrease spending on mobile telecom services. Our close relationships with Hong Kong mobile network operators could render us susceptible to the uncertainty associated with Hong Kong mobile telecom industry. If Hong Kong mobile telecom industry does not develop as we anticipated, our business may be adversely affected and we may need to adjust our growth strategy and our results of operation may be adversely affected.

Our business involves wholesale and retail sale of Pre-paid SIM Cards and Top-up Vouchers serviced by mobile network operators who hold licences issued by OFCA. Hence, we may directly or indirectly be required to comply with the relevant laws and regulations applicable to them.

If the regulatory reforms or regulatory initiatives affecting our industry (e.g. increasing the number of MVNOs that may further push down the prices of post-paid and pre-paid products, imposing restrictions on selling Pre-paid Products) are implemented, or are implemented more quickly than currently anticipated, we may incur additional costs relating to compliance, penalties and remedial activities which may adversely affect our business, financial performance, results of operations and prospects.



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## RISK FACTORS

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### **Our business is subject to a risk of potential disruption by the emerging e-commerce platforms that sell SIM Cards and Top-up Vouchers**

Our Group may face increasing competition due to the emergence of e-commerce platforms and online retail market. According to a consumer survey conducted by Frost & Sullivan in July 2017 with about 150 Filipino and 150 Indonesian respondents (relating to brand awareness and consumer preferences of Pre-paid Products in Hong Kong) and an updated consumer survey in April 2018, less than 15% of the respondents recharge their prepaid SIM cards through online platforms and top-up app.

However, we cannot preclude the possibility that emerging e-commerce platforms may disrupt the current industry landscape and replace traditional retail shops operated by us or our wholesaler or retailers. If our target end-users purchase or recharge their pre-paid SIM cards through e-commerce platforms and/or online retail market, or if our suppliers decided to utilise e-commerce platforms to sell their products directly and replace us as distributor, revenue derived from our own retail shops, our wholesaler and retailers within our Sales Network may decrease. If we fail to develop our own e-commerce platforms and online retail market, our business and results of operation may be adversely affected and our competitiveness in the telecom market in Hong Kong may be harmed.

### **RISKS RELATING TO THE SHARE OFFER**

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

Prior to the Share Offer, there was no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiations between the Joint Lead Managers and us (for our Company and on behalf of the Selling Shareholder). The Offer Price may differ significantly from the market price for our Shares following the Share Offer. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.



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## RISK FACTORS

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In addition, stock markets and shares of companies listed on the Stock Exchange have experienced substantial price and volume fluctuations from time to time that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

**Control by our Controlling Shareholder of a substantial percentage of our Company's share capital after the completion of this Share Offer may limit your ability to influence the outcome of decisions requiring the approval of Shareholders.**

Upon the completion of the Share Offer, our Controlling Shareholder will continue to beneficially own in aggregate 75% of our Company's share capital, assuming that Over-allotment Option is not exercised. For additional information, please see the section headed "Relationship with the Controlling Shareholder" in this Prospectus. Therefore, our Controlling Shareholder will have the ability to exercise significant influence over all matters requiring Shareholders' approval, including among other things, the approval of significant transactions and election of directors. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting.

Such concentration of ownership may delay, prevent or deter a change in control of our Group that would otherwise be considered beneficial to our Shareholders. Our Controlling Shareholder's interests may not always be aligned with our Group's best interests. If the interests of our Controlling Shareholder conflict with the interests of our Group or our other Shareholders, our Shareholders may be disadvantaged as a result.

**Future offerings or sales could adversely affect the prevailing market price of our Shares.**

Future offerings or sales of our Shares by us or our existing Shareholders, or other Shareholders in the public market, or the perception that such offerings or sales could occur, may cause the market price of our Shares to decline. Following the expiration of their respective lock-up periods, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares (including the issuance of new Shares pursuant to the exercise of share options which may be granted by us) or the perception that such sales or issuances may occur. This could also have a material and adverse effect on our ability to raise capital in the future at a time and at a price deemed appropriate. In addition, if we issue additional Shares or share options in the future, you may experience further dilution.

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## RISK FACTORS

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**Facts and statistics in this prospectus relating to the industry in which our Group operates may not be fully reliable.**

Some of the facts and statistics in this prospectus relating to the mobile telecom industry and the domestic helpers community in which our Group operates, including those relating to the Hong Kong economy and mobile telecom products market, are derived from various publications of Hong Kong and foreign governmental departments and agencies and obtained in communication with various governmental departments and agencies that our Directors believe are reliable. However, our Directors cannot guarantee that the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate have taken reasonable care in exacting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Selling Shareholder, the Sole Sponsor, any Underwriter or any other party involved in the Share Offer and no representation is given as to its accuracy or completeness. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

**Protection to minority Shareholders under Cayman Islands law differs from that in Hong Kong.**

Our Company is a company incorporated in the Cayman Islands under the Companies Law with limited liability and the law of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Our Company's corporate affairs are governed by its Memorandum and Articles, the Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal action against our Directors and our Company, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands.

In addition, although our Company will be subject to the Listing Rules and the Takeovers Code upon listing of our Shares on the Stock Exchange, our Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules.

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## RISK FACTORS

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Furthermore, the Takeovers Code do not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong.

As a result of any or all of the above, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our Company's management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

Further information on the constitution of our Company and the Companies Law is set out in Appendix III to this prospectus.

**Costs of options to be granted under the Share Option Scheme may negatively affect our results of operations and any exercise of the options granted will result in dilution to our Shareholders.**

Our Company may issue additional Shares pursuant to the Share Option Scheme. Such options to be granted under the Share Option Scheme, if exercised in full, will represent up to 10% of our issued share capital immediately following the completion of the Share Offer (assuming the Over-allotment Option and the options granted under the Share Option Scheme are not exercised).

The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may have a negative effect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus will result in the dilution to the percentage of ownership of our Shareholders, and a possible dilution of the earnings per Share and the net asset value per Share if the additional Shares we issue in the future will be at a price lower than the earnings per Share or the net asset value per Share at that time.

Details of the Share Option Scheme and the options to be granted thereunder are set out in the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

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## **WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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In preparation for the Listing, we have sought the following waiver from the Stock Exchange from strict compliance with the relevant provisions of the Listing Rules.

### **WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES**

Our Group has entered into, and will continue to carry on certain transactions, which would constitute continuing connected transactions that will become subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules after Listing. Further particulars about the transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed “Connected Transactions” in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with COWUMPO, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. The 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.

### THE PUBLIC OFFER AND THIS PROSPECTUS

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set forth the terms and conditions of the Public Offer.

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Share Offer.

The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Joint Lead Managers. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement, with one of the conditions being that the Offer Price is agreed between us (for our Company and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Placing is expected to be fully underwritten by the Placing Underwriters, on and subject to the terms and conditions of the Placing Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedures for applying for the Public Offer Shares are set forth in the section headed “How to Apply for the Public Offer Shares” in this prospectus and in the Application Forms.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

The Share Offer is initially an offer of 10,000,000 New Shares by our Company under the Public Offer (subject to reallocation) and 73,000,000 New Shares by our Company and 17,000,000 Sale Shares by the Selling Shareholder under the Placing (subject to reallocation and the Over-allotment Option), in each case at the Offer Price. Particulars of the structure of the Share Offer, including its conditions, are set forth in the section headed “Structure of the Share Offer” in this prospectus.

### **OVER-ALLOTMENT OPTION AND STABILISATION**

For details of the arrangements relating to the Over-allotment Option and stabilisation, see the section headed “Structure of the Share Offer – Placing – Over-allotment Option” and “Structure of the Share Offer – Stabilisation Action” in this prospectus.

### **RESTRICTIONS ON OFFERS AND SALES OF THE OFFER SHARES**

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Public Offer Shares to, confirm that he is aware of the restrictions on offers of the Public Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes 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 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 and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold directly or indirectly, in the PRC or the U.S. Each person acquiring the Offer Shares will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus and the related Application Forms.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **SELLING SHAREHOLDER**

The Share Offer initially consists of 100,000,000 Shares, of which 17,000,000 Shares are being sold by the Selling Shareholder under the Placing. We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Share Offer, and assuming an offer price of HK\$1.15 per Offer Share, being the mid-point of the indicative Offer Price range) will be about HK\$18.1 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares. Details of the Selling Shareholder are set out in the section headed “Statutory and general information – E. Other information – 11. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Further details of the structure and conditions of the Share Offer are set out in the section headed “Structure of the Share Offer” in this prospectus.

### **APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme).

No part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 27 September 2018. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 1723.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **SHARES WILL BE ELIGIBLE FOR ADMISSION 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 Listing Date or 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.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasise that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

### **REGISTER OF MEMBERS AND STAMP DUTY**

All Shares issued pursuant to applications made in the Share Offer will be registered on our Company's branch register of members to be maintained in Hong Kong by Tricor Investor Services Limited, the Hong Kong Share Registrar. Our Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered in the branch register of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).



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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong dollars and U.S. dollars have been translated into other currencies in this prospectus, for the purpose of illustration only, at the following exchange rate:

US\$1.00: HK\$7.8.

No representation is made that any amounts in Hong Kong dollars and U.S. dollars were or could have been or could be converted into each other at such rates or any other exchange rates on such date or any other date.

### ROUNDING

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.

### LANGUAGE

If there is any inconsistency between this English prospectus and the Chinese translation of this English prospectus, this English prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### OTHERS

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Share Offer assume that the Over-allotment Option is not exercised.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
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#### *Executive Directors*

Mr. Siu Muk Lung (蕭木龍先生)	Flat C, 39/F & 40/F Flourish Court 30 Conduit Road Mid-Levels Hong Kong	Chinese
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Mr. Chung Chi Fai (鍾志輝先生)	Flat B, 28/F Block 2, Wai Wah Centre Shatin, Hong Kong	Chinese
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#### *Non-executive Director*

Mr. Ritchie Ma (馬肇文先生) (formerly known as Ma Si Ping Ritchie (馬仕平))	Flat D, 9/F King's Court 50 Kai Yuen Street Hong Kong	Chinese
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Mr. Lam Kin Lun Davie (林健倫先生)	Flat 1508, 15/F Block 48, Heng Fa Chuen Chai Wan, Hong Kong	Chinese
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#### *INEDs*

Mr. Lee Kwan Ho, Vincent Marshall (李君豪先生)	1/F, Yale Lodge 30 Kennedy Road Hong Kong	Chinese
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Mr. Kwok Wai Leung, Stanley (郭偉良先生)	Block B, 12/F Everwell Garden 1 Sheung Hong Street Ho Man Tin	Chinese
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Mr. Fok Kam Chau (霍錦就先生)	Room 712, 7/F Hei Ming House Yuk Ming Court Ngan O Road Tseung Kwan O, Hong Kong	Chinese
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Mr. Shiao Hei Lok Herod (蕭喜樂先生)	3/F, Cheeruse Court 304 Prince Edward Road West Kowloon Tong, Hong Kong	Chinese
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Further information of the Directors is disclosed in the section headed “Directors and Senior Management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

##### **CLC International Limited**

13/F, Nan Fung Tower,  
88 Connaught Road Central  
Central  
Hong Kong

*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined in the SFO*

#### Joint Bookrunners

##### **Sinolink Securities (Hong Kong) Company Limited**

Units 2503, 2505-06 25/F Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

##### **Opus Capital Limited**

18/F Fung House  
19-20 Connaught Road Central  
Central  
Hong Kong

#### Joint Lead Managers

##### **CLC Securities Limited**

13/F, Nan Fung Tower  
88 Connaught Road Central  
Central  
Hong Kong

##### **Sinolink Securities (Hong Kong) Company Limited**

Units 2503, 2505-06 25/F Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

##### **Opus Capital Limited**

18/F Fung House  
19-20 Connaught Road Central  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### Legal advisors to our Company

*As to Hong Kong law:*

**Sit, Fung, Kwong & Shum**

9/F, York House

The Landmark

15 Queen's Road Central

Hong Kong

*As to Cayman Islands law:*

**Conyers Dill & Pearman**

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*As to Hong Kong laws in respect of certain provisions of the MPFSO and its subsidiary legislations and matters in relation to the related non-compliance of our Group*

**Bernard Mak**

Barrister-at-law

Parkside Chambers

3101 Two Pacific Place

88 Queensway

Hong Kong

*As to Hong Kong laws in respect of certain provisions of the IRO and matters in relation to the related non-compliance of our Group*

**Martin W.H. Wong**

Barrister-at-law

Parkside Chambers

3101 Two Pacific Place

88 Queensway

Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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	<p><i>As to Hong Kong laws in respect of certain provisions of the Competition Ordinance and matters in relation to the related compliance of our Group</i></p> <p><b>Henry H.G. Cheng</b> Barrister-at-law Denis Chang's Chambers 1501 Two Pacific Place 88 Queensway Hong Kong</p>
<b>Legal advisors to the Sole Sponsor and the Underwriters</b>	<p><i>As to Hong Kong law:</i></p> <p><b>Chiu &amp; Partners</b> 40/F., Jardine House 1 Connaught Place Hong Kong</p>
<b>Reporting accountants</b>	<p><b>HLB Hodgson Impey Cheng Limited</b> <i>Certified Public Accountants</i> 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong</p>
<b>Industry Consultant</b>	<p><b>Frost &amp; Sullivan Limited</b> 1706, One Exchange Square 8 Connaught Place Central, Hong Kong</p>
<b>Compliance Adviser</b>	<p><b>CLC International Limited</b> 13/F, Nan Fung Tower, 88 Connaught Road Central Central Hong Kong <i>A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined in the SFO</i></p>
<b>Receiving bank</b>	<p><b>Bank of China (Hong Kong) Limited</b> 1 Garden Road Hong Kong</p>

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarters and Principal place of business in Hong Kong</b>	24th Floor, Chun Wo Commercial Centre 23 Wing Wo Street, Sheung Wan Hong Kong
<b>Company Secretary</b>	Mr. Chan Him Alfred (陳謙先生) (CPA) Flat E, 57/F, Tower 5, Island Resort 28 Siu Sai Wan Road Hong Kong
<b>Authorised Representatives</b>	Mr. Siu Muk Lung (蕭木龍先生) Flat C, 39/F & 40/F Flourish Court 30 Conduit Road Mid-Levels Hong Kong  Mr. Chan Him Alfred (陳謙先生) Flat E, 57/F, Tower 5, Island Resort 28 Siu Sai Wan Road Hong Kong
<b>Audit Committee</b>	Mr. Fok Kam Chau (霍錦就先生) (Chairman) Mr. Lam Kin Lun Davie (林健倫先生) Mr. Kwok Wai Leung, Stanley (郭偉良先生) Mr. Shiao Hei Lok Herod (蕭喜樂先生)
<b>Remuneration Committee</b>	Mr. Shiao Hei Lok Herod (蕭喜樂先生) (Chairman) Mr. Ritchie Ma (馬肇文先生) Mr. Kwok Wai Leung, Stanley (郭偉良先生) Mr. Fok Kam Chau (霍錦就先生)

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## CORPORATE INFORMATION

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**Nomination Committee**

Mr. Siu Muk Lung (蕭木龍先生) (*Chairman*)  
Mr. Lee Kwan Ho, Vincent Marshall (李君豪先生)  
Mr. Kwok Wai Leung, Stanley (郭偉良先生)  
Mr. Shiao Hei Lok Herod (蕭喜樂先生)  
Mr. Fok Kam Chau (霍錦就先生)

**Principal Share Registrar and  
Transfer Office in Cayman Islands**

**Conyers Trust Company (Cayman) Limited**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Hong Kong Share Registrar and  
Transfer Office**

**Tricor Investor Services Limited**  
Level 22, Hopewell Centre, 183 Queen's Road East  
Hong Kong

**Principal Bankers**

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

**Company's website**

[www.hkasiaholdings.com](http://www.hkasiaholdings.com)  
(*information contained in this website does not form  
part of this prospectus*)

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## INDUSTRY OVERVIEW

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***The information that appears in this section (including certain facts, statistics and data) is derived from the Frost & Sullivan Report (as defined below) Prepared by Frost & Sullivan which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that the sources of information are appropriate sources for such information and have taken reasonable care in reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading in material respect. The information has not been independently verified by our Group, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our respective directors, officers or representatives or any other party involved in the Share Offer and no representation is given as to its accuracy, completeness or fairness. The information and statistics may not be consistent with other information and statistics compiled within or outside of Hong Kong. As a result, excessive reliance on the information contained in this section shall be avoided.***

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an Independent Third Party, to produce the Frost & Sullivan Report on Hong Kong's Pre-paid Products (i.e. SIM cards and Top-up Vouchers industry, at a total fee of HK\$670,000. The report prepared by Frost & Sullivan is independent from our influence. The payment of such amount was not contingent upon the success of the Listing or upon the results of the Frost & Sullivan Report.

Frost & Sullivan is an independent global consulting company founded in 1961 and based in the United States. Its services include industry research and market strategies and provides growth consulting and corporate training. Frost & Sullivan's research was undertaken through both primary and secondary research. Primary research involved discussion of the industry status with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

Frost & Sullivan considers the source of information as reliable because (i) it is general market practice to adopt official data and announcements from various departments of Hong Kong Government; and (ii) the information obtained from interviews is for reference only and the findings in the Frost & Sullivan Report are not based on the results of these interviews. Frost & Sullivan has proven track records in providing market research studies to government departments and agencies and private clients in the regions where the Frost & Sullivan Report covers.



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## INDUSTRY OVERVIEW

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### RESEARCH METHODOLOGY AND ASSUMPTIONS

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both research, and conducted a consumer survey in July 2017 and an updated consumer survey in April 2018 to understand the brand awareness and usage patterns of pre-paid calling cards among Indonesians and Filipinos in Hong Kong. In the sample survey, Frost & Sullivan made survey with about 150 Indonesian nationals and about 150 Filipino nationals. The following assumptions are considered by Frost & Sullivan in the market sizing and forecast in preparing the Frost & Sullivan Report, which include: (i) the economies of Hong Kong is expected to maintain steady growth across the forecast period; (ii) the social, economic, and political environment of Hong Kong is expected to remain stable in the forecast period; and (iii) market drivers like increasing outbound tourist from Hong Kong, growing number of Filipinos and Indonesians in Hong Kong, increasing mobile data usage and usage convenience of Pre-paid Products are expected to drive the growth of the Pre-paid Products distribution market in Hong Kong.

Our Directors, having taken reasonable care, confirm that since that date of the Frost & Sullivan Report and up to the Latest Practicable Date, there had been no adverse change in the market information which may qualify, contradict, or have an impact on the information in this section. After taking into account the methodology adopted for preparation of the Frost & Sullivan Report as mentioned above, our Directors have no reason to believe that the sources of information, data and statistics used in this section are not reliable.

### HONG KONG MACRO ECONOMIC OVERVIEW

According to Frost & Sullivan Report, the economy in Hong Kong has been heavily affected by the weak global and mainland economic performances and strong US dollars over period from 2013 to 2017 which affected Hong Kong's competitiveness. Hong Kong experienced an increase in nominal GDP from HK\$2,138.3 billion in 2013 to HK\$2,662.6 billion in 2017 at a CAGR of 5.6%. It is expected that the economy in Hong Kong, as driven by the strong domestic consumption with low expected unemployment rate, will recover steadily at a CAGR of 5.0% from 2017 to 2022.

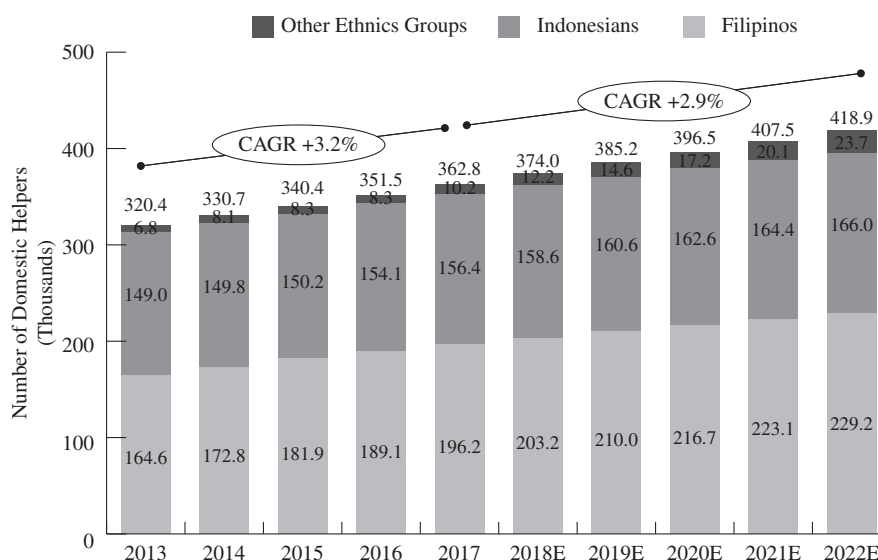
### Domestic helpers from Indonesia and Philippines in Hong Kong

According to Frost & Sullivan Report, Indonesians and Filipinos are the two major ethnic groups of domestic helpers in Hong Kong and over 97% of the domestic helpers in Hong Kong come from these two countries in 2017. There was a rising demand for domestic helpers, which led to that both the number of Filipino and Indonesian domestic helpers grew at a steady pace with CAGRs of 4.5% and 1.2%, respectively from 2013 to 2017. It is expected that the Hong Kong families will have increasing demands for domestic helpers to take care of their families and do household chores in the following years. According to Frost & Sullivan Report, it is estimated that the number of domestic helpers will increase to 418.9 thousand in 2022. Filipinos and Indonesians are estimated to remain the major ethnic groups of domestic helpers in Hong Kong.

## INDUSTRY OVERVIEW

The following table sets forth the number of domestic helpers by different ethnic groups from 2013 to 2022, respectively:

**Number of Domestic Helpers by Different Ethnic Groups  
(Hong Kong), 2013 – 2022E**



Source: HKSAR Immigration Department, Frost & Sullivan

### Inbound and Outbound Tourists of Hong Kong

Hong Kong inbound tourists undergo an obvious decrease since 2014, dropped from 60.8 million in 2014 to 58.5 million in 2017, which was a result of the implementation of once-a-week limit on cross-border visits to Hong Kong on the permanent residents in Shenzhen. According to Frost & Sullivan Report, along with the launch of certain events and activities in Hong Kong (such as Wine & Dine Festival, etc.) and the implementation of the expansion plan of Hong Kong's Disneyland and Ocean Park, the number of inbound tourists is expected to increase to 66.7 million in 2022.

Due to the increasing number of airline routes and ticket promotion from low-cost airline companies in Hong Kong, and the appreciation of Hong Kong dollars, the number of outbound tourists of Hong Kong has increased from 84.4 million in 2013 to 91.3 million in 2017 with a CAGR of 2.0%. According to Frost & Sullivan Report, the number of outbound tourists of Hong Kong is expected to increase to 104.3 million in 2022.

### HONG KONG MOBILE SERVICE MARKET

#### Hong Kong Mobile Services

Mobile service, also called mobile communications service, is a kind of telecom service provided by mobile network operators that allows mobile phone subscribers transmit and share voice, data and images through mobile networks like second generation (2G), 3G and 4G.

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## INDUSTRY OVERVIEW

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### ***Mobile Network Operator and Mobile Virtual Network Operator***

There are basically two types of operators in Hong Kong, including mobile network operator (“MNO”), and mobile virtual network operator (“MVNO”). MNO is a provider of mobile services that owns or controls all the elements necessary to sell and deliver services to an end user including radio spectrum allocation, wireless network infrastructure, back haul infrastructure, billing, customer care, provisioning computer systems and marketing and repair organisations. In contrast, MVNO does not own the network infrastructure. Instead, an MVNO enters into a business agreement with a mobile network operator to obtain bulk access to network services at wholesale rates, then sets retail prices independently.

### ***Pre-paid SIM Card and post-paid SIM card***

Pre-paid SIM Card and post-paid SIM card are the major two service models for mobile service in Hong Kong. Users of pre-paid SIM card are required to pay for the service upfront but no contract is required; whilst users of post-paid SIM card are required to sign a contract for a designated period of time and will receive an invoice each month based on the actual usage.

### **Telecom Services Revenue and Mobile Data Usage in Hong Kong**

The total telecom services revenue in Hong Kong has experienced a double digit growth from HK\$79.0 billion in 2013 to HK\$124.0 billion in 2017 with a CAGR of 11.9%. According to Frost & Sullivan Report, it is expected that the use of telecom services will be more frequent in Hong Kong along with the growing popularity of smartphones and the development and innovation of the internet industry, the demand for mobile services and internet access services, which will drive the increase of future telecom services revenue from about HK\$124.0 billion in 2017 to about HK\$206.7 billion in 2022, with a CAGR of 10.8%.

The mobile data usage in Hong Kong has increased from 12.1 billion megabytes in 2013 to 30.5 billion megabytes in 2017, with a CAGR of 26.0%, which is a result of the increase of mobile telephone subscribers and the growing popularity of smartphones and other smart devices in Hong Kong. According to Frost & Sullivan Report, it is expected that the mobile data usage in Hong Kong will increase to 76.5 billion megabytes in 2022, with a CAGR of 20.2%.

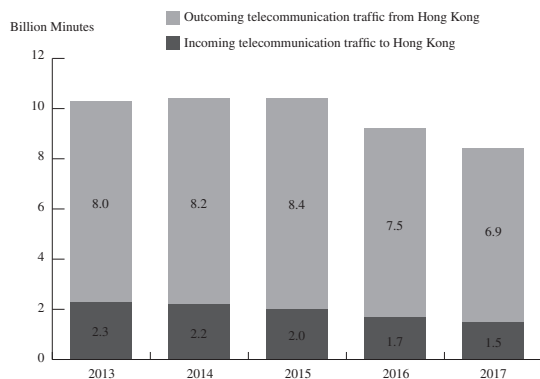
### **Telecom Traffic in Hong Kong**

Along with the increasing mobile data usage and the penetration of voice over internet protocol (“VoIP”), subscribers using smartphones nowadays tend to get connected with others through the use of instant messaging (“IM”) Apps such as WhatsApp, Wechat, etc. This hindered the demand for outgoing and incoming telecom traffic in Hong Kong through mobile voice telecommunication (e.g. local phone calls or international direct dial (“IDD”)), and in fact both the outgoing and incoming telecom traffic in Hong Kong decreased from 2013 to 2017.

Similarly, both the outgoing telecom traffic to Indonesia and Philippines also showed a downward trend during 2013 to 2017, with CAGRs of -15.3% and -10.2%, respectively.

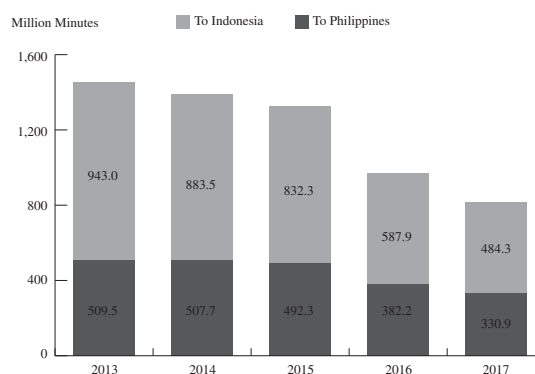
## INDUSTRY OVERVIEW

**Outgoing and Incoming Telecom Traffic (Hong Kong), 2013 – 2017**



Source: The Office of the Communications Authority; Frost & Sullivan

**Outgoing Telecom Traffic to Indonesia and the Philippines (Hong Kong), 2013 – 2017**



Source: The Office of the Communications Authority; Frost & Sullivan

### Drivers of Hong Kong Mobile Service Market

#### 1. Rapid development of portable smart devices

Along with the development of 4G technology and smart portable device, the global smartphone shipment increased from 1.0 billion units in 2013 to 1.5 billion units in 2017, representing a CAGR of 10.7%. It is expected that the fast growth of smartphone demand will generate increasing demand for digital contents and also the demand for data usage which will continuously drive the mobile service industry in the following years.

#### 2. Shifting habits of mobile users

The popularity of smartphone and other kinds of smart devices and with the development of 3G/4G technologies allow mobile users to use mobile data to get connected with others through mobile instant messaging applications, do online shopping and view media streaming contents. The average mobile data usage per 2.5G + 3G+ 4G users increased from 977.5 Mbytes in 2013 to 1,786.6 Mbytes in 2017 with a CAGR of 16.3%. All four mobile network operators have deployed 4G services utilising Long Term Evolution (LTE) technology. The shifting of consumption habits towards mobile digital contents is expected to further drive the development of mobile service industry in Hong Kong.

### Number of Post-paid and Pre-paid SIM Users and Number of Activated Pre-paid SIM Users in Hong Kong

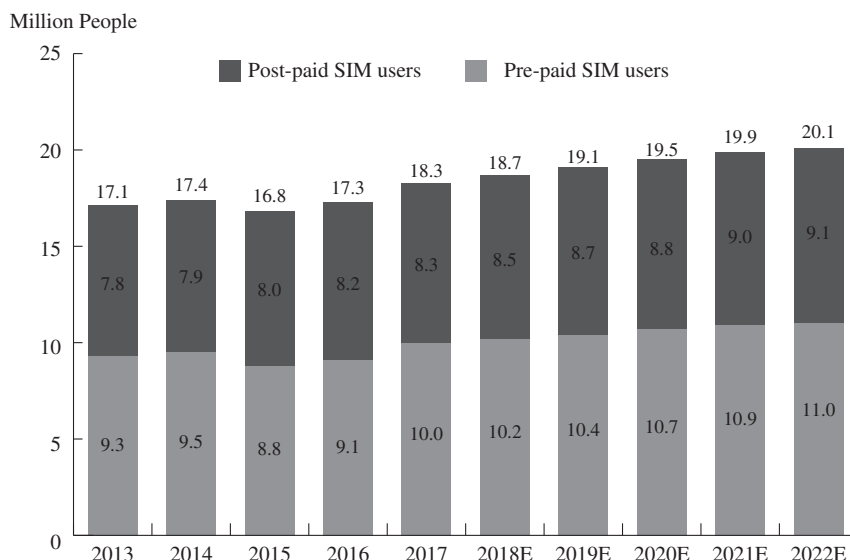
As of 2017, there were 8.3 million post-paid SIM card users and 10.0 million pre-paid SIM card users in Hong Kong. Out of 10.0 million pre-paid SIM cards, about 73.0% was activated. The majority users of pre-paid SIM card are inbound tourists to Hong Kong and outbound Hong Kong travelers to other countries. The relatively high tourist arrivals in Hong Kong and the increasing demand for outbound travelling of local residents drove the demand for the pre-paid SIM card market in Hong Kong. According to Frost & Sullivan Report, the number of pre-paid SIM card users and activated pre-paid SIM card users is expected to remain steady in the following years.

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## INDUSTRY OVERVIEW

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### Number of Post-paid and Pre-paid SIM Users (Hong Kong), 2013 – 2022E



Source: The Office of the Communications Authority; Frost & Sullivan

### HONG KONG PRE-PAID PRODUCTS DISTRIBUTION

Generally, pre-paid SIM card products can be classified as local use and overseas use. Pre-paid SIM Card Products for local use in Hong Kong are mainly for the use of inbound tourists, ethnic minorities (like Filipino, Indonesian and other ethnic minorities) and local residents, respectively. While Pre-paid Products for overseas use refers to pre-paid mobile service for outbound travellers using in other countries.

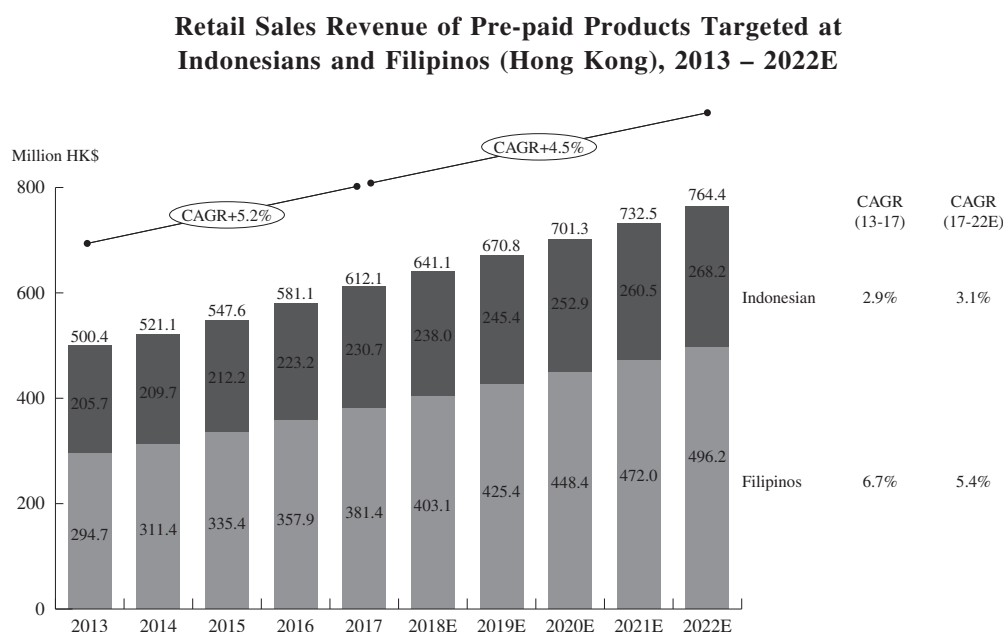
### Market Size of Pre-paid Products Distribution Market in Hong Kong

As driven by the Pre-paid Products demand from those outbound tourists and continuous influx of inbound tourists to Hong Kong, the Pre-paid Products distribution market in Hong Kong showed a steady growth from about HK\$6,302.0 million in 2013 to about HK\$7,046.5 million in 2017, with a CAGR of 2.8%. According to Frost & Sullivan Report, along with the increasing mobile data usage and the further development of Hong Kong tourism, it is estimated that Hong Kong Pre-paid Products distribution market will keep stable development from HK\$7,046.5 million in 2017 to HK\$8,498.8 million in 2022, with a CAGR of 3.8%.

## INDUSTRY OVERVIEW

### Market Size of Pre-paid Products Targeted at Indonesians and Filipinos in Hong Kong

Retail sales of Pre-paid Products targeted at Indonesian and Filipino consumers witnessed a growth from about HK\$500.4 million in 2013 to about HK\$612.1 million in 2017, with a CAGR of 5.2%. The growth was due to the increase in the population of domestic helpers and the growing popularity of smartphones among domestic helpers, which encouraged more spending on both data and call usage. According to Frost & Sullivan Report, along with the continuous increasing number of Indonesian and Filipino domestic helpers in Hong Kong and on-going smartphone penetration in Indonesian and Filipino groups, it is expected that the Pre-paid Products distribution market targeted at Indonesians and Filipinos in Hong Kong is expected to maintain stable growth from HK\$612.1 million in 2017 to HK\$764.4 million in 2022, with a CAGR of 4.5%.



Source: Frost & Sullivan

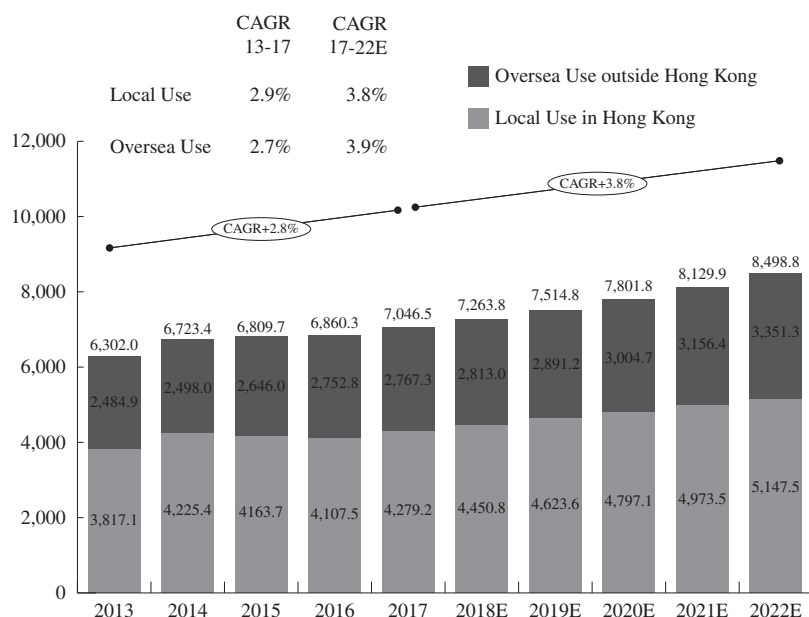
### Market Size of Pre-paid Products for local and overseas use

As driven by the Pre-paid Products demand from those inbound tourists to Hong Kong and growing number of ethnic minorities like Filipinos and Indonesians, the Pre-paid Products market for local use witnessed a growth from HK\$3,817.1 million in 2013 to HK\$4,279.2 million in 2017, with a CAGR of 2.9%. According to Frost & Sullivan Report, along with the rebound of inbound tourists to Hong Kong as well as increasing demand from local users and ethnic minorities, it is estimated that the Pre-paid Products market for local use will grow from HK\$4,279.2 million in 2017 to HK\$5,147.5 million in 2022, with a CAGR of 3.8%.

As driven by the demand of the Pre-paid Products from outbound travelling Hong Kong residents, the Pre-paid Products market for overseas use witnessed a growth from HK\$2,484.9 million in 2013 to HK\$2,767.3 million in 2017, with a CAGR of 2.7%. According to Frost & Sullivan Report, it is estimated that the Pre-paid Products market for overseas use will grow from HK\$2,767.3 million in 2017 to HK\$3,351.3 million in 2022, with a CAGR of 3.9%.

## INDUSTRY OVERVIEW

### Retail sales revenue breakdown of Pre-paid Products for local and overseas uses (Hong Kong), 2013 – 2022E



Source: Frost & Sullivan

### Market Drivers

#### 1. Increasing outbound tourist from Hong Kong

The number of outbound tourist from Hong Kong to other countries witnessed a steady growth from 2013 to 2017 with a CAGR of 2.0%. The increasing outbound tourists from Hong Kong is expected to stimulate more demand for outbound Pre-paid Products and bring more impetus to the Pre-paid Products distribution market in Hong Kong.

#### 2. Growing number of Filipinos and Indonesians in Hong Kong

During 2013 to 2017, both the numbers of Filipinos and Indonesians has increased with a CAGR of 4.5% and 1.2%, respectively. Pre-paid calling cards remain a necessity for Filipinos and Indonesians to get connected with their social networks. The growing number of Filipinos and Indonesians in Hong Kong is likely to further drive the consumption of Pre-paid Products targeted at Filipinos and Indonesians.

#### 3. Shifting habits of mobile users

The rapid development and innovation of mobile applications like instant messaging applications, mobile online shopping applications, mobile streaming video platforms, have altered the habits of mobile users. Rising demand and spending on data usage is expected to fuel up the development of pre-paid SIM cards and Top-up Vouchers in Hong Kong.

#### 4. Usage convenience of Pre-paid SIM cards

It is more convenience for end-users (especially for those impermanent tourists and residents) to choose Pre-paid Products than post-paid SIM card as the “pay as you go” billing model allows Pre-paid SIM card users to activate and terminate their mobile service any time and free from the examination of personal credit history and application documents.

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## INDUSTRY OVERVIEW

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### Entry Barriers

#### **1. Extensive Distribution Networks**

The target users of Pre-paid Products in Hong Kong (such as inbound and outbound tourists and ethnic minorities like Filipinos and Indonesians) are relatively diversified with strong fluidity. An extensive distribution network is crucial for the players. Limited resources in distribution network is an entry barrier for new players.

#### **2. Operation Experience**

Incumbent Pre-paid Products distributors in Hong Kong has already earned a high reputation among the end-users. It is not easy for those new distributors to figure out their appropriate business model and save considerable customer and user base within a short period of time.

#### **3. Good Relationship with Suppliers**

Pre-paid Products distributors have to rely on their upstream mobile network operators for product supply. It is not easy for new entrants to establish such solid business relationships with suppliers in the beginning.

### Opportunities, threats and challenges

#### **1. Upcoming 5G Network**

5G network is expected to come into the market after 2020, which is estimated to provide mobile service subscribers with faster speeds and higher capacity than 4G network. It is likely to be a distinctive opportunities for Pre-paid Products distributor to offer relevant Pre-paid Products or higher value-added mobile data services.

#### **2. Popularisation of Mobile Instant Messaging Application**

The popularisation of mobile instant messaging application is expected to reduce the use of traditional mobile voice call service or IDD call service, which is likely to pose threats to the pre-paid SIM cards products. Nonetheless, the rising usage of mobile instant massaging application is expected to increase the demand for mobile data usage, which is also estimated to bring opportunities for Pre-paid Products operators who can offer competitive mobile data services.

#### **3. Expansion of Public Wi-Fi Spots**

Voice call and instant messages functions are available on certain smartphone applications for free of charge when the phone is connected to a Wi-Fi network. Public Wi-Fi hotspots in Hong Kong increased from 20,307 in 2013 to 49,025 in 2017. As increasingly more public Wi-Fi spots are available and a vast majority of households have their own Wi-Fi network, the usage of data via mobile phones may decrease.

### COMPETITIVE LANDSCAPE OF HONG KONG'S PRE-PAID PRODUCTS DISTRIBUTION MARKET

The participants of Hong Kong Pre-paid Products distribution market include four mobile network operator, mobile virtual network operator and Pre-paid Products Distributor.



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## INDUSTRY OVERVIEW

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### Ranking and Market Share of Distributors of Pre-paid Products in Hong Kong

Hong Kong's Pre-paid Products distribution market is relatively concentrated, whereby top 5 players together take an aggregate of 86.1% of the total share in terms of retail sales revenue in 2017.

#### Market Share of Top 5 Players of Hong Kong's Pre-paid Products Distribution Market in terms of Retail Sales Revenue, 2017

Ranking	Company Name	Market Share
1	Network Operator C	26.4%
2	Network Operator A	20.6%
3	Network Operator D	18.2%
4	MVNO A	11.2%
5	Network Operator B	9.7%
	Total market share of top 5 players	86.1%

**Total retail sales revenue in 2017: HK\$7,046.5 million**

*Source: Our Group, Frost & Sullivan*

### Ranking of Distributors of Pre-paid Products Targeted at Indonesians and Filipinos

The market of Pre-paid Products distribution targeted at Indonesians and Filipinos is also highly concentrated, whereby top 5 participants together take 89.0% of the total share in terms of retail sales revenue. According to Frost & Sullivan Report, our Group captured a share of 30.0% and ranked second in Hong Kong's Pre-paid Products distribution market targeted at Indonesians and Filipinos in 2017.

#### Market Share of Top 5 Players in of Hong Kong's Pre-paid Products Distribution Market Targeted at Indonesians and Filipinos in terms of Retail Sales Revenue, 2017

Ranking	Company Name	Market Share
1	Network Operator D	37.5%
2	Our Group	30.0%
3	Distributor A	11.9%
4	Distributor B	6.4%
5	Distributor C	3.2%
	Total market share of top 5 players	89.0%

**Total retail sales revenue in 2017: HK\$612.1 million**

*Source: Our Group, Frost & Sullivan*

### Ranking of Distributors of Pre-paid Products Targeted at Filipinos and Indonesians

The market of Pre-paid Products distribution targeted Filipinos is also highly concentrated, whereby top 3 participants together take 90.8% of the total share in terms of retail sales revenue. According to Frost & Sullivan Report, our Group captured a share of 33.5% and ranked first in Hong Kong's Pre-paid Products distribution market targeted at Filipinos.

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## INDUSTRY OVERVIEW

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The market of Pre-paid Products distribution targeted at Indonesians is also relatively concentrated, whereby top 3 participants together take 91.0% of the total share in terms of retail sales revenue. According to Frost & Sullivan Report, our Group captured a share of 24.2% and ranked second in Hong Kong's Pre-paid Products distribution market targeted at Indonesians.

Market Share of Top 3 Players of Hong Kong's Pre-paid Products Distribution Market Targeted at Filipinos in terms of Retail Sales Revenue, 2017			Market Share of Top 3 Players of Hong Kong's Pre-paid Products Distribution Market Targeted at Indonesians in terms of Retail Sales Revenue, 2017		
Ranking	Company Name	Market Share	Ranking	Company Name	Market Share
1	Our Group	33.5%	1	Network Operator D	44.1%
2	Network Operator D	32.0%	2	Our Group	24.2%
3	Distributor A	<u>25.3%</u>	3	Distributor A	<u>22.7%</u>
Total market share of top 3 players		90.8%	Total market share of top 3 players		91.0%
<i>Total retail sales revenue in 2017: HK\$381.4 million</i>			<i>Total retail sales revenue in 2017: HK\$230.7 million</i>		
<i>Source: Our Group, Frost &amp; Sullivan</i>			<i>Source: Our Group, Frost &amp; Sullivan</i>		

## CONSUMER SURVEY

Frost & Sullivan conducted a consumer survey of about 150 Filipino and 150 Indonesian respondents relating to brand awareness and consumer preferences of Pre-paid Products in Hong Kong in July 2017 and an updated consumer survey in April 2018.

All respondents are using Pre-paid Products and about 99.0% of them are domestic helpers in Hong Kong. Over 90.3% of the respondents usually call back home at least once a week. About 71.7% of the respondents are accustomed to using the internet call (i.e. voice call via Viber, WhatsApp, Skype, etc.) while about 28.0% of the respondents usually make voice call by using mobile phone with pre-paid calling card. Over 98.3% of the respondents used to spend on monthly mobile data usage (3G/4G plan).

In terms of top of mind brand awareness of Pre-paid Products, Brand KK Pre-paid Products and Brand H Pre-paid Products ranked first and second respectively among Filipino and Indonesian respondents. Among the various criteria for selecting Pre-paid Products, the respondents generally indicated that the first four are fast and clear connection, lower calling rate to overseas, easier to top up and easily available to purchase.

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## REGULATORY OVERVIEW

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### **LAWS AND REGULATIONS ON SALES OF GOODS AND SUPPLY OF SERVICES**

#### **Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)**

The Sale of Goods Ordinance, which aims to codify the laws relating to the sale of goods, provides that:

- (a) under section 15, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description;
- (b) under section 16, where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and
- (c) under section 17, where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Pursuant to section 57 of the Sale of Goods Ordinance, where any right, duty or liability would arise under a contract of sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)) be negated or varied by express agreement, or by the course of dealing between the parties, or by usage if the usage is such as to bind both parties to the contract.

#### **Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong)**

The Supply of Services (Implied Terms) Ordinance, which aims to consolidate and amend the laws with respect to the terms to be implied in contracts for the supply of services (including a contract for the supply of a service whether or not goods are also transferred or to be transferred, or bailed or to be bailed by way of hire), provides that:

- (a) under section 5, where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill; and

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## REGULATORY OVERVIEW

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- (b) under section 6, where the supplier is acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

Pursuant to section 8(1) of the Supply of Services (Implied Terms) Ordinance, as against a party to a contract for the supply of a service who deals as consumer, the other party cannot, by reference to any contract term, exclude or restrict any liability of his arising under the contract by virtue of the Supply of Services (Implied Terms) Ordinance. Except as provided in section 8(1) of the Supply of Services (Implied Terms) Ordinance, where a right, duty or liability would arise under a contract for the supply of a service by virtue of the Supply of Services (Implied Terms) Ordinance, it may (subject to the Control of Exemption Clauses Ordinance) be negatived or varied by express agreement, or by the course of dealing between the parties, or by such usage as binds both parties to the contract.

### **Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)**

Products sold in Hong Kong are subject to the Trade Descriptions Ordinance. The Trade Descriptions Ordinance has been amended in July 2013 to expand certain existing provisions, including the prohibition of false trade description in respect of goods and services in the course of trade, prohibition on certain unfair trade practices and the introduction of a civil, compliance-based enforcement mechanism.

Section 2 of the Trade Descriptions Ordinance provides that a trade description (including fitness for purpose, performance and manufacturing details) which is false to a material degree; or though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree, would be regarded as false trade description.

Section 7 of the Trade Descriptions Ordinance provides that it is an offence for any person, in the course of his trade or business, to apply a false trade description to any goods; or supply or offer to supply any goods to which a false trade description is applied. It is also an offence for any person to have in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied.

To amount to a false trade description, the falsity of the trade descriptions has to be to a material degree. Trivial errors or discrepancies in trade descriptions would not constitute an offence. What constitutes a material degree will vary with the facts.

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## REGULATORY OVERVIEW

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Contravention of the prohibitions in the Trade Descriptions Ordinance is an offence, with a maximum penalty of up to HK\$500,000 and five years' imprisonment. However, the Trade Descriptions Ordinance also provides regulators with the ability to accept (and publish) written undertakings from businesses and individuals not to continue, repeat or engage in unfair trade practices in return of which regulator will not commence or continue investigations or proceedings relating to that matter. Regulators will also be empowered to seek an injunction against businesses and persons engaging in unfair trade practices or who have breached an undertaking.

### **Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)**

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitors will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

### **Competition Ordinance (Chapter 619 of the Laws of Hong Kong)**

The Competition Ordinance, (a) prohibits conducts that prevents, restricts or distorts competition in Hong Kong; (b) prohibits mergers that substantially lessen competition in Hong Kong; and (c) provides for incidental and connected matters. The Competition Ordinance includes, among other provisions, the First Conduct Rule, which prohibits anti-competitive conduct involving more than one party; and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power. The Competition Ordinance provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers.

#### ***The First Conduct Rule***

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct includes (i) fixing, maintaining, increasing, or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging practices.

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## REGULATORY OVERVIEW

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### ***The Second Conduct Rule***

The Second Conduct Rule provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has the object or effect of preventing, restricting or distorting competition in Hong Kong. Factors which may be taken into account when determining whether an undertaking has such power includes the market share of the undertaking, the undertaking's power to make pricing and other decisions; and any barriers to entry to competitors into the relevant market.

The Competition Ordinance prohibits the abuse of a substantial degree of market power and provides two examples of abusive conduct. An undertaking with a substantial degree of market power may commit an abuse by engaging in “predatory behaviour towards competitors” or by “limiting production, markets or technical development to the prejudice of consumers”.

### ***Consequences of non-compliance with the Competition Ordinance***

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a “single contravention” can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the contravention occurred, with a maximum of three years. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission's investigation.

## **LAWS AND REGULATIONS ON EMPLOYER'S OBLIGATIONS**

### **Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)**

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Every employer must, as far as reasonably practicable, ensure the safety and health at work of all the employer's employees by (including but not limited to):

- (a) providing and maintaining plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;

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## REGULATORY OVERVIEW

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- (d) as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health or providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- (e) providing or maintaining a working environment for the employees that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may issue improvement notices against contravention of the Occupational Safety and Health Ordinance, or suspension notices against activity or condition or use of workplace which may create imminent risk of death or serious bodily injury to the employees. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively, and imprisonment of up to 12 months.

### **Employment Ordinance (Chapter 57 of the Laws of Hong Kong)**

The Employment Ordinance is the main piece of Hong Kong legislation governing conditions of employment in Hong Kong. It provides for various employment-related benefits and entitlements to employees. All employees covered by the Employment Ordinance, irrespective of their hours of work, are entitled to basic protection under such Ordinance including payment of wages, restrictions on wages deductions and the granting of statutory holidays, etc. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment, etc.

### **Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)**

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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## REGULATORY OVERVIEW

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According to section 40 of the Employees' Compensation Ordinance, all employers (including principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees) for an amount not less than the applicable amount specified under the ordinance. Currently, the applicable amount is HK\$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200, and the applicable amount is HK\$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (current maximum amount at HK\$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (current maximum amount at HK\$100,000) and to imprisonment for one year.

### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)**

Under the Mandatory Provident Fund Schemes Ordinance, the employers shall participate in a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to the minimum and maximum relevant income levels. For monthly-paid employees, the minimum and maximum relevant income levels are HK\$7,100 and HK\$30,000 respectively as at the Latest Practicable Date.

### **Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)**

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour as at the Latest Practicable Date) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (except those specified under section 7 of the Minimum Wage Ordinance). Any provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Failure to pay minimum wage amounts to a breach of the wage provisions under the Employment Ordinance. According to the Employment Ordinance, an employer who wilfully and without reasonable excuse fails to pay wages to an employee when it becomes due is liable to a fine of HK\$350,000 and imprisonment for three years.



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## REGULATORY OVERVIEW

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### LAWS AND REGULATIONS ON BUSINESS REGISTRATION AND TAX MATTERS

#### **Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)**

The Business Registration Ordinance requires every entity carrying on any business shall apply to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid and issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

#### **Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)**

The Inland Revenue Ordinance is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As of the Latest Practicable Date, the standard profits tax rate for corporations is at 16.5% and with effect from the year of assessment 2018/19 the tax rates applicable to qualified corporation are 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000. The Inland Revenue Ordinance also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation. As our Group carry out business in Hong Kong, we are subject to the profits tax regime under the Inland Revenue Ordinance.

### LAW AND REGULATIONS ON TRADE PROMOTION COMPETITION

#### **Gambling Ordinance (Chapter 148 of the Laws of Hong Kong)**

Any person promoting, organising and/or conducting lottery, gaming or trade promotion competition in Hong Kong is required to obtain a trade promotion competition licence from the Home Affairs Department granted under section 22 of the Gambling Ordinance.

As defined by Section 2 of the Gambling Ordinance:

- (a) lottery includes a raffle, a sweepstake, local Chinese games and gambling (i.e. tse fa, hung piu and po piu) and any competition involving guessing or estimating the results that does not depend to a substantial degree upon the exercise of skill by the competitors which distributes or allots prizes by lot or chance;

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## REGULATORY OVERVIEW

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- (b) gaming means the playing of or at any game for winnings in money or other property whether or not any person playing the game is at risk of losing any money or other property; and
- (c) a trade promotion competition is a competition or other scheme promoted, conducted or managed for the purpose of promoting a trade or business or the sale of any products.

The trade promotion competition licence may be granted for a particular lottery, game or competition, or for a period of 12 months which is renewable. The trade promotion competition licence is also subject to the licensing conditions as set out in Form 4A under the Gambling Regulations (Chapter 148A of the Laws of Hong Kong) and any other conditions which the public officer appointed by the Secretary for Home Affairs may impose.

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## HISTORY, REORGANISATION AND DEVELOPMENT

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### BUSINESS DEVELOPMENT

#### Our History

Our history can be traced back to December 1995 when MP Direct Selling Centre was established by Mr. Siu with his own financial resources. From 1995 to 2003, MP Direct Selling Centre was principally engaged in sale of mobile phones and mobile phone related products in Central and Sheung Wan in Hong Kong. In 2009, HK Mobile was set up as a business vehicle to take up the business of MP Direct Selling Centre.

Since late 1990s, our Group started to offer SIM Cards and Top-up Vouchers to our customers at our own retail shops situated in Hong Kong Island. In 2004 or thereafter, based on the observation of Mr. Siu (one of our Directors and our Controlling Shareholder), a majority of the end-users of our products are Filipinos and Indonesians, who are believed to be predominantly domestic helpers in Hong Kong. To leverage our competitive advantages in the market, we started in 2004 to hire staff who were able to speak Filipino, and later, Indonesian languages to promote our products to these target groups of mobile users. To give incentive for mobile users to purchase Top-up Vouchers from our self-managed retail shops and our Sales Network for Operator A Products, we also operated redemption programmes (redemption of coupons and mobile phones) and offered discounts at our retail shops and to our customers from time to time.

We started to source Pre-paid Products directly from the Network Operator A in early 2000s. To enhance the cooperation with the Network Operator A, MP Direct Selling Centre (one of our subsidiaries) entered into the Operator A 2008 Distribution Agreement with the Network Operator A in 2008 which granted us the exclusivity in distributing Operator A Products. The Operator A 2008 Distribution Agreement has an initial term from 12 December 2008 to 11 December 2010, and it was extended for another two years until December 2012. As there are sales targets provided under the Operator A Distribution Agreements to be met, we did not enter into any exclusive distribution agreement with the Network Operator A for the period between December 2012 and November 2015 to allow ourselves greatest flexibilities. Though we did not enter into any long-term distribution agreement with the Network Operator A, during the period between December 2012 and November 2015, we continued to sell the Operator A Products, and did not sell any Pre-paid Products from other mobile network operators. In December 2015, we entered into the Operator A 2015 Distribution Agreement with Network Operator A with an initial term from 1 November 2015 to 31 October 2019 in order to secure our exclusivity. For the purpose of further extending such exclusivity on the distribution of Operator A Products, we and Network Operator A entered into the Operator A 2018 Distribution Agreement in July 2018 (replacing the Operator A 2015 Distribution Agreement) with an initial term from 1 November 2015 to 31 October 2022, and is extendable for another 36 months. Pursuant to the Operator A 2018 Distribution Agreement, our Group is the exclusive distributor of several particular brands of SIM Cards and Top-up Vouchers of Network Operator A, whose target end-users are Filipino or Indonesian domestic helpers in Hong Kong.

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## HISTORY, REORGANISATION AND DEVELOPMENT

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To diversify our supplier network and reduce the level of our reliance to Network Operator A, we have entered into a contract with Network Operator B in November 2016 for the distribution of Operator B Products supplied by Network Operator B. Sales of Operator B Products commenced in March 2017.

During the Track Record Period, we carried out the Discontinued Business of selling mobile phones, electronics and accessories in our retail shops, which was discontinued in FY2016 to follow our long-term strategy concentrate on the wholesale and retail sales of Pre-paid Products. The Discontinued Business was disposed to a company outside our Group which is wholly owned by our Controlling Shareholder and the inventories related to the Discontinued Business were disposed by our Group at cost with effect from 30 September 2015 pursuant to the inventory transfer agreements entered into by such company wholly owned by our Controlling Shareholder with (i) HK Mobile and (ii) Kinson Group, respectively. For details of the inventory transfer agreements, please refer to section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus. Our revenue from the Discontinued Business amounted to about HK\$9.4 million, nil and nil for each of FY2016, FY2017 and FY2018, respectively.

Following the discontinuance of the Discontinued Business, we commenced the consignment sale of mobile phones, electronics and accessories in our retail shops for our Controlling Shareholder in FY2016. For details, please refer to the section headed “Connected Transactions” in this prospectus. We consider that the disposal of the Discontinued Business and the commencement of the aforementioned consignment sale of mobile phones, electronics and accessories in our retail shops are in the interest of our Group and our Shareholders as such disposal and the consignment arrangement allow us to receive commission from the sales of consigned goods while we are not subject to inventory risks from holding such products as our inventory which may become obsolete when new models roll out.

### Our Milestones

The following table highlights the key development milestones of our Group’s business:

Year	Milestones
<b>December 1995</b>	MP Direct Selling Centre was incorporated in December 1995
<b>Late 1990s</b>	Our Group began to sell mobile phones, mobile phone related products and Pre-paid Products (including SIM Cards and Top-up Vouchers) in Hong Kong
<b>January 2002</b>	Our existing retail shop at Euro Trade Centre in Central commenced operation

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## HISTORY, REORGANISATION AND DEVELOPMENT

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<b>Year</b>	<b>Milestones</b>
<b>2003</b>	Our group began to sell Operator A Products supplied by Network Operator A to our customers or mobile users (who are predominantly Filipino and Indonesian domestic helpers) in Hong Kong
<b>March 2005</b>	Our previous retail shop in Causeway Bay commenced operation
<b>December 2008</b>	Our Group entered into the Operator A 2008 Distribution Agreement with Network Operator A for the distribution of Operator A Products, which has an initial term from 12 December 2008 to 11 December 2010, and was extended for another two years until December 2012
<b>Late 2000s</b>	Our retail shop at World Wide House in Central commenced operation
<b>January 2014</b>	Our retail shop in Tsuen Wan commenced operation
<b>December 2015</b>	Our Group entered into selling of the Operator A Products on an exclusive basis pursuant to the Operator A 2015 Distribution Agreement (subsequently replaced by the Operator A 2018 Distribution Agreement) entered into by our Group with Network Operator A, which has an initial term from 1 November 2015 to 31 October 2019, which may be extendable for another 36 months.
<b>November 2016</b>	Entered into Operator B 2016 Distribution Agreement with Network Operator B for Operator B Products on a non-exclusive basis
<b>March 2017</b>	Commenced distributing Operator B Products
<b>June 2017</b>	Our retail shop in Yuen Long commenced operation
<b>July 2018</b>	Our Group entered into the Operator A 2018 Distribution Agreement with Network Operator A (replacing the Operator A 2015 Distribution Agreement) for the sales of the Operator A Products on an exclusive basis. The Operator A 2018 Distribution Agreement has an initial term from 1 November 2015 to 31 October 2022, which may be extendable for another 36 months.

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## HISTORY, REORGANISATION AND DEVELOPMENT

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### CORPORATE DEVELOPMENT

Our Company was established in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 May 2016.

Our Company has become the holding company of our Group pursuant to the Reorganisation. Details of the Reorganisation are set out under the paragraphs headed “Our Group’s Reorganisation” in this section.

The following sets forth the major corporate development of the subsidiaries of our Company, MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom, Kinson Group and HK Asia Mobile, since their date of establishment or incorporation.

#### **MP Direct Selling Centre**

On 7 December 1995, MP Direct Selling Centre was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each with each of Mr. Siu and Mrs. Siu subscribing for 8,000 shares and 2,000 shares respectively.

On 27 November 2002, the authorised share capital of MP Direct Selling Centre was increased from HK\$10,000 to HK\$290,000 by the creation of additional 280,000 shares of HK\$1.00 each. 224,000 shares and 56,000 shares were issued and allotted to Mr. Siu and Mrs. Siu for cash at par respectively. As a result, MP Direct Selling Centre was owned by Mr. Siu and Mrs. Siu as to 232,000 and 58,000 shares respectively, representing 80% and 20% of its issued share capital.

On 30 April 2010, 58,000 shares of MP Direct Selling Centre were transferred from Mrs. Siu to Mr. Siu for cash at par. The consideration was based on the then par value of the shares of MP Direct Selling Centre, which was acceptable to the parties at the relevant time. After the said transfer, MP Direct Selling Centre was wholly owned by Mr. Siu; and Mrs. Siu ceased to be interested in MP Direct Selling Centre thereafter.

On 29 January 2014, the authorised share capital of MP Direct Selling Centre was increased from HK\$290,000 to HK\$650,000 by the creation of additional 360,000 shares of HK\$1.00 each. 2,500 shares and 357,500 shares were issued and allotted to Mr. Siu and Mr. Lee (as trustee for Mr. Siu) for cash at par respectively. Mr. Lee is a director of MP Direct Selling Centre and he was holding these shares on trust for Mr. Siu under the relevant confirmatory deed of trust dated 27 July 2017.

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## HISTORY, REORGANISATION AND DEVELOPMENT

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Immediately before the Reorganisation, Mr. Siu and Mr. Lee (as trustee for Mr. Siu) were holding 292,500 shares and 357,500 shares of MP Direct Selling Centre respectively, representing 45% and 55% of its entire issued share capital respectively. MP Direct Selling Centre is holding property interests of our Group by being the tenant of certain tenancy agreements entered into by our Group.

### **HK Mobile**

On 4 March 2009, HK Mobile was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each with Mr. Siu subscribing for 10,000 shares.

On 3 July 2014, 10,000 shares of HK\$1.00 each were issued and allotted to Mrs. Siu (as trustee for Mr. Siu) for cash at par.

Immediately before the Reorganisation, Mr. Siu and Mrs. Siu (as trustee for Mr. Siu) were holding 10,000 shares and 10,000 shares of HK Mobile respectively, representing 50% and 50% of its entire issued share capital respectively. HK Mobile is principally engaged in the wholesale and retail sales of the Pre-paid Products and has discontinued the business of selling mobile phones, electronics and accessories carried out in our retail shops in FY2016.

### **Golden Bright**

On 5 June 2012, Golden Bright was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each with ARSD06 Limited (as subscriber and Independent Third Party) subscribing for 1 share.

On 12 July 2012, 1 share of Golden Bright was transferred from ARSD06 Limited (the subscriber) to Mr. Lee (as trustee for Mr. Siu) for cash at par. The consideration was based on the then par value of the share of Golden Bright, which was acceptable to the parties at the relevant time. Mr. Lee is a director of Golden Bright and he was holding the share on trust for Mr. Siu under the relevant declaration of trust dated 12 July 2012.

Immediately before the Reorganisation, Mr. Lee (as trustee for Mr. Siu) was holding 1 share of Golden Bright, representing its entire issued share capital. Golden Bright is a dormant company and currently has no business operation.

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## HISTORY, REORGANISATION AND DEVELOPMENT

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### **Harvest Triple**

On 20 April 2012, Harvest Triple was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each with ARSD06 Limited (as subscriber and Independent Third Party) subscribing for 1 share.

On 11 June 2012, 1 share of Harvest Triple was transferred from ARSD06 Limited (the subscriber) to Mr. Lee (as trustee for Mr. Siu) for a consideration of HK\$1.00. The consideration was based on the then par value of the share of Harvest Triple, which was acceptable to the parties at the relevant time. Mr. Lee is a director of Harvest Triple and he was holding the share on trust for Mr. Siu under the relevant declaration of trust dated 11 June 2012.

Immediately before the Reorganisation, Mr. Lee (as trustee for Mr. Siu) was holding 1 share of Harvest Triple, representing its entire issued share capital. Harvest Triple is holding property interests of our Group by being the tenant of a tenancy agreement entered into by our Group.

### **HK Asia Telecom**

On 6 September 2010, HK Asia Telecom 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 Mr. Lee (as trustee for Mr. Siu) subscribing for 1 share. Mr. Lee is a director of HK Asia Telecom and he was holding the share on trust for Mr. Siu under the relevant confirmatory deed of trust dated 27 July 2017.

Immediately before the Reorganisation, Mr. Lee (as trustee for Mr. Siu) was holding 1 share of HK Asia Telecom, representing its entire issued share capital. HK Asia Telecom is principally engaged in the retail sales of the Pre-paid Products.

### **Kinson Group**

On 6 February 2014, Kinson Group was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each with Mr. Lee (as trustee for Mr. Siu) subscribing for 1 share. Mr. Lee is a director of Kinson Group and he was holding the share on trust for Mr. Siu under the relevant declaration of trust dated 7 February 2014.

Immediately before the Reorganisation, Mr. Lee (as trustee for Mr. Siu) was holding 1 share of Kinson Group, representing its entire issued share capital. Kinson Group is principally engaged in the retail sales of the Pre-paid Products in our retail shops and has commenced the business of consignment sales of mobile phones, electronics and accessories in our retail shops for our Controlling Shareholder in FY2016.



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## HISTORY, REORGANISATION AND DEVELOPMENT

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### **HK Asia Mobile**

On 13 June 2016, HK Asia Mobile was incorporated in the BVI with limited liability. HK Asia Mobile was initially authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 share of HK Asia Mobile was issued to our Company for cash at par upon incorporation and HK Asia Mobile was wholly-owned by our Company immediately before the Reorganisation. HK Asia Mobile is an investment holding company.

### **OUR GROUP'S REORGANISATION**

Our Group has undergone the corporate reorganisation to rationalise our Group's structure in preparation for the Listing which involved the following steps:

#### **Incorporation of our Company**

On 5 May 2016, our Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. 1 Share was allotted and issued fully paid at par to an initial subscriber upon incorporation and on the same date, the one subscriber share was transferred to Mr. Siu. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 June 2016.

#### **Incorporation of HK Asia Mobile**

On 13 June 2016, HK Asia Mobile was incorporated in the BVI with limited liability. HK Asia Mobile was initially authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 share of HK Asia Mobile was issued to our Company for cash at par and therefore HK Asia Mobile was our Company's wholly-owned subsidiary.

#### **Transfer of share of China Way (Far East) Limited from MP Direct Selling Centre to Mr. Siu**

China Way is a company incorporated in Hong Kong with limited liability on 26 November 2004 with issued share capital of HK\$2.00 and its entire issued share capital was beneficially owned as to 50% by Mr. Siu and 50% by MP Direct Selling Centre prior to the Reorganisation.

On 9 August 2017, 1 share of China Way was transferred from MP Direct Selling Centre to Mr. Siu at a consideration of HK\$1 with reference to the net asset value of China Way. After such transfer of share in China Way, China Way ceased to be a member of our Group.

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## HISTORY, REORGANISATION AND DEVELOPMENT

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Immediately prior to its disposal by our Group, China Way was holding interests in a motor vehicle with no other business operation. Having considered that the business and the assets held by China Way are not related to the business of our Group, China Way has been disposed of and is not included in our Group.

### **Acquisition of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group by our Company**

Pursuant to a sale and purchase agreement entered into among, Mr. Siu, HK Asia Mobile and our Company on 27 August 2018, HK Asia Mobile acquired:-

- (a) the entire issued share capital of MP Direct Selling Centre from Mr. Siu as beneficial owner;
- (b) the entire issued share capital of HK Mobile from Mr. Siu as beneficial owner;
- (c) the entire issued share capital of Golden Bright from Mr. Siu as beneficial owner;
- (d) the entire issued share capital of Harvest Triple from Mr. Siu as beneficial owner;
- (e) the entire issued share capital of HK Asia Telecom from Mr. Siu as beneficial owner; and
- (f) the entire issued share capital of Kinson Group from Mr. Siu as beneficial owner.

In consideration of the above acquisition:

- (a) HK Asia Mobile had, at the direction of Mr. Siu, procured our Company to allot and issue 17,000,000 Shares to Mr. Siu, credited as fully paid.
- (b) 1 ordinary share of US\$1.00 in HK Asia Mobile, credited as fully paid, was allotted and issued to our Company.

The transfer of the acquired shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group took effect on 5 September 2018.

After the above acquisition, each of HK Asia Mobile, MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group became wholly-owned subsidiaries of our Company.

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## HISTORY, REORGANISATION AND DEVELOPMENT

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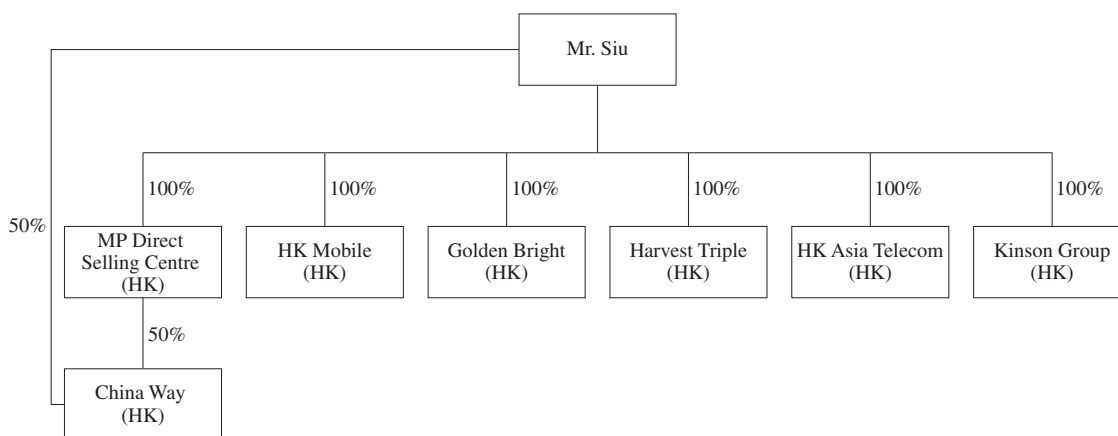
### CAPITALISATION ISSUE

On 27 August 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares.

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to capitalise a sum of HK\$2,999,999.99 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 299,999,999 Shares for allotment and issue to Mr. Siu.

### CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP

Set out below is the corporate and shareholding structure of our Group immediately before completion of the Reorganisation (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme):

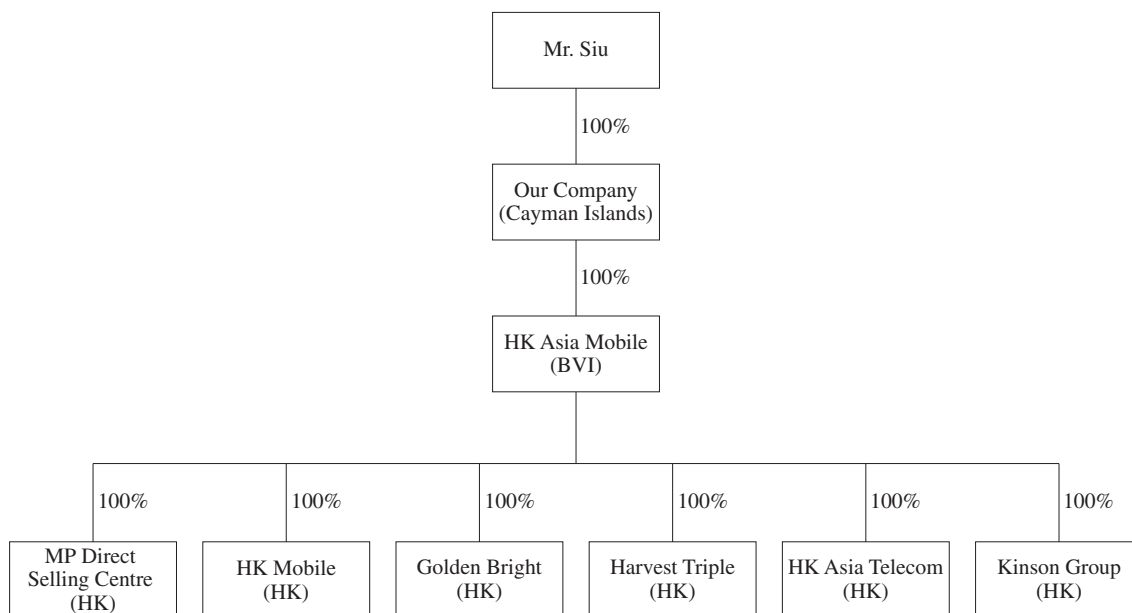


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## HISTORY, REORGANISATION AND DEVELOPMENT

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Set out below is the corporate and shareholding structure of our Group immediately after completion of the Reorganisation but before completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme):



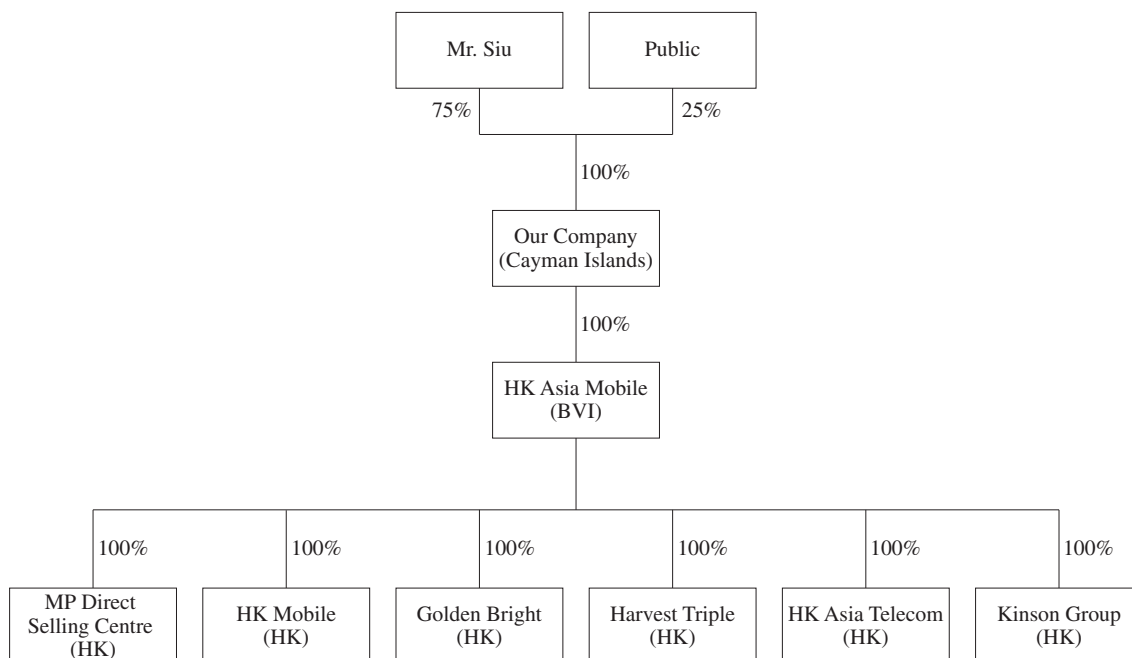
As part of the Share Offer, the Selling Shareholder (i.e. Mr. Siu) will offer 17,000,000 Sale Shares for sale under the Placing. For details of the Sale Shares offered by the Selling Shareholder, please refer to the section headed “Structure of the Share Offer” in this prospectus.

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## HISTORY, REORGANISATION AND DEVELOPMENT

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Set out below is the corporate and shareholding structure of our Group immediately after completion of the Reorganisation, the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder) and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme):



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## BUSINESS

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### OVERVIEW

Our Group is principally conducting wholesale and retail sales of Pre-paid Products (i.e. SIM Cards and Top-up Vouchers) in Hong Kong. The Pre-paid Products allow users to make local and international phone calls and also enjoy mobile data services. During the Track Record Period, substantially all of our Pre-paid Products sold by us (in terms of our revenue) were Operator A Products supplied by the Network Operator A, which accounted for 100.0%, about 99.8% and 91.3% of our total revenue for FY2016, FY2017 and FY2018 respectively. Please refer to the section headed “Risk Factors – Risks relating to the business of our Group – Our revenue was substantially generated from the sale of Operator A Products and we rely heavily on the Network Operator A for the supply of our Operator A Products, our business and results of operation may be adversely affected if (i) Network Operator A terminates or refuses to renew the Operator A 2018 Distribution Agreement; (ii) the renewed terms become less favourable to us; and (iii) Network Operator A adjusts or reduces the level of discretionary discounts given to us” in this prospectus.

The target end-users of our Operator A Products are predominantly Filipino or Indonesian mobile users, and most of whom are domestic helpers in Hong Kong. We sell Operator A Products through our Sales Network for Operator A Products, which comprises (i) our self-managed retail shops, (ii) a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and (iii) retailers in Hong Kong. During the Track Record Period, we operated five self-managed retail shops and we had an average of about 250 retailers within our Sales Network for Operator A Products. For further details in relation to the relationship between Customer A and Customer B, please refer to the paragraph headed “Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” in this section below.

According to Frost & Sullivan Report, there were about 196,200 Filipino domestic helpers and 156,400 Indonesian domestic helpers staying in Hong Kong in 2017. As these Filipino and Indonesian domestic helpers are far from their family in their homeland, their demand for Pre-paid Products is strong, and SIM Cards and Top-up Vouchers will continue to serve as a necessity to get connected with their social networks.

In March 2017, we started selling Operator B Products supplied by Network Operator B targeting our Brand S Target Users who have demands for local and international phone calls and/or mobile data services in Hong Kong or overseas, which include mainly (i) local users travelling overseas, who have multiple mobile phones, and would not like to join a post-paid plan and/or occasionally demand for high volume data usage; and (ii) tourists travelling to Hong Kong. We sell Operator B Products through our Sales Network for Operator B Products, which comprises (i) our self-managed retail shops and (ii) retailers in Hong Kong. As at 31 March 2018, we had 465 retailers within our Sales Network for Operator B Products.

## BUSINESS

We operate our business as a wholesaler as we have not entered into any long-term contract with our customers, and we have no control over our customers. It is also possible that our suppliers and customers may choose to deal with one another directly. For details of such risks, please refer to the paragraphs headed “We sell our Pre-paid Products through our wholesaler and our retailers within our Sales Networks, over whom we have no control. We do not have any inventory management and pricing policies to ensure that there is no cannibalisation between our retail shops, the wholesaler and our retailers within our Sales Networks” and “Our suppliers and customers may choose to deal with one another directly” under the section headed “Risk Factors – Risks relating to the business of our Group” in this prospectus.

Apart from offering Pre-paid Products for sale to the end-users, we also provide after-sale services, such as technical support and general enquiry services, in our retail shops, so that the Pre-paid Products and services delivered by us are able to meet the expectations of the end-users.

With the wider use of internet, mobile data and smartphones in recent years, our Group maintained a revenue at an average level of about HK\$195.0 million per annum during the Track Record Period. Our Group’s revenue amounted to about HK\$200.3 million, HK\$192.0 million and HK\$193.2 million for FY2016, FY2017 and FY2018 respectively. Our net profits amounted to about HK\$23.0 million and HK\$26.3 million for FY2016 and FY2017, respectively, representing a growth of 14.3%. Our net profits amounted to about HK\$19.4 million for FY2018, representing a decrease of about 26.2%, which was mainly due to the increase in non-recurring Listing expenses of about HK\$7.0 million and advertising and promotion expenses of about HK\$2.1 million for FY2018.

During the Track Record Period, our revenue comprises sales of SIM Cards and Top-up Vouchers supplied by Network Operator A and Network Operator B respectively. The table below sets forth the breakdown of revenue by category during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Network Operator A</b>						
– SIM Cards	4,633	2.3	7,550	3.9	4,046	2.1
– Top-up Vouchers	195,683	97.7	184,023	95.9	172,411	89.2
<b>Network Operator B</b>						
– SIM Cards	–	–	214	0.1	10,507	5.4
– Top-up Vouchers	–	–	194	0.1	6,280	3.3
<b>Total</b>	<u>200,316</u>	<u>100.0</u>	<u>191,981</u>	<u>100.0</u>	<u>193,244</u>	<u>100.0</u>

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## BUSINESS

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For FY2016, FY2017 and FY2018, 100.0%, about 99.8% and 91.3% of the Pre-paid Products sold by us, respectively, (in terms of our revenue) were supplied by Network Operator A. The Operator A Products sold by us comprise three different brands of SIM Cards (namely, Brand C, Brand H and Brand KK SIM Cards) and their respective Top-up Vouchers, which may have different face values for purchases. As we commenced selling of Operator B Products in March 2017, sales of Operator B Products (i.e. the Brand S SIM Cards and respective Top-up Vouchers) accounted for about 0.2% and 8.7% of our total revenue for FY2017 and FY2018 respectively. For details of our products and our supplier, please refer to the paragraphs headed “Our Pre-paid Products” and “Our Suppliers” in this section, respectively.

During the early part of FY2016, we carried out the Discontinued Business of selling mobile phones, electronics and accessories in our retail shops. To follow our long-term strategy to concentrate on the wholesale and retail sales of Pre-paid Products, we discontinued the Discontinued Business in FY2016 and it was disposed to a company outside our Group (which is wholly owned by our Controlling Shareholder). Our revenue from the Discontinued Business amounted to about HK\$9.4 million, nil and nil for FY2016, FY2017 and FY2018, respectively. For details, please refer to the section headed “History, Reorganisation and Development” in this prospectus. Following the discontinuance of the Discontinued Business, we commenced the consignment sale of mobile phones, electronics and accessories in our retail shops for our Controlling Shareholder in FY2016. For details, please refer to the section headed “Connected Transactions” in this prospectus.

### COMPETITIVE STRENGTHS

#### **Extensive Sales Networks with effective supply and retail management**

We have established two extensive Sales Networks for our Operator A Products and Operator B Products. During the Track Record Period, other than our five self-managed retail shops, we had a wholesaler and an average of about 250 retailers in our Sales Network for Operator A Products, and we had 465 retailers in our Sales Network for Operator B Products as at 31 March 2018.



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## BUSINESS

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Since we have no ownership over any of the wholesaler and retailers within our Sales Networks, we have no control over their business decision and business operation. Although there were movements in the number of retailers for Operator A Products during the Track Record Period as shown in the paragraph headed “Our Customers and Sales Networks – Sales Network for Operator A Products” in this section, Customer A and the top ten retailers within our Sales Network for Operator A Products, which accounted for, in aggregate, over 50% of our revenue for Operator A Products during the Track Record Period, have had business relationship with our Group for an average of approximately 7.5 years. Since January 2018, Customer B has taken over the wholesale business of Pre-paid Products of Customer A and has replaced Customer A as our sole wholesaler since then. For further details in relation to the relationship between Customer A and Customer B, please refer to the paragraph headed “Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” in this section below. Our top ten retailers within our Distribution Network for Operator A Products have maintained a relatively long and stable business relationship with our Group. Our Directors are of the view that a movement of the number of retailers is natural in our business sector, and does not materially affect our business operation as well as the major points of sale of our Pre-paid Products. In addition, we have been granted the exclusive right to distribute Operator A Products (i.e. Brand C, Brand H and Brank KK SIM Cards and their respective Top-up Vouches) under the Operator A 2018 Distribution Agreement. As indicated in the Frost & Sullivan Report, in terms of top of mind brand awareness of Pre-paid Products, Brand KK Pre-paid Products and Brand H Pre-paid Products ranked first and second, respectively, among Filipino and Indonesian respondents in the consumer survey conducted by Frost & Sullivan in July 2017 and an updated consumer survey in April 2018. Because of the popularity of Operator A Products among the end-users and also of our exclusive right to distribute them, we believe our wholesaler and retailers will continue to purchase the Pre-Paid Products from our Group.

As disclosed in the section headed “Business – Competition” in this prospectus, in 2014, the direct supplies of Operator A Products to us merged with another mobile network operator in Hong Kong. Before the merger in 2014, that mobile network operator offered two brands of pre-paid SIM Cards and top-up vouchers designed primarily to be sold to Filipino or Indonesian mobile users. After the merger, these two brands of pre-paid SIM Cards and top-up vouchers have been continued to be offered by Network Operator A under its name. These two brands of Pre-paid Products are similar to our Operator A Products (in terms of target mobile users, tariff and mobile network quality), and potentially compete with our Operator A Products. These two brands of pre-paid SIM cards and top-up vouchers are exclusively distributed by a distributor appointed by Network Operator A in Hong Kong. Though most features of these two brands of pre-paid SIM cards and top-up vouchers are similar to those of our Operator A Products, our Directors believe that our Sales Network for Operator A Products is wider than the said distributor appointed by Network Operator A and such distributor operated a total of 2 retail shops in Hong Kong as at the Latest Practicable Date.

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## BUSINESS

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In respect of our Sales Network for Operator B Products, though we have no control over our retailers within our Sales Network for Operator B Products, we believe we have a competitive edge over our competitors as we have the ability to establish an extensive Sales Network for Operator B Products, which was expanded from about 70 retailers since the product launch in March 2017 to 465 retailers as at 31 March 2018. For details of how we expand such network within such a short period of time, please refer to the paragraph headed “Our Customers and Sales Networks – Sales Network for Operator B Products” in this section. Our Directors believe that if we impose control on the retailers within our Sales Network for Operator B Products, retailers who do not wish to be subject to such control measures may cease selling our Operator B Products.

Our staff is generally responsible for the delivery of our Pre-paid Products to our retail shops, the wholesaler and retailers within our Sales Networks. We also hired an external delivery agent to assist us to deliver our Operator B Products to some of the retailers within our Sales Network for Operator B Products. In general, we deliver our products twice a week to ensure that our products can be delivered to our wholesaler and retailers within three days from the date we received the order.

We are appointed by Network Operator B as a non-exclusive trader of the Operator B Products (i.e. Brand S SIM Cards and respective Top-up Vouches). Accordingly, Network Operator B may also appoint other traders to distribute the Operator B Products. In addition, so far as our Directors are aware, Network Operator B has appointed other distributors for other “pay as you go” SIM cards, which are generally available in the market serving specific group of target end-users. In contrast, Operator B Products cover a wider scope of end users including inbound tourists, outbound tourists as well as local users. The different features of the Operator B Products and those of the common “pay as you go” SIM cards are summarised in the section headed “Business – Our Pre-paid Products” in this prospectus. Our Directors believe that Operator B Products contain features which have more appeals to inbound tourists, outbound tourists, as well as local users who have multiple mobile phones and do not want to join any post-paid plan and/or who occasionally demand for high volume of data usage.

As mobile services have essentially become day-to-day necessities and Pre-paid Products generally have relatively small face values, mobile users using such Pre-paid Products may have to purchase, in particular, Top-up Vouchers on a relatively frequent basis. According to the consumer surveys conducted by Frost & Sullivan, most of the respondents who purchased Operator A Products purchase Top-up Vouchers one to three times a month. We believe that a convenient access to these Pre-paid products with an extensive sales network will help to retain mobile users to continue to use such products.

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As we carry out marketing and promotion programme (such as offer of discounts for purchases of products sold by us, and reward redemption for frequent users of such products) from time to time, our Directors believe that we enjoy competitive advantages over other distributors who do not carry out such marketing and promotion programme or who offer such programme with less appealing terms to mobile users.

We believe our extensive Sales Networks covering all 18 districts in Hong Kong and in particular, our five self-managed retail shops situated in prominent locations that are close to the target end-users that meets the target end-users' needs and our supply and retail management is effective to ensure ample supply. Such extensive network cannot be easily achieved by other competitors.

### **Established and stable relationship with Network Operator A**

We have established a stable business relationship with Network Operator A, which is our major supplier during the Track Record Period. Such relationship enables us to have readily-available and stable supply of Operator A Products, technical information and support. We attribute such established and stable relationship with Network Operator A to the good cooperation relationship between us for over 10 years.

To formalise the cooperation and to regulate the transactions between Network Operator A and our Group, we entered into the Operator A 2018 Distribution Agreement with the Network Operator A for an initial term from 1 November 2015 to 31 October 2022, which is extendable for another 36 months upon such initial expiry. Pursuant to the Operator A 2018 Distribution Agreement, we are the exclusive distributor in Hong Kong of the three brands of Operator A Products (namely, Brand C, Brand H and Brand KK SIM Cards and the respective Top-up Vouchers). Network Operator A also supplies two other brands of pre-paid SIM cards and top-up vouchers designed primarily to be sold to Filipino or Indonesian mobile users. For details, please refer to paragraph headed "Competition – Other similar pre-paid SIM cards and top-up vouchers offered by Network Operator A" in this section. We have also been authorised by Network Operator A to use its trademark for promoting sales of the Operator A Products at our retail shops and the Retail Outlets as well as in the advertisements or promotions of the Operator A Products sold by us.

Network Operator A is one of the four mobile network operators in Hong Kong, and is also a reputable brand in Hong Kong. Leveraging on the stable relationship with and support from Network Operator A, we believe our products may continue to meet the needs of the target end-users.

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To diversify our supplier network and to reduce the level of our reliance on Network Operator A, we have entered into a contract with Network Operator B for the distribution of Operator B Products in November 2016. Sales of Operator B Products commenced in March 2017. For details, please refer to the paragraph headed “Reliance on Network Operator A – Diversifying our supplier network” in this section.

### **Customised service platform with experienced sales team and flexible strategy**

The target end-users of the Operator A Products are predominantly Filipino and Indonesian mobile users in Hong Kong. In order to serve the target end-users more effectively, we adopt a customised service platform and business strategy as follows:

- During the Track Record Period, apart from selling Pre-paid Products to the target end-users, we also provide end-users with after-sale services, such as technical support (including assistance to activate SIM cards and/or Top-up Vouchers and to use the value-added functions attaching to the Pre-paid Products and/or the new smartphones of mobile users) and general enquiry in our five self-managed retail shops. In order to facilitate effective communication with Filipinos and Indonesians, the target end-users of Operator A Products, we have been hiring some staff who are able to speak Filipino or Indonesian languages to serve and promote our Pre-paid Products to the target end-users in each of our retail shops. As far as our Directors are aware, our competitors generally hire a limited number of Filipino- or Indonesian-speaking sales staff, and such sales staff are present only in a limited number of shops in regions such as Central and Causeway Bay. Language differences, to a certain extent, create barrier to effective marketing as well as delivery of after-sales services. As at the Latest Practicable Date, we had a team of 32 sales staff and promoters and most of our sales staff are employees who have been working for our Group for an average of 6 years. We believe that our experienced sales team, through the day-to-day interaction with the end-users, have sufficient knowledge and techniques to serve and tackle problems for the end-users. From time to time, we also hire casual workers as promoters to assist us in our promotion programmes;
- For Operator A Products that come with only English instruction manuals, we will, at our own volition, print and re-pack such packages and manuals in Filipino or Indonesian languages, so that the end-users may have a better understanding of how to use the Pre-paid Products purchased; and
- To give incentives for end-users to purchase Top-up Vouchers from our retail shops, we launch redemption and discount programmes at our retail shops from time to time.

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In formulating our sales and marketing strategy, we put emphasis on effective communication, incentive and flexible measures to attract and retain end-users to use our Pre-paid Products. We believe these measures are effective in retaining these mobile users to continue using the Pre-paid Products sold by us, and fostering the sense of belonging and familiarity to our Filipino and/or Indonesian end-users when they visit our retail shops and use our service platform, instead of swapping to our competitors. For details of our sales and marketing strategy, please refer to the paragraph headed “Marketing and promotion” in this section.

### **BUSINESS STRATEGIES**

Our goal is to be a leading distributor of Pre-paid Products (i.e. SIM Cards and Top-up Vouchers) in Hong Kong.

We plan to accomplish this goal by pursuing the following strategies:

#### **Expansion of our Sales Networks**

During the Track Record Period, we operated a Sales Network for Operator A Products and a Sales Network for Operator B Products.

The penetration of smartphones, and the development of the Internet and various mobile applications such as instant messaging applications, mobile online shopping applications, mobile streaming video platforms, social media, have altered the habits of mobile users. According to the Frost & Sullivan Report, total telecommunication services revenue in Hong Kong has experienced a double digit growth since 2013, which increased from HK\$79.0 billion in 2013 to HK\$124.0 billion in 2017 with a CAGR of 11.9%, and is expected to further increase to HK\$206.7 billion in 2022 with a CAGR of 10.8% from 2017; and the mobile data usage in Hong Kong has increased from 12.1 billion megabytes in 2013 to 30.5 billion megabytes in 2017 with a CAGR of 26.0%, and is expected to further increase to 76.5 billion megabytes in 2022 with a CAGR of 20.2% from 2017. People are spending more time on these mobile applications than before, and thus having rising demand for data usage. Mobile services, including phone calls and mobile data services, are becoming daily necessities of consumers. Availability of the customised service platforms and the number of points of sale with convenient access to the products are of great importance and are the major attributes to retain the existing end-users as well as a prerequisite to increase the market shares.

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Though, as mentioned in the Frost & Sullivan Report, there has been a rising trend of mobile data usage, penetration of voice over internet protocol (VoIP) and mobile instant messaging (IM) application, which, to a certain extent, reduces the demand for local phone calls or IDD services, it creates opportunity for the sales growth of mobile data services. Our Pre-paid Products offer both phone call and mobile data services. The end-users may utilise our Pre-paid Products to make both local and international phone calls, as well as subscribe for the mobile data services to use mobile applications. According to the Frost & Sullivan Report, both the outgoing telecom traffic to Indonesia and Philippines showed a downward trend during 2013 to 2017, with CAGRs of -15.3% and -10.2% respectively. We believe that the rising trend of mobile data usage has led to decrease in the end-users' spending on local phone calls and/or IDD services, yet, such spending has been replenished by the increasing demand for the mobile data services upon further development of the Internet and mobile applications. Besides, since most of the end-users of Operator A Products, which generated about 90% of our revenue during the Track Record Period, are Filipino or Indonesian domestic helpers, due to the work-environment and the employers' attitude, it is not unusual that these end-users may only have limited access to Wi-Fi networks (in particular, the home Wi-Fi networks in their workplace). In addition, some of the free public Wi-Fi networks are less stable or less secure, or generally allow lower speed of transmission, and limit the traffic access and usage time. For such reasons, it is our observation that most Filipino and Indonesian end-users prefer to use the Pre-paid Products to post-paid products to make phone calls and/or to access to the Internet, so long as the service fee is reasonable.

One of the main reasons for such preference is that the Filipino and Indonesian end-customers are generally cost-conscious and the tariff and rates of Pre-paid Products are generally lower than that offered under post-paid products. According to the Frost & Sullivan Report, in a consumer survey conducted by Frost & Sullivan in July 2017 and an updated consume survey in April 2018, the Filipino and Indonesian respondents indicated that lower calling rate to overseas and free unlimited SMS are two of the most important criteria for selecting Pre-paid Products, indicating that they are generally cost-conscious.

Moreover, it is more convenient and flexible to use Pre-paid Products because end-users do not have to handle complex application procedures or be bound by any commitment period. According to the Frost & Sullivan Report, Pre-paid Products is generally preferred to post-paid SIM card products, because the users of the former products are free from examination of personal credit history and application documents, and may activate and terminate their mobile services any time.

Despite our revenue generated from the sales of our Pre-paid Products decreased for FY2017, we believe that the continual expansion of our Sales Networks will enable us to capture more opportunities from the market and to increase our market share. We plan to accomplish such expansion by:

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### ***Setting up additional self-managed retail shops to strengthen our market presence in various districts***

By setting up new self-managed retail shops, we expect we will (i) increase the sales from our self-managed retail shops to improve our gross profit and net profit margins, as the Pre-Paid Products sold in our retail shops at their respective face values generate a higher profit margin; (ii) enhance our platform by launching marketing events to strengthen our market presence and market share; and (iii) enhance the loyalty of the end-users by offering customised services in our retail shops.

We opened two new retail shops in Tsuen Wan and Yuen Long in January 2014 and June 2017, respectively. Based on our historical operating data, when comparing the aggregated sales generated from the retail shop and the retailers in Tsuen Wan for the six months ended after the opening of such retail shop to the sales generated from the retailers in Tsuen Wan for the six months ended before the opening of such retail shop, there was growth in sales of over 1.9 times. Similarly, when comparing the aggregated sales of Operator A Products generated from the retail shop and the retailers in Yuen Long for the six months ended after the opening of such retail shop to the sales generated from the retailers in Yuen Long for the six months ended before the opening of such retail shop, there was growth in sales of over 18 times.

Based on the above, our Directors believe that opening of new retail shops help to increase our market share in the relevant districts. In addition, given the sales in our retail shops generally generate a higher gross profit margin, our Directors believe that the benefit of opening our retail shops would outweigh the risk of cannibalisation among the retailers and our retail shops.

We plan to set up retail shops in prominent locations of relevant districts with insufficient number of Retail Outlets or districts that we believe to have potential revenue growth or areas that are close to our target users, such as areas that Filipinos and Indonesian domestic helpers will have access or gathering or areas that have concentration of inbound tourists (e.g. Sheung Shui). As such, we intend to set up five retail shops in Mong Kok, Shatin, Mei Foo, Tsim Sha Tsui and Sheung Shui, in which we currently do not have any retail shops operated, in the following three years. We currently expect that two of the retail shops will be opened during FY2019, another two will be opened during FY2020 and one retail shop will be opened during FY2021. These new retail shops will sell both Operator A Products and Operator B Products.

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Apart from offering our Pre-paid Products for sale to the end-users, we intend that our retail shops will (i) be well-decorated as compared with the retailers within our Sales Networks; (ii) be installed with other facilities (e.g. audio-visual display) to promote our Pre-paid Products; and (iii) provide after-sale services such as technical support and general enquiry services. Through the day-to-day interaction with the end-users in our retail shops, our Directors believe that we can establish a closer relationship with the end-users of our Pre-paid Products and understand the needs and wishes of the end-users, and we could then relate our findings to our suppliers, so that some of the functions and features of the Pre-paid Products may be modified to suit the needs of such end-users. Such services and product enhancement enable us to attract more end-users of our Pre-paid Products and in turn, increase our sales market share.

We expect that (i) each of these retail shops to be opened will be about 500 sq. feet with a monthly rental of about HK\$125,000 per month; (ii) we will incur about HK\$0.9 million for each retail shop as capital expenditure for purpose of acquisition of furnitures and equipment and expenses on leasehold improvement for the retail shops; (iii) each of these retail shops will require an initial inventory of about HK\$2.5 million; and (iv) the monthly operating costs (including the staff cost and related expenses such as utilities and depreciation of the additional property, plant and equipment for setting up such retail shop and the monthly rental mentioned above) of each retail shop will be about HK\$192,000. We estimate the breakeven point and investment payback period for these new retail shops is within one month and about 26.5 months, respectively, after setting up the retail shop after taking into account a number of factors, including (i) projected profitability; and (ii) the above-mentioned monthly operating costs and other related expenses. We expect that the breakeven and investment payback period will be similar to the relevant retail shop operated by our Group during the Track Record Period, based on the assumption that these retail shops will have similar performance as the relevant retail shop.

We plan to apply about HK\$35.9 million or about 66.6% of the net proceeds from the New Issue for setting up of the above-mentioned five retail shops, among which about HK\$4.4 million will be used for capital expenditure including acquisition of furnitures and equipment and expenses on leasehold improvement for retail shops, and about HK\$31.5 million will be used for operating costs including purchase of initial inventory, hiring of staff, paying rental and other related expenses.



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### ***Increasing the number of retailers in our Sales Networks***

Though (i) our revenue generated from the retailers within our Sales Networks slightly decreased from about HK\$103.6 million for FY2016 to about HK\$95.6 million for FY2017 and further decreased to about HK\$90.3 million for FY2018, and (ii) the number of retailers within the Sales Network for Operator A Products decreased from 323 retailers as at 31 March 2016 to 224 retailers as at 31 March 2017 and 222 retailers as at 31 March 2018, we believe our sales volume have a positive relationship with the size of our Sales Networks. And the number of points of sale with convenient access is one of the major attributes to retain our existing end-users as well as a prerequisite to maintain and/or further increase our market shares. Therefore, we plan to increase the number of our retailers within our Sales Networks. To achieve this, we intend to hire three additional sales personnel to identify potential retailers in the districts with insufficient number of Retail Outlets or districts that the management believe to have potential revenue growth. We plan to conduct site visits on district basis covering the entire Hong Kong territory. We will observe the pedestrian traffic at different locations in a district and identify in each district a few potential retailers based on their customer mix, customer traffic and the estimated transaction volume. After identifying potential retailers, we will approach them to introduce our Pre-paid Products for their sale on trial basis for about two weeks. As an incentive to these potential retailers, we offer a relatively higher discount to these potential retailers during such initial trial period.

We plan to apply about HK\$2.1 million or about 3.9% of the net proceeds from the New Issue to hire additional sales personnel to identify potential retailers for the expansion of our Sales Networks.

### **Enhancement of promotion campaign**

According to the Frost & Sullivan Report, our Group was ranked the largest distributor of Pre-paid Products targeted at Filipinos in terms of retail sales revenue in 2017, which captured a market share of about 33.5%. We were also ranked the second largest distributor of Pre-paid Products targeted at Indonesians in terms of retail sales revenue in 2017, which captured a market share of about 24.2%.

For FY2016, FY2017 and FY2018, we incurred advertising and promotion expenses of about HK\$1.2 million, HK\$2.0 million and HK\$4.1 million, respectively. We believe enhancement of our advertising and promotion activities across Hong Kong will further promote our Pre-paid Products to strengthen our market position and to expand our market share. In addition, as our Operator B Products were launched in March 2017, we believe we need to put more effort in advertising and promoting such products in the market.

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As such, we plan to increase our expenses on advertising and promotion in the following enhanced marketing, sales and promotion initiatives:

- We will further increase our expenditure in advertisement through a variety of media which are popular to the target end-users, such as newspaper, magazines, mobile Apps and internet, that will be strategically placed or sold in areas or our sales channels with high concentration of the target end-users. We also plan to launch more outdoor advertisements (such as billboards and light boxes) that will be strategically placed in areas with high traffic or concentration of the target end-users, or printed on other promotion materials such as paper, reusable and non-woven bags. We plan to apply about HK\$4.7 million of the net proceeds from the New Issue to the above-mentioned advertising campaign.
- We will engage active and popular television or movie celebrities in the Filipino and Indonesian communities to promote our Operator A Products when we open new shops and during important public holidays. We plan to apply about HK\$3.4 million of the net proceeds from the New Issue to such marketing event; and
- We will renovate and/or re-decorate our existing retail shops and to erect billboards at the Retail Outlets, which will show our Pre-paid Products with a greater eye-catching effect. We plan to renovate and/or re-decoration our retail shops one by one and expect that such decoration and/or renovation can normally be completed in one week, while our other retail shops remain in operation. We plan to apply HK\$4.9 million of the net proceeds from the New Issue to such renovation and re-decoration.
- We will continue and/or enhance in-store marketing and promotion activities, such as offering discount on our Pre-Paid Products and launching reward redemption programme. For details of the nature of our reward redemption programme, please refer to paragraph headed “Marketing and promotion” in this section.

The above-mentioned enhanced marketing, sales and promotion initiatives will be carried out through the years. It is expected that about HK\$4.9 million, HK\$5.3 million and HK\$2.8 million of the net proceeds from the New Issue will be utilised for FY2020, FY2021 and FY2022, respectively.

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### **Enhancing our operational efficiency by strengthening our inventory management capability**

In order to enhance our operational efficiency, we intend to strengthen our inventory management capability, and further fine-tune our supply and retail management by upgrading our management information system. We will continue to centralise the coordination of our inventory management and will implement an enterprises resources planning system which can be integrated with our accounting system to enhance our operational data analysis, financial reporting and supply and retail management capabilities. We expect that a specialist will be engaged to be in-charge for such upgrade and this upgrade will be completed by the third quarter of 2019.

We plan to apply about HK\$2.5 million or about 4.6% of the net proceeds from the New Issue to strengthen our above-mentioned inventory management capability.

### **BUSINESS MODELS**

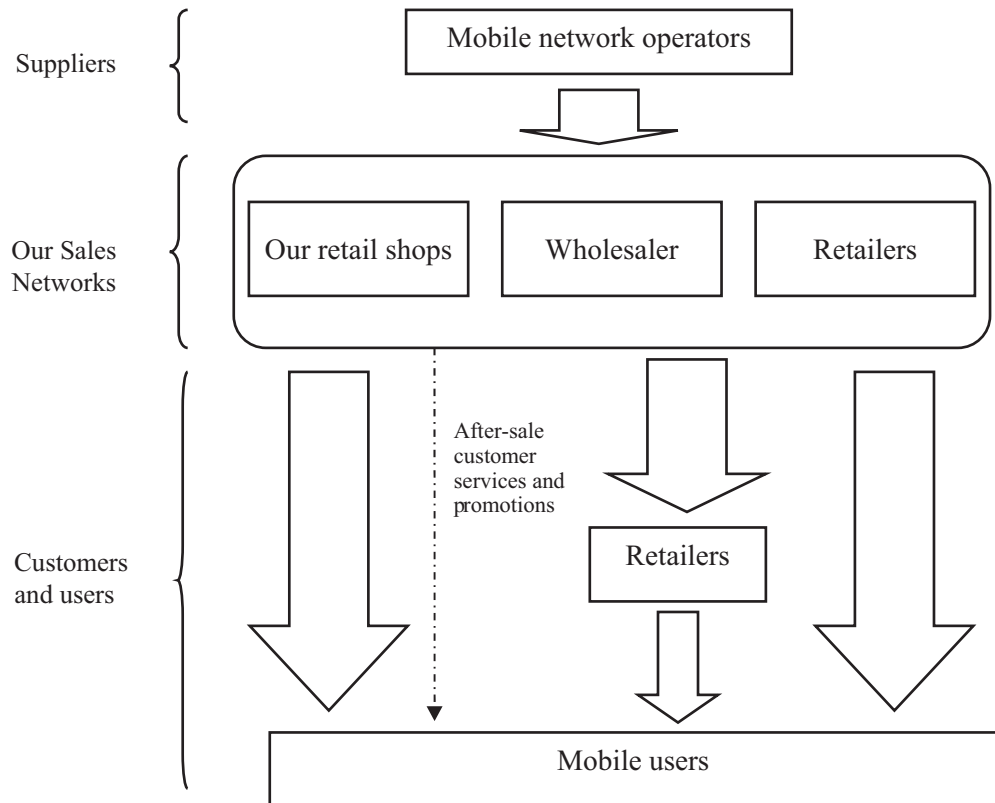
During the Track Record Period, we derived our revenue from the wholesale and retail sales of Pre-paid Products, among which Operator A Products accounted for 100.0%, about 99.8% and 91.3% of our total revenue for each of FY2016, FY2017 and FY2018, respectively; while Operator B Products accounted for about 0.2% and 8.7% of our total revenue for FY2017 and FY2018 respectively as we commenced selling of such products in March 2017. During the Track Record Period, we sold our Pre-paid Products through our Sales Networks, which comprise (i) our five retail shop, a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and an average of about 250 retailers within our Sales Network for Operator A Products; and (ii) our five retail shops and 465 retailers within our Sales Network for Operator B Products as at 31 March 2018.

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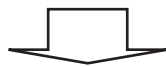
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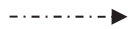
The following diagram illustrates our existing business model:



**Notes:**



Supply and sales of SIM Cards and Top-up Vouchers



After-sale customer services and promotions

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## BUSINESS

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### OUR PRE-PAID PRODUCTS

During the Track Record Period, our revenue comprises sales of Operator A Products and Operator B Products (i.e. SIM Cards and Top-up Vouchers). Over 90% of the Pre-paid products (in terms of our revenue) we sold during the Track Record Period were supplied and serviced by Network Operator A, one of the four mobile network operators in Hong Kong. The table below sets forth the revenue and percentage of revenue attributable to each category of Pre-paid Products during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>SIM Cards</b>						
<i><b>Operator A Products</b></i>						
– Indonesian (i.e. Brand C and Brand H)	1,879	0.9	3,105	1.6	1,483	0.8
– Filipino (i.e. Brand KK)	2,754	1.4	4,445	2.3	2,563	1.3
<i><b>Operator B Products</b></i>						
– Brand S	–	–	214	0.1	10,507	5.4
Sub-total	4,633	2.3	7,764	4.0	14,553	7.5
<b>Top-up Vouchers</b>						
<i><b>Operator A Products</b></i>						
– Indonesian (i.e. Brand C and Brand H)	58,745	29.4	60,483	31.5	52,199	27.0
– Filipino (i.e. Brand KK)	136,938	68.3	123,540	64.4	120,212	62.2
<i><b>Operator B Products</b></i>						
– Brand S	–	–	194	0.1	6,280	3.3
Sub-total	195,683	97.7	184,217	96.0	178,691	92.5
Total	200,316	100.0	191,981	100.0	193,244	100.0

Our sales and results of operations are not subject to seasonality.

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Revenue attributable to Operator A Products decreased by about 4.1% or HK\$8.3 million from about HK\$200.3 million for FY2016 to about HK\$191.6 million for FY2017 and further by about 7.9% or HK\$15.1 million to about HK\$176.5 million for FY2018. The decrease in sales of Operator A Products for FY2018 was mainly attributable to the discounts offered by other network operators on the Pre-paid Products targeted at Filipino and Indonesian mobile users since the second quarter of 2017. Our Directors believe that such discount offers have resulted in lower demand for Operators A Products and hence negatively impacted on our Group's revenue for FY2018. In response to the aforementioned situation, the tariff and rates of our Operator A Products have been adjusted to be comparable with those charged by our competitors which provided similar Pre-paid Products at such time since the third quarter of 2017. For details of our sales analysis, please refer to the section headed "Financial information – Description of selected combined statement of profit or loss and other comprehensive income items – Revenue" in this prospectus.

### **Network Operator A**

#### ***SIM Cards***

The target end-users of the Operator A Products are predominantly Filipino or Indonesian mobile users and most of whom are domestic helpers in Hong Kong. During the Track Record Period, we offered three brands of SIM Cards, namely, Brand C SIM Card, Brand H SIM Card and Brand KK SIM Card. Brand C SIM Cards and Brand H SIM Cards are designed mainly for Indonesian mobile users, and Brand KK SIM Cards are designed mainly for Filipino mobile users in Hong Kong.

Apart from standard mobile services (such as making local and international phone calls and mobile data services), the Operator A Products offer certain services with features which are specifically designed for Filipino and Indonesian mobile users in Hong Kong. With our Operator A SIM Cards (i.e. Brand C, Brand H and Brand KK SIM cards), mobile users are allowed to (i) make IDD phone calls at a special rate to certain countries, in particular, the Philippines or Indonesia and (ii) subscribe for mobile TV channels which broadcast Filipino and/or Indonesian television channels at a monthly fee.

#### ***Top-up Vouchers***

After using up the face value of a Operator A SIM Card, such cards may only be used after being topped up by the respective brand of Operator A Top-up Vouchers. The respective brand of Operator A Top-up Voucher does not work with other brands of SIM Cards supplied by Network Operator A. Likewise, other Top-up Vouchers supplied or sold by Network Operator A cannot be used to top-up the mobile accounts of the three brands of the Operator A SIM Cards sold by us. Currently, for each brand of the Operator A SIM Cards, mobile users may purchase the Operator A Top-up Vouchers with face values of HK\$20, HK\$50 or HK\$100 each.

### **Network Operator B**

#### ***SIM Cards***

We commenced offering Operator B SIM Card(s) (i.e. Brand S SIM Cards) since March 2017 through our Sales Network for Operator B Products. The target end-users of the Operator B Products are our Brand S Target Users, which are users who demand for local and international phone calls and/or mobile data services in Hong Kong or overseas, which include mainly (i) local users travelling overseas, who have multiple mobile phones, and would not like to join a post-paid plan and/or occasionally demand for high volume data usage; and (ii) tourists travelling to Hong Kong.

Apart from standard mobile services (such as making local and international phone calls and mobile data services), Operator B Products offer certain services with features which are specifically designed for our Brand S Target Users. With our Brand S SIM Cards, mobile users are allowed to subscribe for various local and international roaming data packages (e.g. Japan, Korea, certain European countries and Asian countries) and IDD phone call packages at a relatively low price.

#### ***Top-up Vouchers***

After using up the face value of a Brand S SIM Card, such card may only be used after being topped up by the Brand S Top-up Vouchers. Not only can the Operator B Top-up Vouchers be used to top-up mobile accounts of the Brand S SIM Cards sold by us, it can also be used to top up mobile accounts of other SIM Cards supplied by Network Operator B. However, Top-up Vouchers of brands (other than Brand S) supplied by Network Operator B cannot be used to top-up the mobile accounts of our Brand S SIM Cards. Currently, mobile users may purchase Brand S Top-up Vouchers with face value of HK\$80 each.

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The followings set out some of the key differences between our Operator A SIM Cards, Operator B SIM Cards and a typical “pay as you go” SIM Cards generally available in the market which do not have any specific group of target end-users:

	<b>Operator A SIM Cards and related services</b>	<b>Operator B SIM Cards and related services</b>	<b>Pay as you go SIM Cards generally available in the market</b>
<b>Face value/price of SIM Card</b>	– SIM Card has a face value of HK\$38 or HK\$50	– SIM Card has a face value of HK\$100, HK\$238 (inclusive of 20GB data), HK\$238 (inclusive of 22GB data (Note 1)), HK\$258 (inclusive of 25GB data (Note 2)), HK\$268 (inclusive of 40GB data (Note 3))	– face value or price of a typical “pay as you go” SIM card is generally HK\$50 or above
<b>Local calling and mobile data rates</b>	– lower in general	– relatively lower in general	– similar or relatively higher in general
<i>Examples:</i>			
<i>Local voice call</i>	<i>HK\$0.03 to HK\$0.18/minute</i>	<i>HK\$0.05 to HK\$0.12/minute</i>	<i>HK\$0.05 to HK\$0.5/minute</i>
<i>Volume based data plan</i>	<i>HK\$38/1GB/30days</i>	<i>HK\$48/1GB/30 days</i>	<i>HK\$48 – HK\$208/1GB/30 days</i>
<i>30-day data pass</i>	<i>HK\$88/Unlimited (speed lowered after 15 GB)</i>	<i>HK\$88/Unlimited (speed lowered after 6 GB)</i>	<i>HK\$188/Unlimited (speed lowered after 5 GB)</i>
<b>IDD calling rate</b>	– special rate is offered for calling to specific countries, particularly, the Philippines or Indonesia	– special packages for unlimited international calls to certain group of countries	– seldom offer special rate for calls to specific countries

Example:

<i>IDD voice call (to Philippines and Indonesia)</i>	<i>Special rates ranging from HK\$0.24 to HK\$1.35 per minute are offered for calling to Philippines and Indonesia</i>	<i>Normal rates ranging from HK\$3.99 to HK\$10.5 per minute are offered for calling to Philippines and Indonesia</i>  <i>Unlimited IDD calls monthly package of HK\$56 (plus extra HK\$0.1 per minute) is offered for calling certain group of countries (excluding Philippines and Indonesia)</i>	<i>Normal rates ranging from HK\$0.3 to HK\$10.5 per minute are offered for calling to Philippines and Indonesia</i>
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	Operator A SIM Cards and related services	Operator B SIM Cards and related services	Pay as you go SIM Cards generally available in the market
<b>Mobile value-added services</b>	– able to subscribe for mobile TV channels which broadcast Filipino and/or Indonesian television channels	– various international (for certain group of countries) roaming and local data packages available for subscription	– emphasis on other types of mobile value-added services (such as voice mailbox, call forwarding, conference call, connecting tone services etc.)
<b>After-sale services</b>	– apart from the hotline serviced by Network Operator A, we also have Filipino or Indonesian speaking staff available at our self-managed retail shops to provide technical support and answer general enquiry	– Network Operator B is responsible for providing after-sale services, such as technical support and answer general enquiry	– the mobile network operator is responsible for providing after-sale services, such as technical support and answer general enquiry
<b>Marketing and promotion</b>	<p>– discount on Top-up Vouchers and Operator A SIM Card(s) (such as on a “buy ten, get one free basis) may be offered from time to time</p> <p>– reward redemption programmes are held from time to time to foster customers’ loyalty and to reward frequent users</p>	<p>– discount on Brand S SIM Card and Top-up Vouchers (such as on a “buy two, get one free” basis) may be offered to retailers from time to time</p> <p>– supermarket vouchers offered to frequent mobile users (by returning used Operator B Top-up Vouchers)</p>	<p>– discount on face value of SIM Cards may be offered from time to time</p> <p>– seldom offer reward redemption programmes and supermarket vouchers to mobile users</p>

*Notes:*

1. Among the 22GB data, 20GB data is for use of mobile data services in Hong Kong, and the remaining 2GB data is for use of mobile data services in the PRC and Macau Special Administrative Region (“**Macau**”)
2. Among the 25GB data, 20GB data is for use of mobile data services in Hong Kong, and the remaining 5GB data is for use of mobile data services in Macau.
3. Among the 40GB data, 20GB data is for general usage, and the remaining 20GB can only be used for certain social media and instant messaging applications.
4. The above comparison was performed based on our Pre-paid Products and the information available on the websites of network operators and their offers as at the Latest Practicable Date.

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### Product replacement

Upon delivery of SIM Cards and Top-up Vouchers by our suppliers, we are not entitled to return the products received to our suppliers for a refund. However, we are generally entitled to return any defective products to the suppliers for replacement. Under the Operator A 2018 Distribution Agreement and Operator B 2016 Distribution Agreement entered into between our Company and relevant suppliers, Network Operator A and Network Operator B, will replace any products which are dead-on-arrival, defective (limited to manufacturing defects), damaged or expired. Replacement of Operator A Products are subject to Network Operator A's sole discretion and a replacement limit of HK\$50,000 every six months. However, there is no such limitation on Operator B Products.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to or involved in any material claim or dispute with any of our suppliers. Based on the verbal confirmation given by our suppliers, we did not request for any material product replacement or bring claims or complaint to any of our suppliers regarding the quality of their products during the Track Record Period. From March 2017 onward, our self-managed retail shops started to maintain a log book that keeps records of products replacement requests to our suppliers. Based on the record of our log book, we did not make any replacement request to our suppliers from March 2017 onward.

### OUR CUSTOMERS AND SALES NETWORKS

During the Track Record Period, the Pre-paid Products were sold by our Group through our Sales Networks to our end-users, which comprise (i) our five retail shops operated by our Group; (ii) a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and an average of about 250 retailers (e.g. telecom stores, newsstands and convenience stores) within our Sales Network for Operator A Products; and (iii) 465 retailers within our Sales Network for Operator B Products as at 31 March 2018. Set out below is a breakdown of our sales by types of sales channels for the years indicated below:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Our own retail shops	42,495	21.2	48,631	25.3	62,553	32.4
Wholesaler	54,269	27.1	47,774	24.9	40,361	20.9
Retailers within our Sales Networks	<u>103,552</u>	<u>51.7</u>	<u>95,576</u>	<u>49.8</u>	<u>90,330</u>	<u>46.7</u>
Total	<u>200,316</u>	<u>100.0</u>	<u>191,981</u>	<u>100.0</u>	<u>193,244</u>	<u>100.0</u>

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Set out below is the breakdown of our gross profit and gross profit margin by types of sales channels during the Track Record Period:

	FY2016		FY2017		FY2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Our own retail shops	12,182	28.7	15,186	31.2	22,550	36.0
Wholesaler	13,614	25.1	13,384	28.0	12,502	31.0
Retailers within our Sales Networks	27,143	26.2	27,247	28.5	26,771	29.6
Total	52,939	26.4	55,817	29.1	61,823	32.0

### Our Sales Networks

During the Track Record Period, we operated two Sales Networks, namely, the Sales Network for Operator A Products and the Sales Network for Operator B Products, for the sales of Operator A Products and Operator B Products, respectively. Our Sales Network for Operator A Products comprise, (i) our five retail shops, (ii) a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and (iii) an average of about 250 retailers, while our Sales Network for Operator B Products comprises (i) our five retail shops and (ii) 465 retailers as at 31 March 2018. We believe that this business model comprising various sales channels allows us to reach a broader user base of our Pre-paid Products, and capture more market share.

As disclosed, our Operator A Products target Filipino or Indonesian mobile users in Hong Kong, whereas our Operator B Products target our Brand S Target Users. Since the target end-users of the respective products are different, the criteria for selecting and appointing retailers are different. Generally, when we identify potential retailers, we take into account among other factors, their customer mix, customer traffic and estimated transaction volume. In respect of the retailers of Operator A Products, most of them are convenience stores selling southeast Asia grocery products and their target customers are mainly Filipino and Indonesian. By appointing these retailers to sell Operator A Products, such products can directly reach our target end-users. As for the retailers of Operator B Products, most of them are telecom stores selling mobile phone, SIM Cards and Top-up Vouchers, and mobile phone accessories, and their target customers are general mobile users. Given the target end-users of Operator B Products vary, appointing these

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retailers to sell Operator B Products can reach a broader range of end-users. As the criteria for selecting retailers for Operator A Products and Operator B Products are different, the degree of overlapping of retailers between our two Sales Networks is low. During the Track Record Period, there were about 20 retailers within our Sales Network for Operator A Products who are also retailers within our Sales Network for Operator B Products. For details of the types, numbers and movement of retailers within the Sales Networks for Operator A Products and Operator B Products, please refer to the paragraphs headed “Our Customers and Sales Networks – Sales Network for Operator A Products” and “Our Customers and Sales Networks – Sales Network for Operator B Products” in this section, respectively.

During the Track Record Period, our Pre-paid Products were principally sold to retailers within our Sales Networks who will then mostly sell our Pre-paid Products to mobile end-users. We understand that some of our customers or wholesaler may also re-sell our Pre-paid Products to other retailers for sale.

Generally, we do not accept any sales return for refund from our customers, except that we do arrange for the replacement of defective products or products with quality issue with our suppliers. In case there is a complaint from our customers, our relevant sales staff will deal with such complaints. During the Track Record Period and up to the Latest Practicable Date, we were not subject to or involved in any material claim or dispute with any of our customers or end-users, and we did not encounter any material product replacement or claims or complaint from any of our customers or end-users regarding the quality of our Pre-paid Products. From March 2017 onward, our self-managed retail shops started to maintain a log book that keep records of products return and replacement requests from our customers and end-users.

### **Our self-managed retail shops and after-sales services**

During the Track Record Period, we operated five self-managed retail shops, two of which are located in Central, one in Causeway Bay, one in Tsuen Wan and one in Yuen Long. All of our retail shops were engaged in the retail sales of Pre-paid Products. At these retail shops, apart from selling the Pre-paid Products, we also provide the end-users with after-sale service, such as technical support and general enquiry. In order to facilitate effective communication with the end-users of Operator A Products, which are predominantly Filipinos or Indonesians, we have been hiring some staff who are able to speak Filipino or Indonesian languages to work in these retail shops.

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The following map displays the location of our retail shops in Hong Kong as at the Latest Practicable Date.



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The following table sets out the addresses, locations, sizes and lease terms of our retail shops in Hong Kong as at the Latest Practicable Date:

No.	Retail shop	Address	Floor Area (Sq. feet) (approx.)	Expiration date of the lease term
1.	Central (Euro Trade Centre)	Shop Z1, G/F., Euro Trade Centre, 13-14 Connaught Road Central and 21-23 Des Voeux Road Central, Hong Kong	500	17 January 2020 (Note 2)
2.	Central (World Wide House) <i>(Note 1)</i>	Shop 150, 1/F., World Wide House, 19 Des Voeux Road Central, Hong Kong	281	31 August 2021
3.	Causeway Bay	Shop No.1, G/F., De Victoria, 9-15 Yee Wo Street, Causeway Bay, Hong Kong	600	25 February 2020
4.	Tsuen Wan	Shop No. H1, Carson Mansion, 4-6 Dung Fat Street, Tsuen Wan, New Territories	300	14 January 2020
5.	Yuen Long	Shop A, G/F., Shung Tak Building, Nos. 14-18 Kik Yeung Road, Yuen Long, New Territories	400	1 May 2020

*Note:*

1. Leased to our Group by one of the associates of our Controlling Shareholder. For other details of the lease, please refer to section headed “Connected Transactions” in this prospectus.
2. We have confirmed and accepted a written offer to renew the tenancy agreement up to January 2020. As at the Latest Practicable Date, we have duly signed the formal tenancy agreement provided by the landlord and are waiting for the return of the tenancy agreement executed by the landlord. The landlord has orally given the consent for undergoing the Reorganisation as at the Latest Practicable Date.

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It has been our general business policy to serve directly users who visit our retail shops in the Central, Causeway Bay, Tsuen Wan and Yuen Long, and to allow retailers in our Sales Networks to serve other end-users at other locations (which may include the districts in which our retail shops are located). We believe that such arrangement not only reduces our distribution costs (which include rental charges as well as staff costs), but also expands the geographic coverage of the Pre-paid Products sold by our Group.

During the early part of FY2016, we carried out the Discontinued Business of selling mobile phones, electronics and accessories in our retail shops. To follow our long-term strategy to concentrate on the wholesale and retail sales of Pre-paid Products, we discontinued the Discontinued Business in FY2016. For details, please refer to the paragraph headed “Our Customers and Sales Networks – Discontinued Business and consignment arrangement” in this section.

### ***Growth in comparable retail shops sales during comparable periods***

The following table sets forth our same retail shops comparable sales and relevant information for the periods indicated:

	FY2016 versus FY2017		FY2017 versus FY2018	
Number of comparable retail shops	4		4	
Total comparable retail shops sales (in HK\$ million)	42.5 (FY2016)	48.6 (FY2017)	48.6 (FY2017)	54.0 (FY2018)
Same retail shop sales growth rate	14.4%		11.1%	

*Note:*

- Comparable retail shops sales refer to revenue generated from our retail shops which were existing at the end of the relevant financial years, and have been operating continuously for at least 24 months immediately prior to the end of that financial years. For example, the comparable retail shops for FY2016 and FY2017 are retail points that were open throughout both FY2016 and FY2017. Our calculation of comparable retail shops sales information may be different from those adopted by other companies, and our comparable retail shops sales information may not be comparable to the comparable retail shops sales information reported by other companies.

The comparable sales growth rate of our retail shops was 14.4% and 11.1% in FY2017 and FY2018 as compared to their corresponding year, respectively. The growth rate of comparable retail shops sales in FY2016 versus FY2017 of 14.4% was due to the general increase in sales from our two retail shops in Central and one retail shop in Causeway Bay as a result of the increase in advertising and promotion activities carried out by our Group during FY2017. The growth rate of comparable retail shops sales for FY2017 versus FY2018 of 11.1% was primarily due to the increase in sales from our retail shops in Central as a result of the increase in advertising and promotion activities carried out by our Group during FY2018.

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### Retailers and wholesalers within our Sales Networks

The table below sets forth the geographical location by districts of our retailers within our Sales Network for Operator A Products and our Sales Network for Operator B Products as at 31 March 2018:

	No. of retailers selling Operator A Products	No. of retailers selling Operator B Products	No. of retailers selling both Operator A Products and Operator B Products
<b>Hong Kong</b>			
Central and western district	30	22	6
Eastern district	36	51	3
Southern district	10	7	3
Wan Chai	<u>28</u>	<u>28</u>	<u>2</u>
	<u>104</u>	<u>108</u>	<u>14</u>
<b>Kowloon</b>			
Kowloon City	12	26	–
Kwun Tong	6	37	1
Sham Shui Po	20	18	2
Wong Tai Sin	2	22	–
Yaumatei, Tsimshatsui and Mongkok	<u>17</u>	<u>79</u>	<u>1</u>
	<u>57</u>	<u>182</u>	<u>4</u>
<b>New Territories</b>			
Islands district	1	2	–
Kwai Tsing	1	16	–
North district	1	22	–
Sai Kung	8	14	1
Shatin	11	22	–
Tai Po	7	25	–
Tsuen Wan	11	17	–
Tuen Mun	6	17	–
Yuen Long	<u>15</u>	<u>40</u>	<u>–</u>
	<u>61</u>	<u>175</u>	<u>1</u>
	<u>222</u>	<u>465</u>	<u>19</u>



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We have a seller and buyer relationship with our wholesaler and retailers within our Sales Networks. We recognise revenue when our Pre-paid Products are delivered to their designated premises and accepted by them. Given our seller and buyer relationship with our wholesaler and retailers within our Sales Networks, we do not have control over them nor do we impose any policies on their business operation. We do not grant any geographic or other exclusivity to any of our customers within our Sales Networks nor do we require any of our customers within our Sales Networks to meet any sales or expansion targets or minimum purchase amounts requirements. Our wholesaler and retailers within our Sales Networks are not required to provide inventory report or sales estimates to our Group. We do not impose any sales and pricing policy onto any of our customers within our Sales Networks. Generally, for the wholesaler and retailers who placed relatively higher volume of orders with us, we will give them a greater bulk purchase discount with reference to the face value of the Pre-paid Products than the discount given to our other customers with our Sales Networks on the same Pre-paid Products. They make purchases from us based on their sales performance.

We generally do not, by ourselves, implement measures to avoid cannibalisation and competition among our customers within our Sales Networks because we have no control on the wholesaler and retailers within our Sales Networks and that the profit margin of the retailers selling our Pre-paid Products is relatively low. As the profit margin of selling our Pre-paid Products is relatively low, we believe that such wholesaler and retailers will not engage in destructive competition (e.g. substantial discounts being offered) with each other. Any measure to avoid cannibalisation and competition accordingly becomes unnecessary. However, we prevent the occurrence of channel stuffing through adopting a strict product return policy that we do not allow product returns or refunds for our Pre-paid Products sold except for quality issues or damage that we will arrange for replacement of products to our customers. During the Track Record Period, we have not processed any sales return from our customers. During the Track Record Period and up to the Latest Practicable Date, we were not subject to or involved in any material claim or dispute with any of our retailers, and we did not encounter any material product replacement or claims or complaint from any of our retailers regarding the quality of our products.

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We have not entered into any long-term or framework agreement with any of the wholesaler or retailers within our Sales Networks. All of them are generally required to pay us in-advance or upon delivery of our relevant Pre-paid Products except for Customer A and Customer B. Considering the significant contribution to sales from customers who was a wholesaler as well as its long term relationship with our Group, Customer A was granted a credit period of 10 days from delivery. Taking into account that (i) Customer B has taken up the wholesale business of Pre-paid Products of Customer A and has replaced Customer A as our sole wholesaler since January 2018; (ii) our original business relationship and arrangement with Customer A and (iii) the relationship between Customer A and Customer B, the same credit period has been granted to Customer B. For further details in relation to the relationship between Customer A and Customer B, please refer to the paragraph headed “Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” in this section below.

While we will protect our intellectual property rights from infringement by any third party, we currently do not see there is a material risk that the wholesaler and retailers within our Sales Networks will use our name in their business because the Pre-Paid Products are respectively offered by Network Operator A and Network Operator B, and using our name in their business operation does not bring any material benefit to them. Therefore, we have not maintained any measures or policy to protect us from the improper use of our name by such wholesaler and retailers within our Sales Networks.

To the best of knowledge of our Directors, all the wholesaler and retailers within our Sales Networks who purchased Pre-paid Products from us during the Track Record Period and their ultimate beneficial owners are Independent Third Parties.

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### Sales Network for Operator A Products

The table below sets forth the type, number and movement of customers within our Sales Network for Operator A Products for the periods, and as at the dates indicated below:

	Retail shops	Wholesaler	Retailers				Subtotal of retailers	Total
			Telecom stores	Newsstands	Convenience stores	Others		
As at 1 April 2015	4	1	28	7	252	26	313	318
Made purchase(s) during FY2016 <sup>#</sup>	–	–	5	1	26	12	44	44
Did not make any purchase since FY2016 <sup>@</sup>	–	–	5	–	24	5	34	34
As at 31 March 2016	4	1	28	8	254	33	323	328
Made purchase(s) during FY2017 <sup>#</sup>	–	–	3	2	10	5	20	20
Did not make any purchase since FY2017 <sup>@</sup>	–	–	7	4	97	11	119	119
As at 31 March 2017	4	1	24	6	167	27	224	229
Made purchase(s) during FY2018 <sup>#</sup>	1	1	8	–	22	6	36	38
Did not make any purchase since FY2018 <sup>@</sup>	–	1	3	2	27	6	38	39
As at 31 March 2018	5	1 <sup>Δ</sup>	29	4	162	27	222	228

**Notes:**

<sup>#</sup> This represents the number of customers which did not make any purchase in the previous financial year, but made purchase(s) in current year

<sup>@</sup> This represents the number of customers which made purchase(s) in the previous financial year, but did not make any purchase since current year during the Track Record Period

<sup>Δ</sup> For most of the Track Record Period up to January 2018, Customer A was our sole wholesaler. Since January 2018, Customer A has ceased to engage in the wholesale business of Pre-paid Products and Customer B, which has taken up the wholesale business of Pre-paid Products of Customer A, has replaced Customer A as our sole wholesaler. Accordingly, in February 2018, Customer A ceased to make purchase from our Group and Customer B commenced to make purchase, replacing Customer A. For further details in relation to the relationship between Customer A and Customer B, please refer to the paragraph headed “Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” in this section below.

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In respect of those retailers who ceased to make any purchase in a particular financial year, the aggregate sales attributable to such retailers for the previous year amounted to about HK\$0.39 million, HK\$2.70 million and HK\$1.45 million during the Track Record Period, which represented about 0.2%, 1.4% and 0.8% of our total revenue from Operator A Products for the corresponding year, respectively.

Our revenue generated from the sales to retailers within our Sales Networks for Operator A Products of about HK\$103.6 million, HK\$95.2 million and HK\$73.7 million for FY2016, FY2017 and FY2018 were contributed by 323, 224 and 222 retailers within the Sales Network for Operator A Products, respectively. The number of retailers within our Sales Network for Operator A Products decreased from 323 as at 31 March 2016 to 224 as at 31 March 2017, which further decreased from 224 as at 31 March 2017 to 222 as at 31 March 2018. We believe that such decrease from 31 March 2016 to 31 March 2018 was attributable to our reallocation of resources to advertisement and promotion activities at our own retail shops and the fact that a number of small retailers did not place orders with us during FY2017 and FY2018. During the Track Record Period, 34, 119 and 38 retailers within our Sales Network for Operator A Products did not make any purchase with us since FY2016, FY2017 and FY2018, respectively. Our Directors are of the view that, these retailers cease purchasing Operator A Products from us primarily due to the unsatisfactory sale performance of the product, which may be resulting from the low concentration of relevant end-users at the location of these Retail Outlets. For detailed analysis of our revenue, please refer to the section headed “Financial Information – Description of selected combined statement of profit or loss and other comprehensive income items – Revenue” in this prospectus.

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### Sales Network for Operator B Products

We commenced selling of Operator B Products since March 2017. The table below sets forth the type, number and movement of customers within our Sales Network for Operator B Products for the periods, and as at the dates indicated below:

	Retail shops	Retailers				Subtotal of retailers	Total
		Telecom stores	Newsstands	Convenience stores	Others		
As at 1 April 2016	4	–	–	–	–	–	4
Made purchase(s) during FY2017	–	58	5	3	2	68	68
As at 31 March 2017	4	58	5	3	2	68	72
Made purchase(s) during FY2018	1	299	41	14	44	398	399
Did not make any purchase since FY2018	–	1	–	–	–	1	1
As at 31 March 2018	5	356	46	17	46	465	470

We expanded our Sales Networks for Operator B Products from about 70 retailers since the launch in March 2017 to 465 retailers as at 31 March 2018, which primarily resulted from the efforts of our sales staff for identifying and successfully introducing our Operator B Products to new retailers. Since the first half of FY2017, a team of about three staff of our sales department made site visits on district basis covering the entire Hong Kong territory, and they observed the pedestrian traffic at different locations in a district and identified in each district a few potential retailers based on their customer mix, customer traffic and the estimated transaction volume. After identifying potential retailers, our sales staff approached them to introduce the Operator B Products for their sale on trial basis for about two weeks. As an incentive to these potential retailers, we offer a relatively higher discount to these potential retailers during such initial trial period. As the sales of Operator B Products recorded a satisfactory result during the trial run, some of these potential retailers agreed to order Operator B Products from us after the trial run, and have become our retailers.

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The table below sets forth information on our five largest customers for each of FY2016, FY2017 and FY2018:

### ***FY2016***

Customer	Nature of main business of the customer	Types of Products sold	Year of commencement of business relationship with our Group	Revenue (HK\$'000)	Percentage of total revenue of our Group (%)
Customer A <sup>(1)</sup>	Retail of electronic appliance	Operator A Products	2009	54,269	27.1
Retailer A <sup>(2)</sup>	Sale of SIM Cards and Top-up Vouchers	Operator A Products	2009	39,638	19.8
Retailer B <sup>(3)</sup>	Shoes repair, key cuttings and sale of SIM Cards and Top-up Vouchers	Operator A Products	2009	16,007	8.0
Retailer C <sup>(4)</sup>	Grocery store	Operator A Products	2009	5,065	2.5
Retailer D <sup>(5)</sup>	Sale of SIM Cards and Top-up Vouchers	Operator A Products	2013	2,663	1.3
					58.7

### ***FY2017***

Customer	Nature of main business of the customer	Types of Products sold	Year of commencement of business relationship with our Group	Revenue (HK\$'000)	Percentage of total revenue of our Group (%)
Customer A <sup>(1)</sup>	Retail of electronic appliance	Operator A Products	2009	47,774	24.9
Retailer A <sup>(2)</sup>	Sale of SIM Cards and Top-up Vouchers	Operator A Products	2009	27,377	14.3
Retailer B <sup>(3)</sup>	Shoes repair, key cuttings and sale of SIM Cards and Top-up Vouchers	Operator A Products and Operator B Products	2009	17,081	8.9
Retailer C <sup>(4)</sup>	Grocery store	Operator A Products	2009	4,815	2.5
Retailer E <sup>(6)</sup>	Sale of grocery, SIM Cards and Top-up Vouchers	Operator A Products	2009	4,140	2.2
					52.8

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### ***FY2018***

Customer	Nature of main business of the customer	Types of Products sold	Year of commencement of business relationship with our Group	Revenue (HK\$'000)	Percentage of total revenue of our Group (%)
Customer A <sup>(1)</sup>	Retail of electronic appliance	Operator A Products and Operator B Products	2009	32,492	16.8
Retailer A <sup>(2)</sup>	Sale of SIM Cards and Top-up Vouchers	Operator A Products and Operator B Products	2009	24,916	12.9
Retailer B <sup>(3)</sup>	Shoes repair, key cuttings and sale of SIM Cards and Top-up Vouchers	Operator A Products and Operator B Products	2009	11,093	5.7
Customer B <sup>(1)(7)</sup>	Wholesale of SIM Cards, Top-up Vouchers, mobile phones and accessories	Operator A Products	2018 <sup>(1)</sup>	7,869	4.1
Retailer C <sup>(4)</sup>	Grocery store	Operator A Products	2009	3,696	1.9
					41.4

(1) Customer A, which was our sole wholesaler up to January 2018, is a private company established in Hong Kong, and its principal business is sale of electronic appliance in Hong Kong. From January 2018, Customer B has taken up the wholesale business of Pre-paid Products of Customer A and replaced Customer A as our sole wholesaler since then. For further details in relation to the relationship between Customer A and Customer B, please refer to the paragraph headed “Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” in this section below.

(2) Retailer A, sole proprietorship registered in Hong Kong, operates a telecom store in Central, Hong Kong, and its principal business is sale of SIM Cards and Top-up Vouchers.

(3) Retailer B, sole proprietorship registered in Hong Kong, operates a convenience store in North Point, Hong Kong, and its principal business is providing services of shoes repair and key cuttings and sale of SIM Cards and Top-up Vouchers.

(4) Retailer C, sole proprietorship registered in Hong Kong, operates a convenience store in Central, Hong Kong, and its principal business is sale of grocery.

(5) Retailer D, operates a telecom store in Shum Shui Po, Hong Kong, and its principal business is sale of SIM Cards and Top-up Vouchers.

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- (6) Retailer E, a private company established in Hong Kong, operates a convenience store in Shatin, Hong Kong, and its principal business is sale of grocery, SIM Cards and Top-up Vouchers.
- (7) Customer B, has become our wholesaler since January 2018. It is a private company established in Hong Kong, and its principal business is wholesale of SIM Cards, Top-up Vouchers, mobile phones and accessories.
- (8) During the Track Record Period, except for Customer A and Customer B to which we granted a credit period of 10 days, we generally require our customers to pay us in advance or make payment upon the delivery of our Pre-paid Products.

For each of FY2016, FY2017 and FY2018, sales to our five largest customers accounted for about 58.7%, 52.8% and 41.4% of our total revenue, respectively. For the same period, sales to our largest customer accounted for about 27.1%, 24.9% and 16.8% of our total revenue, respectively. We are therefore subject to certain level of concentration risk and counterparty risk and our Directors continuously put effort to diversify our customer base in order to minimise reliance on our major customers. For details of the risk from our reliance on our major customers, please refer to the section headed “Risk factors” in this prospectus. To the best knowledge of our Directors, none of our five largest customers is also our supplier.

None of our Directors, their respective associates or, so far as our Directors are aware, Shareholders who own 5% or more of the issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue have any interest in any of the five largest customers during the Track Record Period.

### **Reliance on our major customers**

During the Track Record Period, we derived a significant portion of our revenue from two of our customers, namely, Customer A and Retailer A. For FY2016, FY2017 and FY2018, our sales to Customer A accounted for about 27.1%, 24.9% and 16.8% of our total revenue, respectively, and our sales to Retailer A accounted for about 19.8%, 14.3% and 12.9% of our total revenue, respectively. Such decrease in our sales to Customer A during FY2018 was primarily due to the decrease in our sales of Pre-paid Products for Filipino mobile users and also partly to its replacement by Customer B in January 2018. In this connection, we have a concentration of customers during the Track Record Period. However, our Directors do not consider that we rely on a particular customer.

For details of our risk arising from reliance on our major customers, please refer to the section headed “Risk factors – Risk Relating to the Business of our Group – A substantial amount of our Group’s revenue is derived from our major customers and we have not entered into long-term sales contracts with customers” in this prospectus.



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### ***Background of Customer A, Customer B and Retailer A***

Customer A is engaged in the business of selling mobile phones and accessories. To the best of knowledge of our Directors, other than our Operator A Products, Customer A does not distribute pre-paid SIM cards and Top-up Vouchers serviced by other mobile network operators. Since January 2018, Customer B has replaced Customer A as our sole wholesaler.

As advised by Customer A and Customer B, due to the delineation of the wholesale business of Pre-paid Products from the principal business of Customer A (being sale of mobile phones and accessories), Customer A ceased to engage in the wholesale business of Pre-paid Products, and Customer B took up such wholesale business of Pre-paid Products of Customer A in January 2018 and has become our sole wholesaler since then. To the best knowledge of our Directors having made all reasonable enquiries, the co-founder of Customer A (a director and shareholder of Customer A, who, together with his spouse, owns most of the equity interest in Customer A) is the brother of the co-founder of Customer B (a director and shareholder of Customer B, who, together with his spouse, owns the entire equity interest in Customer B). Customer B is engaged in the wholesale business of pre-paid SIM cards, Top-up Vouchers, mobile phones and accessories, and, to the best knowledge of our Directors, Customer B distributes only our Operator A Products, and does not distribute pre-paid SIM cards and Top-up Vouchers serviced by other mobile network operators.

Retailer A is principally engaged in the distribution and retail sale of Pre-paid SIM Cards and Top-up Vouchers. To the best of knowledge of our Directors, our Operator A Products are just one of the pre-paid SIM cards and top-up vouchers sold by Retailer A, and Retailer A also sells pre-paid SIM cards and top-up vouchers serviced by other mobile network operators.

To the best of knowledge of our Directors, Customer A (a limited company), Customer B (a limited company) and Retailer A (a sole proprietorship) and their ultimate beneficial owners (where appropriate) are Independent Third Parties. Customer A and Customer B are private companies which are not listed on any stock exchanges.

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We have not entered into any long-term contract with Customer A, Customer B or Retailer A, consequently, our major customers do not owe long term purchase commitment to our Group, thus there can be no assurance that our Group will be able to maintain or increase sales to these customers at current levels or at all. We confirm that, save and except that Customer B replaced Customer A to continue its business relationship with our Group, up to the Latest Practicable Date, (i) our Directors had not received any indication from our major customers that they will cease placing orders or terminate business relationship with us; and (ii) our Directors had not received any indication from our major customers relating to any change of existing business relationship between us.

Given the abovementioned, our Directors are of the view that the business relationship between our Group and our major customers remained and would continue to remain stable and positive.

### ***Sustainability of our businesses in view of reliance***

Our Directors are of the view that our reliance on major customers will not impact our Company's suitability for Listing on the basis of the following:

#### *(1) Our ability to reduce the level of concentration in the future*

We have been putting effort to reduce our level of concentration on our existing major customers. In November 2016, we entered into the Operator B 2016 Distribution Agreement with Network Operator B for the supply of Operator B Products which target our Brand S Target Users. The selling of Operator B Products commenced in March 2017 which accounted for about 0.2% and 8.7% of our total revenue for FY2017 and FY2018, respectively. As Operator B Products are sold through our Sales Network for Operator B Products, our Directors expect that the level of reliance on our major customers is likely to decrease in the future.

#### *(2) Mutual and complementary reliance*

We consider that the reliance between our Group and our major customers is mutual and complementary. Pursuant to the Operator A 2018 Distribution Agreement, we have been appointed by Network Operator A as the sole and exclusive distributor of the Operator A Products. The Operator A 2018 Distribution Agreement we entered into with Network Operator A is for an initial term from 1 November 2015 to 31 October 2022, which is extendable for another 36 months. Given the exclusivity of distributing Operator A Products is granted to our Group, we believe our major customers will continue to purchase Operator A Products through us.

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### **Discontinued Business and consignment arrangement**

During the early part of FY2016, we carried out the Discontinued Business of selling mobile phones, electronics and accessories in our retail shops. As it is our Group's strategy to concentrate on wholesale and retail sales of Pre-paid Products, we discontinued the Discontinued Business in FY2016 and it was disposed to a company outside our Group (which is wholly owned by our Controlling Shareholder). Our revenue from the Discontinued Business amounted to about HK\$9.4 million, nil and nil for FY2016 and FY2017 and FY2018. For details, please refer to the section headed "History, Reorganisation and Development – Business development – Our history" in this prospectus. Following the discontinuance of the Discontinued Business, we commenced the consignment sale of mobile phones, electronics and accessories in our retail shops for our Controlling Shareholder in FY2016. For details of terms of the consignment agreement, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – Consignment Agreement" in this prospectus. Since the commencement of the consignment sales under the consignment arrangement, we earned a commission from carrying out such consignment sales of mobile phones, electronics and accessories as our other revenue of about HK\$1.2 million, HK\$2.1 million and HK\$1.8 million for FY2016 and FY2017 and FY2018, respectively.

We consider that the disposal of the Discontinued Business and the commencement of the aforementioned consignment sale of mobile phones, electronics and accessories in our retail shops are in the interest of our Group and our Shareholders, as such disposal and the consignment arrangement allow us to receive commission from the sales of consigned goods while we are not subject to inventory risks from holding such products as our inventory which may become obsolete when new models roll out.

### **MARKETING AND PROMOTION**

The Pre-paid Products sold by us are indirectly promoted by the retailers within our Sales Networks over a wide geographic coverage.

Sometimes, we sell Top-up Vouchers at a discount (such as on a "buy ten, get one free" basis). Before we discontinued our Discontinued Business in FY2016, we sometimes sold packages of mobile phone and SIM Cards at an attractive price to promote our Pre-paid Products. To encourage more frequent top-ups, we launch from time to time reward redemption programmes for mobile users who purchase our Top-up Vouchers (whether at our own retail shops or through retailers within our Sales Networks). During the Track Record Period, we carried out several reward redemption programmes, under which mobile users who purchased Top-up Vouchers of a prescribed minimum amount (or for a number of purchases) were allowed to redeem specific products or reward. Such products or rewards include free Top-up Vouchers and supermarket vouchers. Our Directors consider it to be a common industry practice to promote Pre-paid Products by using redemption reward programme.

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These redemption rewards provided to mobile users are mostly funded from our own internal resources, and they are occasionally and partly subsidised by the Network Operator A. For such reasons, we have flexibility to determine when to launch such marketing programmes, and the types of rewards to be offered in each programme. We believe that such programmes and the flexibility enjoyed by our Group allow us to foster the loyalty of our customers and end-users.

We target our marketing activities to promote and strengthen the brand image of our Pre-paid Products, in particular Operator A Products. During the Track Record Period and up to the Latest Practicable Date, we also advertised our Pre-paid Products through (i) engaging active and popular singers or celebrities from the Filipino and Indonesian communities to promote our Operator A Products; (ii) placing of advertisements on newspaper; (iii) printing of paper bags; and (iv) using of in-retail shop marketing through product display, promotion by sales staff and backdrop design.

For FY2016, FY2017 and FY2018, our Group's advertising and promotion expenses spent on these activities amounted to about HK\$1.2 million, HK\$2.0 million and HK\$4.1 million, respectively.

### PRICING POLICY

All our products are sold in Hong Kong, and all our sales are denominated and settled in Hong Kong dollars.

At our own retail shops, we generally sell the Pre-paid Products at their face values, and occasionally we may offer discounts (such as on a “buy ten, get one free” basis) to our retail shop customers.

Our Group sells the Pre-paid Products to a wholesaler and retailers within our Sales Networks at a discount with reference to the face values stated on the relevant Pre-paid Products. The discount rate offered by our Group to certain customers who placed relatively higher volume of orders with us is generally higher than those offered to other customers as bulk purchase discount.

### OUR SUPPLIERS

For FY2016, FY2017 and FY2018, our total costs of sales amounted to about HK\$147.4 million, HK\$136.2 million and HK\$131.4 million, respectively. During the Track Record Period, over 90% of our Pre-paid Products sold by us were sourced from Network Operator A.

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We have been selling Pre-paid Products supplied by Network Operator A since 2003. Network Operator A was our sole supplier of Operator A Products until 2017. The exclusivity given by Network Operator A under the Operator A 2008 Distribution Agreement, Operator A 2015 Distribution Agreement and Operator A 2018 Distribution Agreement for our distribution of the Operator A Products allowed us to focus on the market of Filipino and Indonesian mobile users, and in reciprocity, we also help Network Operator A to establish a larger market share in such segment. Pursuant to the Operator A 2018 Distribution Agreement, the Operator A Products are sold by the Network Operator A to us at prices which are set at discounts to their respective face values, and the level of discount given is provided under the Operator A 2018 Distribution Agreement.

Network Operator A ceased to be our sole supplier in March 2017, when we started selling Operator B Products supplied by Network Operator B which target on Brand S Target Users. Network Operator B is the sole supplier of Operator B Products. In order to regulate the relationship between Network Operator B and our Group in respect of the sale and distribution of Operator B Products, we entered into Operator B 2016 Distribution Agreement with Network Operator B.

We were not aware of any material breaches of the Operator A 2018 Distribution Agreement or the Operator B 2016 Distribution Agreement during the Track Record Period. During the Track Record Period, we did not experience any significant shortage or delay in the supply of Operator A Products or Operator B Products.

### **Network Operator A**

#### ***Operator A 2018 Distribution Agreement***

After the expiry of the Operator A 2008 Distribution Agreement in November 2012, we have not entered into any distribution agreement with Network Operator A until the Operator A 2015 Distribution Agreement was entered into. Despite the expiry of Operator A 2008 Distribution Agreement in November 2012, we continued to sell Operator A Products between 2012 to 2015. In order to formalise the cooperation and to regulate the transactions between the Network Operator A and our Group, we entered into the Operator A 2015 Distribution Agreement with Network Operator A as from November 2015, which was subsequently replaced by the Operator A 2018 Distribution Agreement as from July 2018. The Operator A 2018 Distribution Agreement which is legally-binding contains the following principal terms:

Parties	:	Network Operator A and our Group
Term	:	For an initial term from 1 November 2015 to 31 October 2022 which is automatically renewable for another 36 months afterward, unless either party gives written notice indicating its intention not to renew such agreement at least 3 months prior to the expiry of the initial term
Products	:	– SIM Cards of the designated brands (i.e. Brand C, Brand H and Brand KK); and

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		<ul style="list-style-type: none"> <li>– Top-up Vouchers of each of the above-named brands</li> </ul>
Prices	:	<ul style="list-style-type: none"> <li>– The face values of the Operator A Products payable to the Network Operator A by our Group are fixed. Operator A Products are agreed to be sold by the Network Operator A to our Group at prices which are set with discounts to their respective face values, and the level of discount given is provided under the Operator A 2018 Distribution Agreement</li> </ul>
Appointment	:	<ul style="list-style-type: none"> <li>– Our Group is appointed as the sole and exclusive distributor of the Operator A Products (i.e. for Brand C, Brand H and Brand KK).</li> <li>– Network Operator A is not restricted from introducing or distributing other SIM Cards or Top-up Vouchers that may directly compete with the Operator A Products.</li> <li>– Our Group has agreed not to sell or promote any pre-paid mobile telecom products (including SIM Cards and Top-up Vouchers) targeting at Filipino and Indonesian segments in Hong Kong provided by other third parties.</li> </ul>
Payment terms	:	Cash before delivery
Replacement	:	The Network Operator A will replace any Pre-paid Product which is dead-on-arrival, subject to manufacturing defects or expiry. The total amount of replacement is subject to a prescribed cap of a prescribed period from the commencement of the term.
Duties of our Group	:	<p>The duties of our Group set out in the Operator A 2018 Distribution Agreement include the following:</p> <ul style="list-style-type: none"> <li>– use reasonable efforts to ensure that Retail Outlets follow the guidelines and directions of the Network Operator A</li> <li>– to identify our Group as the Network Operator A's distributor only in connection with the Operator A Products</li> <li>– to comply with the Network Operator A's marketing and administrative procedures and policies</li> <li>– Not to sell the Operator A Products outside Hong Kong</li> </ul>
Duties of Network Operator A	:	<p>The duties of the Network Operator A set out in the Operator A 2018 Distribution Agreement include the following:</p> <ul style="list-style-type: none"> <li>– to provide our Group with necessary technical and product information</li> <li>– to give our Group up-to-date information on the Network Operator A's terms and conditions of supply of the Operator A Products and the fees and charges on the mobile services (e.g. tariff and rates of local and international phone calls and mobile data services) offered by Operator A Products.</li> </ul>

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- Intellectual properties and trade marks : – Network Operator A has agreed to grant our Group a licence (on a revocable, non-exclusive and non-sub-licensable basis) to use the Network Operator A's trademark for the purpose of promoting the sale of the Operator A Products in Retail Outlets of our retailers and our retail shops or in the advertisements or promotions of the Operator A Products
- The license to use the Network Operator A's trademark is revocable by one week's notice given to our Group by the Network Operator A
- Termination : – Either party may terminate the agreement immediately if the other party commits material breach of the Operator A 2018 Distribution Agreement, and the breach cannot be corrected at all or if the breach cannot be corrected within 14 days
- The Network Operator A may terminate the Operator A 2018 Distribution Agreement immediately under certain circumstances, which include the following:
- (a) our Group brings the Network Operator A's name, services or personnel in disrepute;
  - (b) the Network Operator A ceases to offer any of the Operator A Products;
  - (c) Network Operator A's telecom or other licences are terminated, expired or revoked;
  - (d) change of laws or regulations that prohibit any arrangement under the Operator A 2018 Distribution Agreement;
  - (e) our Group distributes any of the Operator A Products outside Hong Kong; or
  - (f) our Group assigns our rights and obligations under the Operator A 2018 Distribution Agreement without Network Operator A's consent.

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### Network Operator B

#### *Operator B 2016 Distribution Agreement*

The Operator B 2016 Distribution Agreement, which is legally-binding, contains the following principal terms:

Parties	:	Network Operator B and our Group
Term	:	For an initial term from 18 November 2016 to 17 November 2019 which is automatically renewable for another 36 months afterward, unless it is terminated by either party during the extended period by giving at least thirty days prior written notice to the other party
Products	:	Operator B SIM Cards (i.e. Brand S) and Operator B Top-up Vouchers and several other SIM Cards and Top-up Vouchers supplied by Network Operator B.
Prices	:	The face values of the Operator B Products payable to the Network Operator B by our Group are fixed. Network Operator B agreed to sell Operator B Products to our Group at prices which are set at discounts with reference to their respective face values. The price is subject to changes as notified by Network Operator B from time to time.
Appointment	:	Our Group is appointed as the non-exclusive trader of the Operator B Products
Payment term	:	Cash before delivery
Replacement	:	Network Operator B will replace any Operator B Products which is missing, physically damaged or expired.
Intellectual properties and trade mark	:	<ul style="list-style-type: none"><li>– Each party must not use the intellectual property of the others</li><li>– Network Operator B allows our Group to use, during the term of the Operator B 2016 Distribution Agreement, its trademarks solely for the purpose of promoting and selling of Operator B Products at the Retail outlets operated by or designated by our Group</li></ul>
Termination	:	Either party may terminate the Operator B 2016 Distribution Agreement, or the Network Operator B may cancel or suspend the appointment of our Group, by serving written notice on the other party, if the other party commits material breach of the Operator B 2016 Distribution Agreement or that the other party becomes insolvent.



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During FY2016, FY2017 and FY2018, we only have two suppliers, namely, Network Operator A and Network Operator B, who supplied us with Operator A Products and Operator B Products. For each of FY2016, FY2017 and FY2018, our cost of Operator A Products, from Network Operator A being our largest supplier, accounted for 100.0%, about 99.6% and 89.8% of our total cost respectively. We are therefore subject to a concentration risk and counterparty risk and our Directors continuously put effort to diversify our supplier base in order to reduce our reliance on Network Operator A. For details of our reliance on Network Operator A and discussion of the sustainability of our business, please refer to the paragraph headed “Reliance on Network Operator A” in this section.

As at the Latest Practicable Date, Mr. Ritchie Ma, one of our non-executive Director, holds about 0.00004% interest in the listed shares of Network Operator B. Save as disclosed above, none of our Directors, their respective associates or, so far as our Directors are aware of, Shareholders who own 5% or more of the issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue, have any interest in any of our two suppliers for the Track Record Period. To the best of knowledge of our Directors, both Network Operator A and Network Operator B and their ultimate beneficial owners are not connected persons of our Company.

### **RELIANCE ON NETWORK OPERATOR A**

During the Track Record Period, over 90% of our Pre-paid Products sold by us were sourced from the Network Operator A. We have a long and established business relationship with the Network Operator A. We have been selling Pre-paid Products supplied by Network Operator A since 2003. Network Operator A was our sole supplier of our Pre-paid Products until March 2017 when we started selling Operator B Products supplied by Network Operator B.

### **Background of the Network Operator A**

Network Operator A is one of the four mobile network operators in Hong Kong. The parent company of the direct supplies of Operator A Products to us is a business trust listed on the Stock Exchange with a market capitalisation of about HK\$76.8 billion as at the Latest Practicable Date. It is a telecom service provider and operator in fixed-line, broadband and mobile communication services, which caters the needs of Hong Kong public and local and international business with a range of services including local telephony, local data and broadband, international telecommunications, mobile and other telecommunications business.

As the direct supplies of Operator A Products is a part of its parent group, its financial data is not available.

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### Reasons for reliance

Our Directors are of the view that the reliance is mainly due to the following reasons:

- (i.) Network Operator A is one of the four mobile network operators in Hong Kong. Given the dominance of the four mobile network operators in the telecommunication market, we believe that it is an industry norm for companies in the same line of business operating in Hong Kong, such as our Group, to rely on a single mobile network operator in order to gain exclusivity in distributing SIM Cards and Top-up Vouchers.
- (ii.) We have a long and established business relationship with the Network Operator A since 2003. Network Operator A was also our sole supplier of our Pre-paid Products until March 2017. Given the long and established relationship with the Network Operator A, we will continue to source our Operator A Products exclusively from the Network Operator A.
- (iii.) We have not encountered any material procurement problem with the Network Operator A in the past. Therefore, our Directors consider that Network Operator A a reliable supplier that our Group can rely on.

### Sustainability of our business in view of our reliance

Our Directors are of the view that the following factors should contribute to the sustainability of our business notwithstanding our reliance on the Network Operator A:

#### (i) Conclusion of the Operator A 2018 Distribution Agreement

To ensure sustainability of our business, we also entered into the Operator A 2018 Distribution Agreement with Network Operator A in July 2018 for an initial term from 1 November 2015 to 31 October 2022 which is extendable for another 36 months. Pursuant to the Operator A 2018 Distribution Agreement, we have been appointed by Network Operator A as the sole and exclusive distributor of the Operator A Products. The distribution price for our Operator A Products supplied from Network Operator A to us has also been fixed by the Operator A 2018 Distribution Agreement that we believe it can help us to ensure that the Operator A Products are supplied to us at a fixed discount rate during the term of the Operator A 2018 Distribution Agreement and avoid our Operator A Products being priced out of the market. Apart from that, we believe the chance of Network Operator A charging a high price on our Operator A Products upon the renewal of the distribution agreement, which leads to our Operator A Products being priced out of the market, is very low. It is because the existing mobile users of our Operator A Products may switch to similar products serviced by our mobile network operators if price of our Operator A products increases, making it not commercially sensible to price our Operator A Products out of the market. We believe the Operator A 2018 Distribution Agreement will enhance the relationship between our Group and Network Operator A and the sustainability of our Group.

**(ii) Maintenance of our Sales Network for Operator A Products and after-sale services as our competitive edge**

We consider that our Sales Network for Operator A Products and our after-sale services are the most valuable assets, our competitive edge and our niche over other existing and potential competitors. During the Track Record Period, our Sales Network for Operator A Products comprises our five self-managed retail shops, a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and an average of about 250 retailers. For further details in relation to the relationship between Customer A and Customer B, please refer to the paragraph headed “Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A” in this section below. We also provide the end-users with after-sale services, such as technical support and general enquiry at our retail shops. For details of our Sales Network for Operator A Products, please refer to the paragraph headed “Our Customers and Sales Networks – Sales Network for Operator A Products” in this section, and for details of our after-sale services, please refer to the paragraph headed “Competitive Strengths – Customised service platform with experience sales team and flexible strategy” in this section, respectively. We consider that our Sales Network for Operator A Products also serves as an entry barrier to our potential competitors, as it may not be easy for our competitors to establish a sales network within a short period of time, whose size and target customers are similar to our Sales Network for Operator A Products. We also believe that our after-sale services offered in our retail shops also created a sense of loyalty among the end-users.

**(iii) Contingency plan**

We rely to a significant extent on Network Operator A in connection with the operation of our business. Although we have a long cooperation history with Network Operator A and have entered into the Operator A 2018 Distribution Agreement (which is valid until October 2022 and may be extended up to October 2025), it is still possible that Network Operator A may terminate such agreement before its expiry or refuse to renew the agreement upon its expiry. It is also possible that Network Operator A may offer other similar products which may compete with the brands of Operator A Products sold by us.

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In the unlikely event that the Operator A 2018 Distribution Agreement between the Network Operator A and us are not renewed upon expiry or are terminated for whatever reason, we are able to source other Pre-paid Products from other suppliers in the market. Our experience and expertise in selling Pre-paid Products with a focus on Filipino or Indonesian mobile users are not specifically designed to cater solely for the sales of Operator A Products of Network Operator A. Our Directors are of the view that our years of experience in selling the Operator A Products to Filipino and Indonesian mobile users and our Sales Network for Operator A Products can be readily used in selling other Pre-paid Products targeting the same group of end-users supplied by other network operators. In fact, we have been approached by other mobile network operators over the years seeking for our cooperation in relation to their products. The cooperation plans proposed by these mobile network operators include, but not limited to, selling of Pre-paid Products from these mobile network operators which target on user groups similar to those targeted by our Operator A Products.

If the Network Operator A ceases to supply us with the Operator A Products, it is expected that our Group will purchase similar products offered by other mobile network operators for sale at our retail shops, and through our wholesaler or retailers within our Sales Network for Operator A Products. Given the past experience, network and scale in selling our products, our Group is in a good and well-found position to cooperate with other suppliers and be able to sustain in the market. In case we need to switch from selling Operator A Products to other similar products of other network operators, it is estimated that we need to incur additional costs to (i) replace the billboards, decoration and other promotion materials with that of our new suppliers; (ii) printing new packaging materials for SIM Cards offered by the new operator; and (iii) launching marketing and promotion activities (e.g. (a) engaging television or movie celebrities; (b) placing advertisements on newspapers; (c) printing paper bags; and (d) arranging product display, promotion by sale staff and backup design). The costs for items (i) and (ii) are estimated to be less than HK\$1.0 million. The replacement of promotion materials, printing of new packaging materials and negotiating with the wholesaler and the retailers within our Sales Network for Operator A Products to sell the products offered by the new operator can be completed in about one month. Our Directors are of the view that, given (i) our well-round position to cooperate with other suppliers; and (ii) the estimated cost and time required to resume our business operation is not significant, switching from selling Operator A Products to other similar products will not be extremely difficult and should not have material impact on our business and financial result.

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Our Directors believe that the risk of disintermediation is low due to the following reasons:

**(i) Extended term of exclusivity under the Operator A 2018 Distribution Agreement**

In July 2018, we have entered into the Operator A 2018 Distribution Agreement in order to further extend our exclusivity on the distribution of Operator A Products. The new distributorship agreement has a term from 1 November 2015 to 31 October 2022 and is automatically renewable for another 36 months. As at the Latest Practicable Date, Network Operator A does not indicate that it has intention to terminate the Operator A 2018 Distribution Agreement before its expiry. Our Directors are of the view that if Network Operator A had plans of disintermediation, it would not have entered into the Operator A 2018 Distribution Agreement to extend our Group's exclusivity for distributing the Operator A Products.

**(ii) Business strategies of the mobile network operators to lower their operating cost**

We cannot preclude the possibility of any mobile network operator changing its policy and (by disintermediation) engaging in direct sales activities with second-level customers or mobile end-users of the Pre-paid Products. However, our Directors believe that a mobile network operator will do so only if the expected revenue could outgrow the corresponding costs and risks. For FY2018, our cost of sales amounted to about HK\$131.4 million. From the mobile network operators' perspective, they received sales revenue from us for over HK\$10.0 million each month. All of our purchases from the mobile network operators were settled by cash before delivery (by way of cheques), without any credit term. In contrast, we currently incur expenses in hiring staff who are able to speak Filipino or Indonesian languages in our retail shops to facilitate effective communication with our target end-users of Operator A Products, carrying on marketing events for such target end-users, and in renting ground-level premises to operate our own retail shops. If mobile network operators cease to supply Pre-paid Products to us and start to engage in direct sales activities, they have to devote resources (which will not be insignificant) on building up their own sales networks, setting up more retail outlets for sales of their Pre-paid Products, hiring staff who are able to speak Filipino or Indonesian languages in their retail shops and conducting additional marketing and promotional activities, while forgoing regular income of our Group and running the risk of failing to carry out such operations successfully.

**(iii) Cash settlement by us with Network Operator A and Network Operator B**

Pursuant to the Operator A 2018 Distribution Agreement and the Operator B 2016 Distribution Agreement, we are not granted any credit term and are required to settle payment by cash before delivery (by way of cheques) of the Pre-paid Products. Our Directors believe that this arrangement offers advantage to these Network Operators in terms of liquidity and would encourage the Network Operators to opt for keeping us as their distributor, rather than disintermediation.

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### **(iv) Well-established business relationship with Network Operator A**

We have been selling Operator A Products since 2003. We have established a stable and good cooperation relationship with Network Operator A for over 10 years.

Our Group may face increasing competition due to the emergence of e-commerce platforms and online retail market. However, our Directors believe that the risk of technological disruption for purchasing Top-Up Voucher through apps is currently small. Under the Operator A 2018 Distribution Agreement, we are granted exclusivity in selling Operator A Products. Accordingly, during the period which the Operator A 2018 Distribution Agreement remains effective, sales of the Operator A Products through apps or any other sales channel (including online retail market) will be exclusively performed by us.

Further, according to the Frost & Sullivan Report, offline store is still the major distribution channel of Pre-paid Products in Hong Kong. According to a consumer survey of about 150 Filipino and 150 Indonesian respondents relating to brand awareness and consumer preferences of Pre-paid Products in Hong Kong conducted by Frost & Sullivan in July 2017 and an updated consumer survey in April 2018, over 60% of the consumers recharge the pre-paid SIM cards through recharge vouchers purchased from Pre-paid Products distributors and only less than 15% of the respondents recharge their prepaid SIM cards through online platform and top-up app respectively.

### **Diversifying our supplier network**

While we endeavour to maintain our established relationship with the Network Operator A, our Directors recognise the importance of expanding our supplier base with a view to sustaining long term growth. Nonetheless, our Directors do not have the intention to shift to other suppliers in a rapid manner, because our Group has already had a long relationship with the Network Operator A and our Group's exclusivity in distributing Operator A Products up to October 2022 (extendable to October 2025) is secured under the Operator A 2018 Distribution Agreement.

### ***Operator B 2016 Distribution Agreement***

Over the years, we have been approached by other mobile network operators seeking for our cooperation in relation to their products. In November 2016, we entered into the Operator B 2016 Distribution Agreement with Network Operator B for the supply of their Operator B Products which target on Brand S Target Users. The selling of Operator B Products commenced in March 2017 which accounted for about 0.2% and 8.7% of our total revenue for FY2017 and FY2018 respectively. By diversify the Pre-paid Products offered by our Group, our Directors expects that the level of reliance on the Network Operator A is likely to decrease in the future.

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### ***Background of Network Operator B***

Network Operator B is one of the four mobile network operators in Hong Kong. The parent company of Network Operator B is a company listed on the Stock Exchange, primarily providing mobile services in Hong Kong and Macau and fixed line services in Hong Kong.

### **INVENTORY**

Our Group's inventories are stored in our store room within our office. As at 31 March 2018, an employee of our Group was in charge of our Group's inventory management. To ensure that we will have sufficient quantity of Pre-paid Products to meet the demand of our direct customers, we generally maintain an inventory level of two to three months. Generally our Group's Pre-paid Products of Network Operator A have a minimum of 12 months validity period calculated from the date of delivery and that of Network Operator B have a validity period of a minimum of 12 months calculated from the date of production of the Pre-paid Products.

As at 31 March 2016, 2017 and 2018, the inventory level of Pre-paid Products amounted to about HK\$25.3 million, HK\$36.1 million and HK\$32.5 million respectively. The average number of inventory turnover days of our Group for each of FY2016, FY2017 and FY2018 was about 62.0 days, 82.4 days and 95.3 days, respectively. The increase in our average inventory turnover days from about 62.0 days for FY2016 to about 82.4 days for FY2017 and to about 95.3 days for FY2018 was primarily attributable to the increase in inventory for Operator B Products which was launched in March 2017.

We monitor our inventory levels on a regular basis. Our procurement team will place orders based on the sales forecast and the inventory level in our storage.

We have established policies with regard to inventory management, such as a lot number system to categorise different batches of products and items for the Operator A Products and Operator B Products. Any of the inventory will, when collected by our Group, be recorded by our staff against, in particular, the invoices and/or delivery notes issued by the our suppliers. Owing to the values of the Operator A Products and the Operator B Products, we have implemented a comprehensive integrated fire and security system to protect and prevent our inventory from theft, embezzlement and damages. We also effect additional insurance to protect our inventory. For details of our insurance coverage in respect of our inventory, please refer to the paragraph headed "Insurance coverage" in this section. We plan to apply about HK\$2.5 million or about 4.6% of the net proceeds from the New Issue to strengthen our inventory management capability, and further fine-tune our supply and retail management by upgrading our management information system. We expect that a specialist will be engaged to be in-charge for such upgrade. As the upgrade will be done in stages or phases, we expect that the risk of upgrade failure is low.

During the Track Record Period, no provision for inventories was made.

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### LOGISTICS

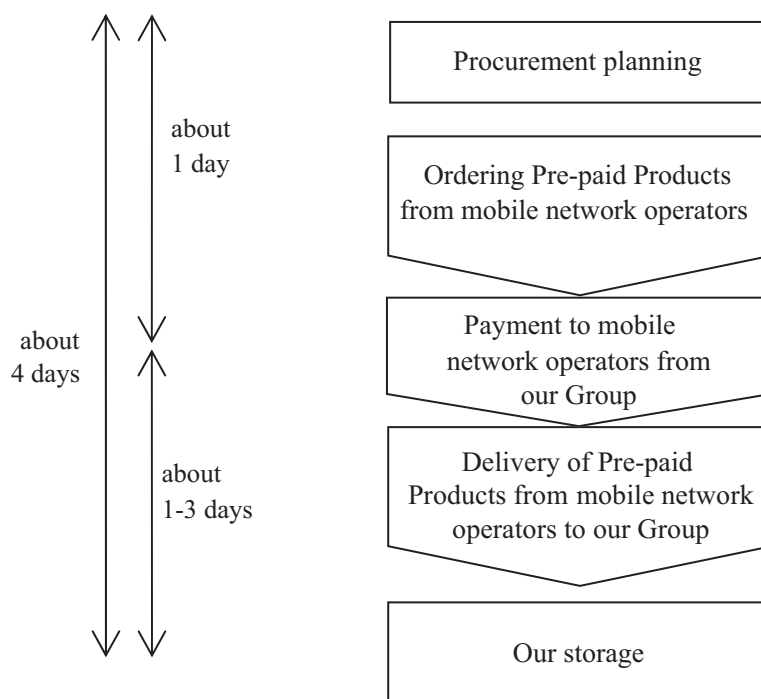
During the Track Record Period, our Sales Networks covered all 18 districts in Hong Kong. Our staff is responsible for the delivery of our Pre-paid Products to our retail shops, the wholesaler and the retailers within our Sales Network for Operator A Products. We also hired an external delivery agent to assist us to deliver our Operator B Products to the retailers within our Sales Network for Operator B Products. Most of the retailers within our Sales Networks will generally receive the Pre-paid Products about every three days from the retailers' placement of purchase orders. Retailers within our Sales Network will settle the purchase price before or upon delivery of the Pre-paid Products.

### SUPPLY AND SALES MANAGEMENT, BUSINESS FLOW AND PROCESSES

During the Track Record Period, we source our Pre-paid Products from Network Operator A and Network Operator B. During the Track Record Period, the Pre-paid Products were sold by our Group through our Sales Networks to our customers. The lead time from placing orders with our suppliers and delivery to our customers is about 4 to 8 days.

#### Procurement

We normally order from each of our two suppliers twice a month. The following chart illustrates the major processes involved in our procurement:

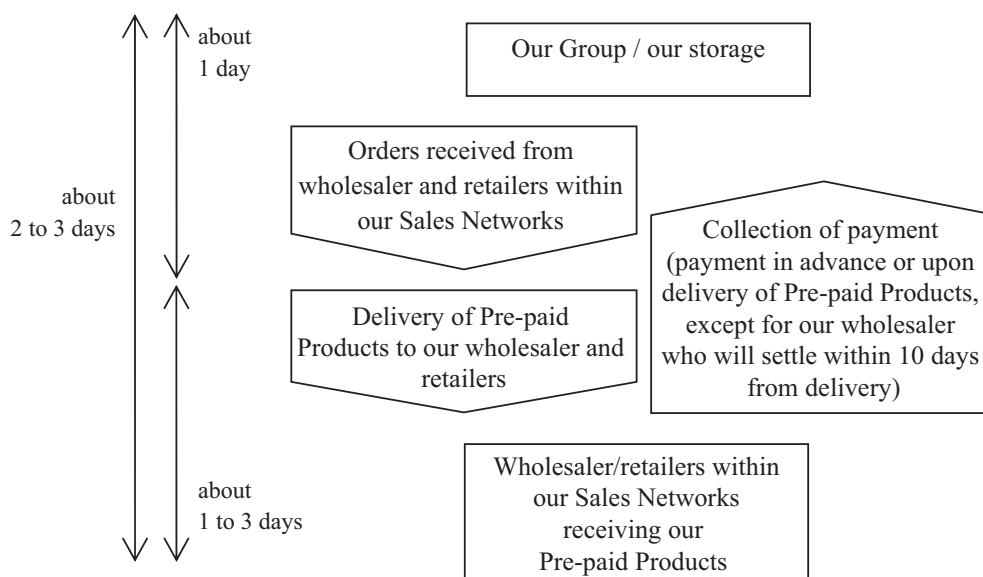




## BUSINESS

### Sales through our Sales Networks

The following chart illustrates the major processes involved in our sales through our Sales Networks:



### EMPLOYEES AND TRAINING

As at 31 March 2018, we had 39 full-time employees in Hong Kong. The following table sets forth the number of our full-time employees by function as of 31 March 2018 and as at Latest Practicable Date:

Functions	As at 31 March 2018		As at the Latest Practicable Date	
	Number of employees	Percentage (%)	Number of employees	Percentage (%)
Administration and information technology	4	10.5	4	10.2
Finance and accounting	3	7.9	3	7.7
Sales and marketing	31	81.6	32	82.1
	<u>38</u>	<u>100.0</u>	<u>39</u>	<u>100.0</u>

As at 31 March 2018 and the Latest Practicable Date, we also had two and two part-time staff helping in our administration department respectively.

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## BUSINESS

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We have been arranging for delivering training programs for new staff and providing regular on-the-job training to our employees to enhance their sales and marketing skills and knowhow. We believe that these initiatives have contributed to increasing employee productivity.

We incurred staff costs of about HK\$7.2 million, HK\$8.0 million and HK\$10.4 million for FY2016, FY2017 and FY2018, respectively, representing about 3.6%, 4.2% and 5.4% of our revenue for the corresponding financial periods. We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to determine retention of our employees.

We seek to motivate our sales representatives by performance-based commission in addition to their basic salaries. During the Track Record Period, our sales representative received commission based on the number of products sold. Our commission system is designed to encourage higher sales.

Our Group also operates a defined contribution mandatory provident fund retirement benefits scheme (the “**MPF Scheme**”) under the MPFSO for all of our employees in Hong Kong, who are eligible to participate in the MPF Scheme. Contributions are made in accordance with the MPFSO and are charged to our financial statements 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 independent administered fund. Our Group’s employer contributions vest fully with the employees when being contributed into the MPF Scheme. During the Track Record Period, we had records of non-compliance with the MPFSO. For details, please refer to the paragraph headed “Non-compliance Incidents” in this section.

We believe that we have maintained a good relationship with our employees and that our management policies, working environment, development opportunities and employee benefits have contributed to maintenance of good employee relations and employee retention. As at 31 March 2018, the employees of our Group have on average worked with us for 5 years. During the Track Record Period, we have not experienced any work stoppage or labour strike and have not experienced any significant difficulty in recruiting or retaining qualified staff.

## COMPETITION

The distribution market of Pre-paid Products in Hong Kong is relatively concentrated, whereby the top 5 participants together take a 86.1% of the total market share in terms of retail sales revenue in 2017.

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According to the Frost & Sullivan Report, the retail sales of Pre-paid Products targeted at Indonesian and Filipino mobile users witnessed a growth from about HK\$500.4 million in 2013 to about HK\$612.1 million in 2017, with a CAGR of 5.2%. The retail sales revenue of Pre-paid Products for local and overseas use in Hong Kong increased from HK\$6,302.0 million in 2013 to HK\$7,046.5 million in 2017, representing a CAGR of 2.8%.

According to the Frost & Sullivan Report, the distribution market of Pre-paid Products and the Pre-paid Products distribution market targeted at Indonesians and Filipinos are relatively concentrated where several participants together take a very substantial market share. According to Frost & Sullivan Report, our Group was ranked the largest distributor of Pre-paid Products targeted at Filipinos in terms of retail sales revenue in 2017, which captured a market share of about 33.5%. We were also ranked the second largest distributor of Pre-paid Products targeted at Indonesians in terms of retail sales revenue in 2017, which captured a market share of about 24.2%.

Although the distribution market of Pre-paid Products in Hong Kong is competitive, we believe that we enjoy a competitive edge over our competitors on the basis that we have (i) extensive Sales Networks with effective supply and retail management; (ii) established and stable relationship with Network Operator A; and (iii) customised service platform with experienced sales team and flexible strategy. For details, please refer to the paragraphs headed “Competitive Strengths” in this section.

We also believe that the requirements to have extensive Sales Networks, operational experience and good relationship with suppliers will also serve as entry barriers to potential competitors. In this respect, we believe that potential competition with us on a massive scale is limited.

### **Other similar pre-paid SIM Cards and top-up vouchers offered by Network Operator A**

The direct supplies of Operator A Products to us merged with another mobile network operator in Hong Kong in 2014. Before the merger in 2014, that mobile network operator had been offering two brands of pre-paid SIM Cards and top-up vouchers designed primarily to be sold to Filipino or Indonesian mobile users, which are similar to our Operator A Products. After the merger, Network Operator A continues to offer that two brands of pre-paid SIM Cards and top-up vouchers under the name of Network Operator A. As these two brands of Pre-paid Products are similar to our Operator A Products (in terms of target mobile users, tariff and mobile network quality), we believe our Operator A Products compete with these two brands of Pre-paid Products. These two brands of pre-paid SIM cards and top-up vouchers are exclusively distributed by a distributor appointed by Network Operator A in Hong Kong.

### **Compliance with the Competition Ordinance**

Our Competition Legal Counsel is of the opinion that our Group has complied with the Competition Ordinance and that our Group has not been engaged in any conduct that is in contravention of the First Conduct Rule or the Second Conduct Rule as stipulated under the Competition Ordinance which will prevent, restrict or distort competition in Hong Kong. Please refer to the section headed “Regulatory overview – Laws and regulations on sales of goods and supply of services – Competition Ordinance (Chapter 619 of the Laws of Hong Kong)” in this prospectus for details of the Competition Ordinance.

Our Competition Legal Counsel is of the opinion that our Group has not been engaging in any conduct that is in contravention of the First Conduct Rule given that (i) our Group has not been engaging in any horizontal agreement with our competitors to harm competition in Hong Kong; (ii) there is no vertical price restriction involved in the agreements between our Group and our suppliers; (iii) although our Group has been appointed as the sole and exclusive distributor of the Operator A Products pursuant to the Operator A 2018 Distribution Agreement, such agreement should have no effect on inter-brand competition; (iv) even if the Operator A 2018 Distribution Agreement could be considered to have anti-competition effects, it is likely to benefit from the general exclusion for agreements enhancing overall economic efficiency set out in section 1 of Schedule 1 to the Competition Ordinance; and (v) there are no exclusivity agreements between our Group and its distributors and no other vertical restrictions on the price which the distributors should resell the Pre-paid Products.

Even if our Group has a substantial market share and is likely to be considered as an undertaking with a substantial degree of market power in the relevant market, our Competition Legal Counsel is of the opinion that that our Group is not in contravention of the Second Conduct Rule given that (i) our Group has not been engaging in any predatory pricing, tying and bundling, margin squeeze conduct, refusals to deal or exclusive dealing which have the object or effect of harming competition in Hong Kong; (ii) our Group has not entered into any arrangement with our suppliers which have the effect of foreclosing our competitors or preventing them from acquiring the necessary input from the relevant suppliers; (iii) our Group does not impose exclusive purchasing obligations on its customers; (iv) the loyalty and fidelity rebates offered by our Group are common for the industry and the relevant market for the purpose of promoting the Pre-paid Products; and (v) the rebates imposed the same thresholds for all customers and are conditional on the quantity purchased by the customers.

In order to ensure our Group’s ongoing compliance with the Competition Ordinance, our Group will ask our legal adviser to review and advise on any material change to the agreements to be entered into with our suppliers and customers and our selling, marketing or pricing policy before they are entered into or implemented.

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## BUSINESS

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### INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group has not registered any trademark, but we are licensed by Network Operator A under the Operator A 2018 Distribution Agreement and Network Operator B under the Operator B 2016 Distribution Agreement to use their trademarks for the purpose of promoting the sales of Operator A Products and Operator B Products, respectively, at Retail Outlets within our Sales Networks or in the advertisements or promotions of their products.

As at the Latest Practicable Date, we had a registered domain name which is material in relation to our Group's business (i.e. <http://www.hkasiaholdings.com>).

Save as disclosed above, there is no other intellectual property right which is material to our business.

Save for the trademarks and domain name disclosed in this prospectus, our business and profitability are not materially dependent on any trademark or other intellectual property rights.

We are not aware of there having been any material infringement of any intellectual property rights of our Group (or, as the case may be, licensed to our Group) which has an adverse effect on our business nor are we aware of any pending or threatened claims against us relating to the infringement of any intellectual property rights owned by third parties.

### PROPERTIES

#### **Owned Properties**

As of the Latest Practicable Date, we did not own any real properties.

#### **Leased Properties**

As of the Latest Practicable Date, we leased an aggregate gross floor area of about 4,181 square feet in Hong Kong, under 6 lease agreements for our office and retail shops. Two of the premises were leased to us by associates of our Controlling Shareholder.

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For details of the lease term and location of our retail shops, please refer to paragraph headed “Our Customers and Sales Networks – Our self-managed retail shops and after-sales services” in this section. Apart from our retail shops, we also leased premises as our office from one of the associates of our Controlling Shareholder. The lease term and location of our office premises are as follows:

No.	Premises	Floor Area	Expiration date of the lease term
		(Sq. feet) (approx.)	
1.	Office A and Office B, 24/F., Chun Wo Commercial Centre, 25 Wing Wo Street, Hong Kong	2,100	31 August 2021

*Note:* For other details of the lease in respect of the office, please refer to section headed “Connected Transactions” in this prospectus.

Except as disclosed in this prospectus, the leased properties are leased under tenancy agreements which are valid and legally binding. These lease agreements typically have a term of three years. If we are not able to renew any of our leases, we believe that we could relocate our operations to new properties in the neighbourhood without undue cost of disruption.

### Property Valuation

As of the Latest Practicable Date, we did not have any single property with a carrying amount exceeding 15% of our total assets, and accordingly, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to 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 COWUMPO in relation to paragraph 34(2) of the Third Schedule to the COWUMPO, which requires a valuation report with respect to all of our interests in land or buildings.

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## **BUSINESS**

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### **INSURANCE COVERAGE**

We maintain insurance policies that are required under Hong Kong laws as well as policies based on our assessment of our operational needs. We have taken out employee compensation insurance policy with coverage as required under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). We also maintained an insurance policy in respect of our store room within our office, which is used to store the Pre-paid Products, covering losses due to theft, fire, explosion, earthquake, typhoon, flood and certain other risks. Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. For details of our risk relating to our insurance coverage, please refer to section headed "Risk Factors – Risk relating to the business of our Group – Our insurance policies may not provide adequate coverage for all claims associated with our business operations." in this prospectus.

During the Track Record Period, we did not experience any material insurance claim or insurance disputes.

### **LICENCES, PERMITS, LITIGATION**

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained and maintained all statutory licences, certificates, permits and approvals as required under the Hong Kong laws to carry on the sale and distribution of Pre-paid Products in Hong Kong.

### **LEGAL PROCEEDINGS**

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. Neither we nor any of our Directors is currently a party to any material legal, arbitral or administrative proceedings. We are not aware of any threat of, any claims or any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material adverse effect on our business, financial conditions or results of operations.

## NON-COMPLIANCE INCIDENTS

During the Track Record Period and up to the Latest Practicable Date, we had failed to comply with certain applicable laws and regulations. A summary of these non-compliances is set out below:

### Non-compliance with the MPFSO

Nature and extent of non-compliance	Reasons of the non-compliance and responsible person(s) involved	Legal Consequences, potential maximum penalty and whether any provision made	Rectification action(s) taken
HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group had since their incorporation until December 2016 failed to enroll certain of their employees in their MPF scheme (138 occasions) and failed to make MPF contributions for them on time (208 occasions) in accordance with the MPFSO involving an aggregate amount of about HK\$844,000.	Our Group did not have professional staff to handle and oversee compliance on human resources matters.  The failure was unintended and due to inadvertent oversight of our Group's administrative and accounts staff and their misunderstanding of the relevant requirements and incorrectly held the view that part-time employees are not required to be enrolled for MPF scheme and MPF contribution is not required for certain payments (e.g. bonus) to the employees.	Our Group has failed to comply with sections 7(1), 7(1A), 7AA of the MPFSO and the MPFA may impose a contribution surcharge of outstanding MPF contributions ("Surcharge") under section 18 of the MPFSO and may impose financial penalties for the said non-compliances ("Financial Penalties") under sections 45B and 45C of the MPFSO.  Furthermore, the non-compliances may also constitute criminal offences. However, our MPF Legal Counsel is of the opinion that all those non-compliances should have already come to the notice (constructive if not actual) of MPFA for more than 6 months and any criminal proceedings that may be instituted in respect of these non-compliances are now already time-barred.	These non-compliances have already been rectified as our Group has enrolled all applicable employees to the MPF Scheme and paid all the outstanding MPF contributions by December 2016 in the aggregate sum of about HK\$844,000 and has not committed any further non-compliance since then.



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Nature and extent of non-compliance	Reasons of the non-compliance and responsible person(s) involved	Legal Consequences, potential maximum penalty and whether any provision made	Rectification action(s) taken
		<p>In the event that Surcharge and Financial Penalties are imposed, our Group are subject to a theoretical total maximum penalties of Surcharge of HK\$5,000 or 10% of the MPF contribution in arrears (whichever is greater) and Financial Penalties at HK\$1,000 per day for each failure to perform a duty or to comply with a requirement or standard specified in the MPFSO and HK\$5,000 or 10% of the amount (whichever is greater) for each failure to pay on time a fee, contribution or other amount of money payable under the MPFSO.</p>	
		<p>In respect of the risk of Financial Penalties being imposed, our MPF Legal Counsel has advised that such risk is generally not high. Even if Financial Penalties are imposed, our MPF Legal Counsel is of the view that the likely total amount of Financial Penalties being imposed on our Group, based on the totality principle, will not be more than the region of HK\$2,730,000 in respect of these non-compliances.</p>	

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Nature and extent of non-compliance	Reasons of the non-compliance and responsible person(s) involved	Legal Consequences, potential maximum penalty and whether any provision made	Rectification action(s) taken
		<p>If Surcharges are imposed, our MPF Legal Counsel is of the view that the likely total amount of Surcharges being imposed on our Group will be around the region of HK\$42,200 in respect of these non-compliances.</p>	
		<p>As at the Latest Practicable Date, our Group has not received any surcharge or financial penalty notice from the MPFA regarding the said non-compliances.</p>	
		<p>Based on the above, no provision has been made in respect of the potential penalties by our Group.</p>	

**Non-compliance with the IRO**

Nature and extent of non-compliance	Reasons of the non-compliance and responsible person(s) involved	Legal Consequences, potential maximum penalty and whether any provision made	Rectification action(s) taken
Failure to submit or late submission of information regarding the commencement (namely Form IR 56E) and cessation (namely Form IR 56F) of employment to the IRO by certain subsidiaries of our Group since 1 April 2010.	<p>Our Group did not have professional staff to handle and oversee compliance on human resources matters.</p> <p>The failure was unintended and due to inadvertent oversight of our Group's administrative and accounts staff and their ignorance of the requirements under the relevant laws and regulations.</p>	<p>The relevant subsidiaries have breached section 52(4) of the IRO by failing to submit or late submission of Form IR 56E and section 52(5) of the IRO by failing to submit or late submission of Form IR 56F and that the relevant subsidiaries may be fined HK\$10,000 per each occasion of non-compliance.</p> <p>As there were 136 occasions and 149 occasions of non-compliance of sections 52(4) and 52(5) of the IRO respectively since 1 April 2010, the potential maximum penalty in relation to such non-compliances is HK\$2,850,000.</p>	<p>Upon enquiry with the IRO by calling the general enquiry hotline, we were informed that to avoid duplicate filing, outstanding Forms IR 56E and IR 56F were not required to be submitted since the relevant employer's returns of remuneration &amp; pension (Forms IR 56B) have been submitted.</p> <p>The relevant Forms IR 56E and IR 56F for all of our employees since October 2016 were duly filed within the prescribed time limit.</p>
	<p>Our IRO Legal Counsel has further advised that there is a very low risk of prosecution for these non-compliances. Even if any penalty is to be imposed, our IRO Legal Counsel is of the view that the likely penalty being imposed on our Group, based on totality principle, would be a total fine in the region of HK\$20,000 in respect of these non-compliances.</p>		
	<p>As at the Latest Practicable Date, our Group has not received any notice from the IRO regarding the said non-compliances.</p>		
	<p>Based on the above, no provision has been made in respect of the potential fines by our Group.</p>		

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## BUSINESS

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### **Internal control measures, risk management and corporate governance**

In order to prevent the recurrence of the non-compliance incidents and to continuously improve our internal control, risk management and corporate governance, we have enhanced the control systems for various aspects of our operations by taking the following measures:

- (a) We engaged an internal control consultant to conduct an evaluation of our internal control systems. We have consulted with the internal control consultant to review our business operations to identify the factors relevant to enhancing our systems and the steps to be taken and to advise us on key measures to prevent the recurrence of non-compliance incidents. The work performed by the internal control consultant, which did not involve an assurance engagement in relation to our Company's internal control, was first conducted in December 2015 with subsequent follow-up reviews conducted in October 2016 and June 2017, and resulted in a number of findings and recommendations. We have adopted or will adopt corrective measures and policies to enhance our internal control systems before the Listing and to ensure that our operations will be in full compliance with the applicable laws and regulations.
- (b) Based on and in response to the findings and recommendations by the internal control consultant, our Group has now assigned responsible personnel to monitor the staff movement every month and prepare a monthly MPF contribution report for the review of the chief financial officer to ensure the compliance with the MPFSO.
- (c) Based on and in response to the findings and recommendations by the internal control consultant, our Group has strengthened their written policies in recruiting new staff and submission of documents to IRD for new staff and resigned staff for our Group. All staff personnel records are updated monthly and the documents submitted to IRD are reviewed by the management to ensure compliance with the IRO.
- (d) We have implemented various policies and procedures to ensure effective risk management in each aspect of our operations, financial reporting and recording, fund management, and compliance with applicable laws and regulations of Hong Kong. Our Directors and senior management assume the overall responsibilities for overseeing the implementation of our internal control and risk management procedures and other measures throughout our Group.
- (e) Our Directors and senior management have attended trainings conducted by our Company's Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under applicable laws and rules of Hong Kong.

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## BUSINESS

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- (f) We have established the audit committee, which comprises one non-executive Director and three independent non-executive Directors, to oversee the internal control procedures and accounting and financial reporting matters, as well as the internal control and risk management systems of our Group.
- (g) Our Company has appointed Mr. Chan Him, Alfred (“**Mr. Chan**”), a certified public accountant, as our chief financial officer and company secretary in July 2017, who is responsible for overseeing the finance, accounting and company secretarial matters of our Group. For details of the experience and qualification of Mr. Chan, please refer to the section headed “Directors and Senior Management – Senior Management” in this prospectus.
- (h) Our Company has appointed CLC International as our compliance adviser to advise on compliance matters in accordance with the Listing Rules.

### **Indemnity given by our Controlling Shareholder**

By a deed of indemnity dated 3 September 2018 given by our Controlling Shareholder in favour of our Company (as ourselves and as trustee for all our present subsidiaries), our Controlling Shareholder will indemnify and at all times keep each member of our Group fully indemnified for all liabilities, losses, damages and costs suffered or incurred by our Group arising out of or in connection with the non-compliance incidents aforesaid occurred on or before the Listing Date. For details of the said deed of indemnity, please refer to the paragraph headed “Statutory and General Information – E. Other Information – 1. Estate duty, tax and other Indemnities” in Appendix IV to this prospectus.

### **View of our Directors and the Sole Sponsor**

Having considered the facts and circumstances leading to the non-compliance incidents and the internal control measures adopted or to be adopted by our Group to avoid the recurrence of the non-compliance, particularly the following:

- (i) the non-compliance incidents were merely inadvertent and were unintended, and did not involve any fraudulency or dishonesty on the part of our Directors or impugn on their integrity or competence;
- (ii) upon becoming aware of the non-compliance incidents, our Directors immediately proceeded to rectify the non-compliance incidents at the first opportunity to the extent applicable, including (i) enrolling all applicable employees to the MPF Scheme and settling all the outstanding MPF contributions; (ii) making inquiry with the IRD to confirm if all the outstanding forms should be filed; and (iii) seeking advice from our legal adviser;

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## BUSINESS

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- (iii) our Group has fully rectified all of the non-compliance incidents, if applicable;
- (iv) we have engaged the internal control consultant to review our internal control system and provide recommendations to enhance the internal control system, and have adopted and implemented or will adopt and implement the specific enhanced measures recommended by the internal control consultant against our historical non-compliance incidents in order to prevent re-occurrence of those incidents in the future;
- (v) no similar non-compliance incidents had occurred since the implementation of the enhanced measures recommended by the internal control consultant up to the Latest Practicable Date;

our Directors are of the view, and the Sole Sponsor concurs, that the above non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules nor our suitability for listing under Rule 8.04 of the Listing Rules. In light of the foregoing, our Directors are also of the view, which the Sole Sponsor concurs, that the internal control measures adopted by us are adequate and effective to enable us to comply with the Listing Rules and relevant regulatory requirements.

### ENVIRONMENTAL PROTECTION

We are not required to obtain any environmental permits and approvals in relation to our operation. During the Track Record Period, we complied in all material respects with the environmental laws and regulations applicable to us. During the Track Record Period, there had not been any material incidents that constituted a violation of any environmental regulations by us, and no penalty had been imposed on our Group.

### WORK SAFETY

Our Directors confirm that there were no material accidents, work injuries claims for personal or property damages, compensation to staff or any relevant non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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### OUR CONTROLLING SHAREHOLDER

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Mr. Siu will directly hold 75% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Siu is the Controlling Shareholder of our Company as at the Latest Practicable Date.

For further information about Mr. Siu, please refer to the section headed “Directors and Senior Management” in this prospectus.

Apart from his interests in our Group, Mr. Siu has interests in other businesses which are operated through companies owned and/or controlled by him. Mr. Siu has a 30% or more interest in certain Hong Kong and BVI companies which carry out businesses including mobile phones, electronics and accessories (being the Discontinued Business disposed by our Group to a company wholly owned by Mr. Siu in FY2016), property investment, investment holding and related business. None of these companies compete or is likely to compete, directly or indirectly with our Group’s business.

As disclosed in the paragraphs headed “Business – Discontinued Business and consignment arrangement” in this prospectus, the Discontinued Business of selling mobile phones, electronics and accessories in our retail shops was disposed to HKT Direct Selling Centre, a company wholly owned by Mr. Siu, in FY2016 to follow our long-term strategy to concentrate on the wholesale and retail sales of the Pre-paid Products. The inventories related to the Discontinued Business were disposed to HKT Direct Selling Centre by our Group at cost with effect from 30 September 2015 pursuant to the inventory transfer agreements entered into by HKT Direct Selling Centre with (i) HK Mobile and (ii) Kinson Group, respectively. Mr. Siu is also the sole director of HKT Direct Selling Centre.

Our revenue from the Discontinued Business amounted to about HK\$9.4 million, nil and nil for FY2016, FY2017 and FY2018 respectively and our profit from the Discontinued Business amounted to about HK\$1.5 million, nil and nil for FY2016, FY2017 and FY2018, respectively. Following the discontinuance of the Discontinued Business, we commenced the consignment sale of mobile phones, electronics and accessories in our retail shops for HKT Direct Selling Centre in FY2016. For details, please refer to the section headed “Connected Transactions – Non-Exempt Continuing Connected Transactions – Consignment Agreement” in this prospectus. After the commencement of the consignment arrangement, we earned commission from carrying out such consignment sales of mobile phones, electronics and accessories as our consignment income which amounted to about HK\$1.2 million, HK\$2.1 million and HK\$1.8 million for FY2016, FY2017 and FY2018 respectively.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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Our Directors consider that there is no competition between the Discontinued Business and the business of our Group as a whole and it is appropriate to exclude the Discontinued Business from our Group for the following reasons:

- (a) it is our long-term strategy to concentrate on the wholesale and retail sales of the Pre-paid Products (i.e. SIM Cards and Top-up Vouchers) in Hong Kong;
- (b) the Discontinued Business only contributed a minor part to the business operation of our Group; and
- (c) the disposal of the Discontinued Business and the commencement of the aforementioned consignment sale of mobile phones, electronics and accessories in our retail shops are in the interest of our Group and our Shareholders as such disposal and the consignment arrangement would allow us to receive commission from the sales of consigned goods while we are not subject to inventory risks from holding such products as our inventory which may become obsolete when new models roll out.

We therefore do not rely on HKT Direct Selling Centre and are capable of carrying on our business independently of, and at arms length from the Discontinued Business. Save for Mr. Siu, none of our Directors or senior management is a director or employee of HKT Direct Selling Centre. Mr. Siu has no present intention to inject the Discontinued Business or HKT Direct Selling Centre into our Group in future.

In view of the aforesaid, Mr. Siu confirms that he does not hold nor conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group upon Listing that would require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Save as disclosed in the section headed “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholder and his related entities upon or shortly after the Listing. Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholder:

#### **Financial Independence**

Our Group has our own accounting systems, finance department, independent treasury function for cash receipts and payments and we have the ability to make financial decisions according to our own business needs and independently of our Controlling Shareholder.



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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Our Directors are of the view that our Group does not rely on advances from our Controlling Shareholder and/or his close associates for its business operation. During the Track Record Period, our Controlling Shareholder and/or companies controlled by our Controlling Shareholder have provided guarantees in favour of a number of banks for the repayment obligations of our Group under various banking facilities. All such guarantees provided by our Controlling Shareholder and/or companies controlled by our Controlling Shareholder have been fully released as at the Latest Practicable Date. Our Directors are of the view that our Group has independent means to obtain banking facilities or other financial resources without seeking financial assistance from our Controlling Shareholder.

Based on the above, our Directors confirm that our Group has the ability to operate independently from our Controlling Shareholder and his close associates from the financial perspective.

### **Operational independence**

Our Group owns or has the right to use all the operational facilities and equipment relating to our business. We conduct our principal business independently and we have the ability to formulate and implement operational decisions independently. We also communicate with and serve our clients independently. We have sufficient capital, facilities and employees to operate our business independently. Our employees are independent from, and none of them are remunerated by the Controlling Shareholder and/or his close associates.

Our organisational structure is well defined to align the day-to-day operation of our business. Our Group also has our own administrative and corporate governance infrastructure and has established a set of internal control procedures to facilitate the effective and transparent operation of our business.

Save for the connected transactions disclosed in the section headed “Connected Transactions” in this prospectus, there have been no other business transactions between our Group and our Controlling Shareholder or his associates and our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholder or his associates upon or shortly after Listing.

In view of the aforesaid reasons, our Directors believe that our Group can operate independently from our Controlling Shareholder and his close associates.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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### Management Independence

Although Mr. Siu, our Controlling Shareholder, is also our chairman and executive Director, our Board comprises 8 Directors including 2 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors and our management and operational decisions are made by our Board collectively by majority decisions in accordance with the Articles and applicable laws. No single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Based on the above and the following reasons, our Directors consider that our Board is able to perform and manage our business independently from our Controlling Shareholder:–

- (a) with more than one-third of our Board members being independent non-executive Directors, there will be a sufficiently robust and independent voice within our Board, bringing independent judgment to the decision making process of our Board and to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;
- (b) our Board is supported by an experienced full time management team which are independent from our Controlling Shareholder. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources and business management on a stand-alone basis;
- (c) each Director is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and
- (d) our Company has also established internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant transactions.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage our business independently from our Controlling Shareholder after Listing.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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### NON-COMPETITION UNDERTAKING

Our Controlling Shareholder (the “**Covenantor**”) has entered into a deed of non-competition (the “**Deed of Non-competition**”) on 27 August 2018 in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), pursuant to which the Covenantor irrevocably and unconditionally undertakes and covenants with our Company (for ourselves and as trustee for each of our subsidiaries from time to time) that, during the period when the Covenantor and/or his close associates or core connected persons, directly or indirectly, whether individually or taken together, remain as the Controlling Shareholder of our Company (the “**Restricted Period**”), he will not and will procure his close associates or core connected persons not to (other than our Group or HKT Direct Selling Centre) directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company (whether as principal, investor, shareholder, partner, director, management, employee, consultant, agent or otherwise or whether for profit, reward or otherwise), in any form be interested, engage, participate or hold any right or interest in or render any services to or otherwise be involved or interested in any business carried out by our Group which is or may be in competition with the business engaged by any members of our Group as at the date of execution of the Deed of Non-competition and from time to time comprising, but without limitation to, wholesale and retail distribution of the Pre-paid Products and consignment sale of mobile phones, electronics and accessories in Hong Kong or such other jurisdictions in which our products are sold from time to time (the “**Restricted Business**”).

The Covenantor has irrevocably undertaken and warranted to our Company that, during the Restricted Period, the Covenantor will not, and will cause his close associates or core connected persons not to:

- (i) take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, solicitation of our Group’s customers, agents or personnel of any member of our Group or any person who has been one of the customers, agents or personnel of any member of our Group within the 12 months preceding the date of the Deed of the Non-competition;
- (ii) use the trademark or business mark of our Company other than for business and interest of our Group;
- (iii) disclose or communicate any confidential information to any third party other than for the business and interest of our Group;
- (iv) use (whether for their own benefit or that of any other person) any confidential information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholder and/or Directors for any purpose other than for the business and interest of our Group; and/or
- (v) solicit any existing or then existing employee of our Group or any former employee (who was employed by our Group within 12 months preceding the date of the Deed of the Non-competition) for employment by them or their close associates.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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If any business opportunity is offered to the Covenantor or his close associates or core connected persons which falls under the category of Restricted Business, the Covenantor (i) shall direct to our Group any such business opportunity; (ii) shall provide to our Company all information and documents possessed by him or his close associates or core connected persons in respect of the business opportunity to enable our Company to evaluate the merit of the business opportunity and shall promptly notify our Company of any material change in such information or documents so provided; (iii) shall provide to our Company all reasonable assistance as requested by our Company to enable our Group to secure the business opportunity; and (iv) shall not pursue the business opportunity unless and until our Company gives written notice to the Covenantor that our Group will not pursue such business opportunity, and the principal terms by which the Covenantor or his close associates or core connected persons subsequently pursue such business opportunity are no more favourable than those offered to our Group.

Such non-competition undertakings do not apply to:

- (i) the holding of shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of the Covenantor and his close associates or core connected persons (as “**interest**” is construed in accordance with the provisions contained in Part XV of the SFO) do not amount to more than 5% of the voting rights of the company in question and the Covenantor and his close associates or core connected persons do not otherwise control the majority of the board of directors of that company;
- (iii) the contracts and other agreements (including any business carried on and service provided pursuant thereto and the transactions contemplated thereunder) entered into between members of our Group and the Covenantor and/or his close associates or core connected persons; and
- (iv) the involvement or participation of the Covenantor in a Restricted Business in relation to which our Company has agreed in writing to such involvement or participation, following a decision by a majority of our independent non-executive Directors to allow such involvement or participation subject to any conditions our independent non-executive Directors may require to be imposed.

The Deed of Non-competition will cease to have effect upon the earlier of the date after the Listing on which (i) the Covenantor ceases to be, either individually or collectively with any of his close associates or core connected persons, our Controlling Shareholder of our Company; or (ii) the securities of our Company cease to be listed on the Stock Exchange or any other stock exchange recognised under the SFO.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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### Corporate governance measures

Our Company will adopt the following measures to monitor compliance with and, if necessary, enforce the Deed of Non-competition, manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance by the Covenantor with the Deed of Non-competition;
- (ii) the Covenantor undertakes and covenants with our Company that for so long as the Deed of Non-competition remains in effect, he will promptly provide to our Company such information as our Company may from time to time (and at least annually) reasonably request to ascertain compliance by the Covenantor of his obligations under the Deed of Non-competition;
- (iii) the Covenantor undertakes and covenants with our Company that, if requested by our Company, he will issue a letter to our Company, confirming his full compliance with the relevant terms of the Deed of Non-competition and consenting to our Company's disclosure of the contents of such letter in the annual report(s) of our Company and/or such other document(s) as otherwise published by our Company; and
- (iv) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Covenantor under the Deed of Non-competition in the annual report(s) of our Company and/or such other document(s) as otherwise published by our Company.

In addition to the annual review by our independent non-executive Directors and the confirmation and declaration by the Covenantor in relation to his compliance with the Deed of Non-competition, in accordance with the Articles, if matters in which any Director(s) and his/their close associates are materially interested are to be considered and approved at any meetings of the Board (the “**Conflicted Matters**”), such Director(s) will be required to refrain from voting or forming part of the quorum when the Board deliberates the Conflicted Matters.

As the Covenantor has given non-competition undertakings in favour of our Company, and he does not have interests in other businesses that compete or are likely to compete with business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantor following the Listing.

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## CONNECTED TRANSACTIONS

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### EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

#### (1) World Wide House Tenancy Agreement

##### *Relationship between our Group and Hung Sang*

Mr. Siu, being an executive Director and a substantial shareholder of our Company, is a connected person of our Company. Hung Sang Group Limited ("**Hung Sang**"), a company owned as to 50% by Mr. Siu and 50% by Mrs. Siu, is therefore an associate of Mr. Siu and a connected person of our Company.

Prior to Listing, Hung Sang as landlord had leased the World Wide House Property (as defined below) to HK Asia Telecom and Kinson Group respectively. Both of HK Asia Telecom and Kinson Group are wholly-owned subsidiaries of our Company. Upon Listing, the leasing of the World Wide House Property by Hung Sang to our Group will constitute continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

##### *Principal terms*

On 27 August 2018, Hung Sang as landlord and Kinson Group as tenant entered into a written tenancy agreement (the "**World Wide House Tenancy Agreement**") with respect to the tenancy of the World Wide House Property. The principal terms of the World Wide House Tenancy Agreement are set out below:

Date	:	27 August 2018
Parties	:	(1) Hung Sang as landlord; and (2) Kinson Group as tenant
Term	:	From 1 September 2018 up to and including 31 August 2021
Premises	:	Shop 150, 1/F., World Wide House, 19 Des Voeux Road Central, Hong Kong (the " <b>World Wide House Property</b> ")
Monthly rental payable by the tenant	:	HK\$67,000 exclusive of rates, management fees, air-conditioning charges and utilities, which shall be payable by Kinson Group

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## CONNECTED TRANSACTIONS

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### ***Pricing Policy***

The monthly rental and the terms of the World Wide House Tenancy Agreement are entered into on normal commercial terms and negotiated on arm's length basis and on terms no less favourable to our Company than those offered by independent third parties with reference to the market rate of rental payable in respect of the World Wide House Property as at 31 March 2018 which is comparable to the market rent of similar premises in the vicinity provided by the report of an independent valuer.

Upon Listing, the World Wide House Property will continue to be used by our Group as retail shop for the retail sales of Pre-paid Products. Our Directors (including our independent non-executive Directors), having considered the report of an independent valuer in respect of the market rate for rental payable for the World Wide House Property which is comparable to the market rent for similar properties at similar locations as at 31 March 2018, consider that the terms of the World Wide House Tenancy Agreement are fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole.

### ***Historical transaction amounts***

For each of FY2016, FY2017 and FY2018, the aggregate amounts of rent payable by our Group to Hung Sang in connection with the tenancy arrangement of the World Wide House Property were about HK\$720,000, HK\$720,000 and HK\$720,000 respectively.

### ***Listing Rules implications***

Given the annual rent payable by our Group under the World Wide House Tenancy Agreement is about HK\$804,000 and the highest of the applicable percentage ratios for such annual rental under the Listing Rules is less than 5% on an annual basis, the transaction contemplated under the World Wide House Tenancy Agreement is exempt from the reporting, annual review, announcement and shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules.

## **(2) Chun Wo Tenancy Agreement**

### ***Relationship between our Group and Lung Shun***

Mr. Siu, being an executive Director and a substantial shareholder of our Company, is a connected person of our Company. Lung Shun Holdings Limited ("**Lung Shun**"), a company owned as to 50% by Mr. Siu and 50% by Mrs. Siu, is therefore an associate of Mr. Siu and a connected person of our Company.

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## CONNECTED TRANSACTIONS

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Prior to Listing, Lung Shun as landlord had leased the Chun Wo Property (as defined below) to HK Mobile, a wholly-owned subsidiary of our Company. Upon Listing, the leasing of the Chun Wo Property by Lung Shun to our Group will constitute continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

### ***Principal terms***

On 27 August 2018, Lung Shun as landlord and HK Mobile as tenant entered into a written tenancy agreement (the “**Chun Wo Tenancy Agreement**”) with respect to the tenancy of the Chun Wo Property. The principal terms of the Chun Wo Tenancy Agreement are set out below:

Date	:	27 August 2018
Parties	:	(1) Lung Shun as landlord; and (2) HK Mobile as tenant
Term	:	From 1 September 2018 up to and including 31 August 2021
Premises	:	Office A and Office B, 24/F., Chun Wo Commercial Centre, 25 Wing Wo Street, Hong Kong (“ <b>Chun Wo Property</b> ”)
Monthly rental payable by the tenant	:	HK\$78,000 exclusive of rates, management fees, air-conditioning charges and utilities, which shall be payable by HK Mobile

### ***Pricing Policy***

The monthly rental and the terms of the Chun Wo Tenancy Agreement are entered into on normal commercial terms and negotiated on arm’s length basis and on terms no less favourable to our Company than those offered by independent third parties with reference to the market rate of rental payable in respect of the Chun Wo Property as at 31 March 2018 which is comparable to similar premises in the vicinity provided by the report of an independent valuer.

Upon Listing, the Chun Wo Property will continue to be used by our Group as principal place of business in Hong Kong. Our Directors (including our independent non-executive Directors), having considered the report of an independent valuer in respect of the market rate for rental payable for the Chun Wo Property which is comparable to the market rent for similar properties at similar locations as at 31 March 2018, consider that the terms of the Chun Wo Tenancy Agreement are fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole.



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## CONNECTED TRANSACTIONS

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### ***Historical transaction amounts***

For each of FY2016, FY2017 and FY2018, the aggregate amounts of rent payable by HK Mobile to Lung Shun in connection with the tenancy arrangement of the Chun Wo Property were about HK\$696,000, HK\$696,000 and HK\$696,000 respectively.

### ***Listing Rules implications***

Given the annual rent payable by our Group under the Chun Wo Tenancy Agreement is about HK\$936,000 and the highest of the applicable percentage ratios for such annual rental under the Listing Rules is less than 5% on an annual basis, the transaction contemplated under the Chun Wo Tenancy Agreement is exempt from the reporting, annual review, announcement and shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules.

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We have entered into the following transactions with our connected person which will continue after Listing and which will constitute continuing connected transactions within the meaning of the Listing Rules.

### **Consignment Agreement**

#### ***Relationship between our Group and the Consignor***

Mr. Siu, being an executive Director and a substantial shareholder of our Company, is a connected person of our Company. HKT Direct Selling Centre (the “**Consignor**”), a company wholly owned by Mr. Siu, is therefore an associate of Mr. Siu and a connected person of our Company. Hence, the transactions contemplated under the Consignment Agreement (as defined below) will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### *Principal terms*

The Consignor and Kinson Group, a wholly owned subsidiary of our Company, entered into a consignment agreement (the “**Consignment Agreement**”) on 27 August 2018. Pursuant to the Consignment Agreement, Kinson Group is appointed as the agent of the Consignor in selling the Consigned Goods (as defined below) and Kinson Group could obtain delivery of the Consigned Goods from the Consignor from time to time on a consignment basis for the purpose of sale by Kinson Group to its customers. The principal terms of the Consignment Agreement are set out below:

Date	:	27 August 2018
Parties	:	(1) HKT Direct Selling Centre as consignor; and (2) Kinson Group as consignee
Term	:	From 1 September 2018 and expiring on 31 March 2021, unless either party has given the other party written notice of its intention to terminate the Consignment Agreement at least 60 days prior to the end of such period.
Consigned goods	:	Mobile phones, electronics and accessories (the “ <b>Consigned Goods</b> ”).
Type of services	:	The Consignor shall deliver to Kinson Group the Consigned Goods for the purpose of sale by Kinson Group to its customers. The Consignor shall deliver the Consigned Goods to Kinson Group’s premises upon the request of Kinson Group from time to time. All delivery and sale of the Consigned Goods will be on a consignment basis in accordance with the provisions of the Consignment Agreement.
Price and commission	:	Kinson Group shall sell the Consigned Goods to its customers on such terms and at the selling prices (the “ <b>Selling Prices</b> ”) stipulated in the list of the selling prices of the Consigned Goods provided by the Consignor from time to time. In consideration of the services and obligations undertaken by Kinson Group under the Consignment Agreement, the Consignor shall pay Kinson Group a commission at a rate equal to 16% of the Selling Prices.

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## CONNECTED TRANSACTIONS

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### ***Pricing Policy***

The commissions receivable by our Company are calculated on the basis of fixed percentage of the Selling Prices. The commission rate is determined after arm's length negotiations with reference to the average historical gross profit margin of the sales of the Consigned Goods by our Group prior to the disposal of the Discontinued Business.

### ***Historical transaction amounts***

For each of FY2016, FY2017 and FY2018, the aggregate annual amounts of commission paid by the Consignor to Kinson Group in connection with the sale of the Consigned Goods by Kinson Group were about HK\$1,193,000, HK\$2,133,000 and HK\$1,822,000 respectively.

### ***Proposed annual caps***

Our Directors expect that the maximum annual amount of commission received or to be received by Kinson Group from the Consignor under the Consignment Agreement for each of FY2019 (in respect of 1 September 2018 to 31 March 2019), FY2020 and FY2021 will not exceed HK\$1,750,000, HK\$3,000,000 and HK\$3,000,000 respectively.

In determining the proposed annual caps for the maximum annual amount of commission received or to be received by Kinson Group under the Consignment Agreement, our Directors have considered (i) the amount of commission paid by the Consignor to Kinson Group for each of FY2016, FY2017 and FY2018; (ii) the anticipated demand of Kinson Group for the Consigned Goods for each of FY2019 (in respect of 1 September 2018 to 31 March 2019), FY2020 and FY2021; and (iii) the anticipated growth in the business of our Group after Listing.

### ***Listing Rules implications***

As the highest of the applicable percentage ratios in respect of the maximum annual amount of commission received or to be received under the Consignment Agreement is, on an annual basis, expected to be more than 5% but less than 25% and the annual total consideration is less than HK\$10 million, the transactions contemplated under the Consignment Agreement constitute continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### INTERNAL CONTROL MEASURES

Our Group has adopted the following measures to ensure that the connected transactions will be conducted in a fair and reasonable manner, on normal commercial terms and not prejudicial to the interests of our Company and our independent Shareholders:

1. The finance department of our Group will conduct periodic monitoring and evaluation on whether the implementation of the connected transactions conforms with the terms of the relevant agreement;
2. Our independent non-executive Directors will conduct an annual review on whether the terms of the connected transactions are fair and reasonable and in the interest of the Shareholders; and
3. The external auditors will conduct an annual review on whether the continuing connected transactions are in accordance with the pricing policies of our Group and the annual caps of the relevant transactions are not exceeded, and conform with the terms of the relevant agreement.

### WAIVER APPLICATION FOR CONTINUING CONNECTED TRANSACTIONS

Upon completion of the Listing, the continuing connected transactions contemplated under the Consignment Agreement as described above will constitute non-exempt continuing connected transactions under the Listing Rules, and will need to comply with the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Our Directors (including independent non-executive Directors) are of the view that the above non-exempt continuing connected transactions have been conducted, and carried out, on normal commercial terms and in the ordinary and usual course of business of our Group. Having considered the factors and information mentioned above, our Directors (including independent non-executive Directors) also consider that the terms and the proposed annual caps in respect of the above non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The above non-exempt continuing connected transactions are expected to continue on a recurring basis and extend over a period of time after Listing. Our Directors consider that it would be impractical, unduly burdensome and would add unnecessary administrative costs and workload for our Company to make disclosure of the transactions in compliance with the announcement requirements under Chapter 14A of the Listing Rules.

Accordingly, our Group has applied for, and the Stock Exchange has granted us a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirements in respect of the transactions contemplated under the Consignment Agreement.

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## CONNECTED TRANSACTIONS

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### CONFIRMATION FROM THE SPONSOR

The Sponsor has reviewed the relevant documents, information and historical figures provided by our Group and has participated in the due diligence and discussions with the management teams as well as the legal advisors in connection with the Listing. It has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sponsor is of the view that the non-exempt continuing connected transactions (including the relevant annual caps and pricing terms which form part of the terms of such transactions) arise in the ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

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

Name	Age	Position/Title	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Siu Muk Lung (蕭木龍先生)	57	Chairman Executive Director	December 1995	5 May 2016	Leading and chairing meetings of the Board, supervising the overall operations of our Group, planning our business and marketing strategies and overseeing the daily management of our businesses	Nil
Mr. Chung Chi Fai (鍾志輝先生)	42	Executive Director General manager	July 1995	18 August 2017	Formulating overall policies and strategies of our Group, participating in meetings of the Board and overseeing the general management and day-to-day operations of our business	Nil
Mr. Ritchie Ma (馬肇文先生) (formerly known as Ma Si Ping Ritchie (馬仕平)	58	Non-executive Director	18 August 2017	18 August 2017	Providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval	Spouse of Ms. Cheung
Mr. Lam Kin Lun Davie (林健倫先生)	61	Non-executive Director	18 August 2017	18 August 2017		Nil
Mr. Lee Kwan Ho, Vincent Marshall (李君豪先生)	62	INED	27 August 2018	27 August 2018	Participating in meetings of the Board to bring an independent judgment on issues which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee and the nomination committee (as the case may be)	Nil
Mr. Kwok Wai Leung, Stanley (郭偉良先生)	43	INED	27 August 2018	27 August 2018		Nil
Mr. Shiao Hei Lok Herod (蕭喜樂先生)	53	INED	27 August 2018	27 August 2018		Nil
Mr. Fok Kam Chau (霍錦就先生)	64	INED	27 August 2018	27 August 2018		Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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The following table sets forth certain information in respect of our senior management:

Name	Age	Position/Title	Date of joining our Group	Date of appointment for current position	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Chan Him, Alfred (陳謙先生)	54	Chief Financial Officer, Company Secretary	17 July 2017	17 July 2017	Overseeing the finance, accounting and company secretarial matters of our group	Nil
Ms. Cheung Yuet Ngo, Flora (張月娥女士)	56	Administration Manager	1 July 2017	1 July 2017	Overseeing the human resources and administration of our Group	Spouse of Mr. Ma

### DIRECTORS

Our Board is responsible for and has general powers for managing and leading our business. Our Board consists of two executive Directors, two non-executive Directors and four INEDs.

#### Executive Directors

**Mr. Siu Muk Lung** (蕭木龍先生), aged 57, is the founder of our Group, the Chairman of our Board, and an executive Director. He has been a director of MP Direct Selling Centre since December 1995. He is primarily responsible for leading and chairing meetings of the Board, supervising the operations of our Group, planning our business and marketing strategies and overseeing the management of our business. Mr. Siu was appointed as a Director on 5 May 2016 upon the incorporation of our Company and is redesignated as an executive Director on 27 August 2018. Mr. Siu currently assumes the office of director in each of our subsidiaries.

Mr. Siu attended secondary education in PRC until 1978.

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## DIRECTORS AND SENIOR MANAGEMENT

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Since the founding of our Group, Mr. Siu has been working in the pre-paid SIM card and mobile phone industry during which period he worked/served as the director of various subsidiaries in our Group. With his background and experience in the pre-paid SIM card and mobile phone industry, Mr. Siu has been able to help our Group expand its market share in the industry, enabling our Group to become one of the market leaders. Mr. Siu has also been a member of the fourth session of Yulin Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議玉林委員會) since 2015.

Mr. Siu was a director of Golden Dragon Properties Agency (HK) Limited which was incorporated in Hong Kong. The company, which was primarily engaged in provision of estate agency services, was dissolved by striking off under section 291 of the Old HKCO on 18 January 2002 as the company was inactive. Mr. Siu confirmed that the company was solvent immediately prior to its respective date of dissolution and the dissolution of such company had not resulted in any liability or obligation imposed against him.

**Mr. Chung Chi Fai (鍾志輝先生)**, aged 42, is an executive Director and general manager. He is primarily responsible for formulating overall policies and strategies of our Group, participating in meetings of the Board and overseeing the general management and day-to-day operations of our business.

He joined our Group in July 1995 and was responsible for overseeing the business operations of our retail shops. He has served in various departments of our Group as sales and general manager. He is currently the general manager of Kinson Group, a wholly-owned subsidiary of our Company. Mr. Chung was appointed as a director of our Group on 18 August 2017 and is redesignated as an executive Director on 27 August 2018.

Mr. Chung completed his secondary education in Hong Kong in August 1993.

Mr. Chung has over 20 years of experience in the mobile phone industry. Prior to joining our Group, Mr. Chung was the sales manager of Otel Telecom from September 1993 to May 1995, during which he was responsible for overseeing the distribution of mobile phone accessories and network services.

### **Non-executive Directors**

**Mr. Ritchie Ma (馬肇文先生)**, (formerly known as **Ma Si Ping Ritchie (馬仕平)**), aged 58, is a non-executive Director. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring the Directors' consideration and/or approval. Mr. Ma was appointed as a director on 18 August 2017, and was redesignated as a non-executive Director on 27 August 2018.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Ma graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University), Hong Kong in November 1989 with a Higher Certificate in Communication, Advertising and Marketing. He further obtained a Master of Business degree from the University of Newcastle, Australia in July 2008.

Mr. Ma has over 25 years of experience in sales, marketing, operations and business management. He was a sales at Jawbone in San Francisco, California from July 2013 to December 2015. Before that, he worked at Motorola Mobility Hong Kong Limited from March 2008 to December 2012, his last position being general manger of mobile devices in Hong Kong & Taiwan. From July 1996 to December 2007, he held senior marketing and corporate development positions in various telecommunications companies, including Hong Kong CSL Limited, Telstra International Hong Kong and SmarTone Telecommunications Limited. Prior to that, from February 1987 to July 1995, Mr. Ma served as the account director of multinational 4A advertising agencies, such as Saatchi & Saatchi Advertising, Lintas Hong Kong Limited (currently known as Lowe Limited), EURO RSCG Ball Partnership, and Bozell Limited (currently known as FCB Hong Kong Limited).

Mr. Ma was a director of AJR Company Limited, a company incorporated in Hong Kong. The company, which was primarily engaged in sales of bags, was dissolved by deregistration under section 291AA of the Old HKCO on 24 October 2008 due to cessation of business. Mr. Ma confirmed that AJR Company Limited was solvent immediately prior to its respective date of dissolution and the dissolution of such company had not resulted in any liability or obligation imposed against him.

**Mr. Lam Kin Lun Davie** (林健倫先生), aged 61, is a non-executive Director of our Company. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. He was appointed as a director on 18 August 2017, and was redesignated as a non-executive Director on 27 August 2018.

Mr. Lam graduated from Curtin University of Technology, Australia with a Bachelor of Business in Accounting in August 1993. He also received a Master of Science in Information Management from the National University of Ireland, Ireland in October 1999.

Mr. Lam is a certified public accountant registered with HKICPA and is also a fellow of the Australian Society of Certified Practicing Accountants, the Association of Chartered Certified Accountants and member of the Chartered Professional Accountants of British Columbia, Canada.

He has been working in Welkinson and Associates since July 2011 and is currently the business development director. His key responsibilities include providing professional consultancy services to clients in corporate finance and retail management. He was the general manager of Macau operations in Hutchison Telecommunications (Hong Kong) Limited from April 2009 to June 2011. Prior to that, he worked in CSL Limited from January 1984 to November 2008, his last position being the director of mobile devices in the marketing development.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Independent non-executive Directors

**Mr. Lee Kwan Ho, Vincent Marshall (李君豪先生) (“Mr. Vincent M Lee”)**, Deputy to the National People’s Congress of PRC, *BBS*, Officer of the Order of the Crown (Belgium), aged 62, was appointed as an INED on 27 August 2018.

Mr. Vincent M Lee obtained a Bachelor of Science in Business Administration from the University of Southern California, the USA in June 1978 graduating with Magna Cum Laude. He was awarded a Master of Science in Accounting and Finance by The London School of Economics and Political Science, the UK in August 1981.

Mr. Vincent M Lee has been a certified public accountant registered with the California State Board of Accountancy, the USA since December 1980. He was admitted as a member of the American Institute of Certified Public Accountants in January 1982 and HKICPA in January 1989. He currently holds SFC licences for Dealing in Securities (type 1 regulated activity), Dealing in Futures Contracts (type 2 regulated activity), Advising on Securities (type 4 regulated activity) and Asset Management (type 9 regulated activity).

Mr. Vincent M Lee undertook a number of public service and community activities. He has been elected consecutively as a member of the Election Committee of the HKSAR since 2006. He is currently the Chairman of the Correctional Services Children’s Education Investment Trust Advisory Board. He is the Chairperson of Sir Murray MacLehose Trust Fund Investment Advisory Committee and has been in this position since December 2012. From 2012 to 2016, he was a member of Correctional Services Children’s Education Trust Committee. He has been appointed as a non-official member of the Financial Services Development Council since January 2013. Mr. Vincent M Lee was a member of the Securities and Futures Appeals Tribunal from 2003 to 2009, and the SFC Academic and Accreditation Advisory Committee from 2002 to 2006.

Mr. Vincent M Lee is currently the chairman of Tung Tai Group of Companies and he has been in such position since October 2010, having previously been the managing director from August 1990 to September 2010. From 1981 to 1990, he was a senior banker at HSBC Group, Hong Kong & Canada, his last position being the manager at the overseas banking center of Hongkong and Shanghai Banking Corporation Limited. Mr. Vincent M Lee has held directorships in the following listed companies:

Name of listed company and stock code	Period of service	Position
LT Commercial Real Estate Limited (stock code: 112)	From March 2013 to June 2017	Non-executive director

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## DIRECTORS AND SENIOR MANAGEMENT

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Guangdong Land Holdings Limited (stock code: 124)	From March 2009 to present	INED
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Hong Kong Exchanges and Clearing Limited (stock code: 388)	From April 2000 to April 2017	INED
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Mr. Vincent M Lee was the director of the following companies prior to their respective dissolution:

Company name	Place of incorporation	Principal business activity immediately before dissolution	Means of dissolution	Date of dissolution	Reasons of dissolution
Leonard Electrical Manufacturing Company, Limited	Hong Kong	Trading	Deregistration under section 291AA of the Old HKCO	26 November 2010	All members of the Company agreed to such deregistration
Tung Tai Resource Limited	Hong Kong	Trading and investment	Striking off under section 291 of the Old HKCO	7 February 2003	All members of the Company agreed to such dissolution
Garlock Trading Company Limited	Hong Kong	Trading	Deregistration under section 291AA of the Old HKCO	24 December 2010	All members of the Company agreed to such deregistration
Canadian City Capital Ltd	British Virgin Islands (registered in Hong Kong as a non-Hong Kong Company)	Trading and investment	Ceased place of business in Hong Kong	5 June 1999	Company ceased to have a place of business in Hong Kong

Mr. Vincent M Lee confirmed that all such companies above were solvent immediately prior to their respective dates of dissolution and so far as he was aware, the dissolution of such companies had not resulted in any liability or obligation imposed against him.

**Mr. Kwok Wai Leung, Stanley** (郭偉良先生), aged 43, was appointed as an INED on 27 August 2018.

Mr. Kwok obtained a Bachelor of Science from the Macquarie University, Australia in April 1998. He was further awarded a Master of Commerce in Funds Management from the University of New South Wales, Australia in July 2000.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Kwok is currently the Chairman of Skys D Limited (trading as Expandasia) and is responsible for the day to day operation of the consultancy business. He has been serving in this position since January 2014. He is also currently the managing partner and also director of Mount Logan Capital Limited. From August 2009 to December 2013, Mr. Kwok served as the Chief Executive Officer of Lippo Investments Management Limited.

From May 2003 to June 2009, Mr. Kwok worked at State Street Global Advisors Asia Limited, the investment and asset management arm of State Street Corporation.

**Mr. Shiao Hei Lok Herod** (蕭喜樂先生), aged 53, was appointed as our INED in 27 August 2018.

Mr. Shiao was awarded a Diploma in Business Studies by the Hang Seng School of Commerce, Hong Kong in July 1986. He later on obtained a Postgraduate Certificate in Business Administration from the Open University of Hong Kong, Hong Kong in December 2001, and a Postgraduate Diploma in Business Administration from the University of Wales College, Newport, the UK in October 2002. Mr. Shiao was further awarded a Master of Business Administration degree by the University of Wales, Newport (currently known as the University of South Wales), the UK, in October 2004.

Mr. Shiao passed the licensing examination for Securities and Futures Intermediaries held by the Hong Kong Securities Institute in June 2011. He was a member of the Society of Registered Financial Planners for over 12 years.

Mr. Shiao has over 30 years of experience in the banking industry, having worked in four banks in Hong Kong. He has been the first vice president in the private banking department of the Bank of East Asia Limited since June 2011. Before that, he was a vice president at CitiBank, N.A., from June 2005 to June 2011, and his last position held was sales team head. He previously served as the assistant vice president in the commercial team of the marketing division of Jian Sing Bank Limited (currently known as China Construction Bank) from October 2000 to June 2005. Before that, he worked at Hua Chiao Commercial Bank Limited (currently known as Bank of China Hong Kong Limited) from July 1986 to October 2000 and his last position held was deputy manager in the corporate banking department.

**Mr. Fok Kam Chau** (霍錦就先生), aged 64, was appointed as our INED on 27 August 2018.

Mr. Fok was awarded a Diploma in Business Management from Hong Kong Baptist College (currently known as Hong Kong Baptist University), Hong Kong in November 1980. He was later on awarded a Master of Business Administration from the University of East Asia, Macau in October 1986. He further obtained a Diploma in Financial Management from the University of New England, Australia, in April 1989 and Master of Economic Law from Peking University, the PRC in July 1999. Mr. Fok proceeded to obtain a Doctor in Business Administration from the Shanghai University of Finance and Economics, the PRC, in June 2016.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Fok is a founding member of the Hong Kong Independent Non-Executive Director Association. He is a certified public accountant registered with the HKICPA, and a certified tax adviser registered with the Taxation Institute of Hong Kong. He has also been a member of the Australian Society of Certified Practicing Accountants and Certified General Accountants' Association of Canada (currently known as Chartered Professional Accountants of Canada) for over 25 years.

Mr. Fok is currently the principal of K.C.Fok & Company, Certified Public Accountants.

Mr. Fok was a director of MDP International Limited, a company incorporated in Hong Kong. The company, which was primarily engaged in education service, was dissolved by deregistration under section 291AA of the Old HKCO on 6 February 2009 due to cessation of business. Mr. Fok confirmed that MDP International Limited was solvent immediately prior to its respective date of dissolution and the dissolution of such company had not resulted in any liability or obligation imposed against him.

### **General**

Save as disclosed above, none of the courses attended by our Directors was distance learning or online course.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules nor any other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders or potential investors.

Save as disclosed in this prospectus, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholder of our Company as at the Latest Practicable Date;
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and
- (iv) is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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As of the Latest Practicable Date, except for such interests of Mr. Siu in the Shares which are disclosed above and in the paragraph headed “Statutory and general information – C. Further Information about Directors, Management Staff and Substantial Shareholders – 1. Disclosure of interest or short position of Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations” in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO. Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date. Details of our Directors’ emoluments (whether covered by service contracts or not), the basis of determining our Directors’ emoluments as stated in service contracts are set out in the section headed “Statutory and General Information – C. Further information about directors, management staff and substantial shareholders – 2. Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus.

### SENIOR MANAGEMENT

**Mr. Chan Him, Alfred (陳謙先生)**, aged 54, is the Chief Financial Officer and Company Secretary of our Company. He is mainly responsible for overseeing the finance, accounting and company secretarial matters of our Group. He joined our Group on 17 July 2017.

Mr. Chan graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University), Hong Kong in November 1987 with a Professional Diploma in Accountancy. He was admitted as a fellow member of HKICPA in 1999.

Mr. Chan has accumulated over 25 years of experience in audit, finance and company secretarial work. He was the financial controller of Ruizi Energy Holdings Company Limited from January 2017 to April 2017. From November 2015 to February 2016, he worked as a consultant at Superb Talent Limited. He was the financial controller of York Star Co., Ltd. from March 2015 to July 2015. He was the project financial controller of Feishang Holdings Limited from May 2004 to April 2010. Mr. Chan was appointed the company secretary and financial controller of Loulan Holdings Limited in September 2001 and July 2002 respectively, and served there until his resignation in January 2004. The company was listed on the Stock Exchange from August 2002 to March 2008. Previously, he worked as the finance controller of The BigStore.com Asia Limited from October 1999 to August 2000. He was an audit manager at Moores Rowland from January 1998 to October 1998, and a financial controller at Richman Group Ltd from December 1996 to October 1997. He worked at Ernst & Young for nine years from July 1987 to June 1996, his last position being senior audit manager.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Chan also worked in the following listed companies in Hong Kong, and his major responsibilities in such companies include overseeing and handling finance and company secretarial matters:

Name of listed company and stock code	Period of service	Position
CGN New Energy Holdings Co., Ltd. (stock code: 1811)	From August 2011 to March 2015	Project chief financial officer
Amax International Holdings Limited (stock code: 959)	From June 2010 to October 2010	Company secretary
	From May 2010 to December 2010	Financial controller

**Ms. Cheung Yuet Ngo, Flora (張月娥女士)**, aged 56, is the Administration Manager of our Group. She joined our Group on 1 July 2017 and is primarily responsible for overseeing the human resources and administration of our Group.

Ms. Cheung graduated from the Sheffield City Polytechnic (currently known as the Sheffield Hallam University), the UK with a Higher National Diploma in Business and Finance in July 1991. She further obtained a Postgraduate Diploma in Business Administration in the same university in June 1992.

Ms. Cheung has extensive experience in the marketing and administration field. During the period of August 1997 to August 2008, Ms. Cheung was the owner of Prime Premium & Promotions. Before that, she was the head of sales and marketing at MBf Asia Capital Corporation Holdings Limited from March to December 1996, and the marketing distribution and sales manager at Citibank, N.A. from November 1992 to March 1996.

Save as disclosed in this prospectus, none of the members of our senior management held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Save as disclosed above, none of the courses attended by our senior management was distance learning or online course.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Company Secretary

**Mr. Chan Him Alfred** (陳謙先生) is currently our Company Secretary. For Mr. Chan's biography, please refer to the paragraph headed "Senior Management" in this section.

### Human Resources

Our Company maintains good employee relations. Our Company has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, our Company has not suffered from any material disruption of normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries and allowances.

As at the Latest Practicable Date, we had 39 full-time employees. Please refer to the section headed "Business – Employees and training" in this prospectus for details of breakdown of our employees by function.

### Benefits and social insurance

Our Group complies in all material aspects with all statutory requirements on retirement contribution in Hong Kong, being the jurisdiction where our Group operates its activities. As required by the employment laws in Hong Kong, our Company participates in a provident fund scheme registered under the MPFSO for all our eligible employees in Hong Kong.

### Remuneration Policy

The aggregate amounts of remuneration of our Directors for FY2016, FY2017, FY2018 were about nil, nil and HK\$0.3 million respectively. Details of the arrangement for remuneration are set out in Note 11 to the Accountants' Report in Appendix I to this prospectus. Under such arrangement and pursuant to the Directors' service agreements and letters of appointment referred to in the section headed "Statutory and General Information – C. Further information about Directors, Management Staff and Substantial Shareholders – 2. Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus, the aggregate amount of Directors' fee and other emoluments payable to our Directors for FY2019 is estimated to be about HK\$1.4 million (including benefits in kind but excluding any discretionary bonuses).



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## DIRECTORS AND SENIOR MANAGEMENT

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Our 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. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to its operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, and taking into account the respective responsibilities of our senior management members and performance of our Group.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

### BOARD COMMITTEES

The audit committee, remuneration committee, and nomination committee of our Company were approved to be established by resolutions passed by our Board on 27 August 2018. The membership of such committees is as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Directors</i>			
Mr. Siu Muk Lung	–	–	Chairman
Mr. Chung Chi Fai	–	–	–
<i>Non-executive Directors</i>			
Mr. Ritchie Ma	–	Member	–
Mr. Lam Kin Lun Davie	Member	–	–
<i>INEDs</i>			
Mr. Lee Kwan Ho, Vincent Marshall	–	–	Member
Mr. Kwok Wai Leung, Stanley	Member	Member	Member
Mr. Fok Kam Chau	Chairman	Member	Member
Mr. Shiao Hei Lok Herod	Member	Chairman	Member

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## DIRECTORS AND SENIOR MANAGEMENT

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Each of the above committees has written terms of reference. The functions of the above three committees are summarised as follows:

### **Audit Committee**

Our Company has written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and materials, and provide advice in respect of financial reporting, and oversee the risk management and internal control systems of our Company.

### **Remuneration Committee**

Our Company has written terms of reference in compliance with Code B.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the remuneration committee of our Company are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group; to review performance-based remuneration and ensure none of our Directors determine their own remuneration.

### **Nomination Committee**

Our Company has written terms of reference in compliance with Codes A.5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the nomination committee of our Company are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement our Company's corporate strategy; to identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our Chairman.

### **COMPLIANCE ADVISER**

We have appointed CLC International Limited 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 on, among other matters, the following:

- (a) (before its publication) any regulatory announcement, circular or financial report;

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## **DIRECTORS AND SENIOR MANAGEMENT**

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- (b) a transaction is contemplated, which might be a notifiable or connected transaction or will involve Share issues and Share repurchases;
- (c) where our Company proposes to use the net proceeds of the Share Offer in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes any inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of dispatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Our Company places high value on our corporate governance practice and our Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of our Shareholders. We will comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after the Listing.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in our Shares or underlying Shares or debentures of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group, once the Shares are listed on the Stock Exchange:

Name	Number of Shares	Approximate percentage of shareholding	Capacity/nature of interest
Mr. Siu	300,000,000 (L) (Note 2)	75%	Beneficial owner
Mrs. Siu	300,000,000 (L) (Note 2)	75%	Interest of spouse

*Notes:*

1. Mrs. Siu is the spouse of Mr. Siu. Under the SFO, Mrs. Siu is deemed to be interested in the same number of Shares of which Mr. Siu is interested in.
2. The letter “L” denotes a long position in the Shares.

Save as disclosed herein, our Directors are not aware of any person who will immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have an interest or a short position in our Shares or underlying Shares or debentures of our Company which would fall to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 10% or more of the issued voting shares of any member of our Group, once the Shares are listed on the Stock Exchange.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Share Offer and the Capitalisation Issue:

Number	HK\$
<i>Authorised share capital:</i>	
<u>10,000,000,000</u> Shares	<u>100,000,000.00</u>
<i>Issued and to be issued and fully paid or credited as fully paid:</i>	
17,000,001 Shares in issue as at the date of this prospectus	170,000.01
299,999,999 Shares to be issued pursuant to the Capitalisation Issue	2,999,999.99
<u>83,000,000</u> Shares to be issued pursuant to the Share Offer	<u>830,000.00</u>
<u>400,000,000</u> <b>Total (Note)</b>	<u>4,000,000.00</u>

### Assumptions

The above table assumes the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

*Note:* The issued share capital of our Company will be enlarged by up to an additional 15,000,000 Shares in the event that the Over-allotment Option is exercised in full.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total number of issued Shares of our Company in the hands of the public (as defined in the Listing Rules).

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## SHARE CAPITAL

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### RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for entitlement under the Capitalisation Issue.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted the Issuing Mandate to allot, issue and deal in a total number of Shares of not more than the aggregate of:

- (i) 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme; and
- (ii) the total number of our Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option. Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

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## SHARE CAPITAL

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The Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked, varied or renewed by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Issuing Mandate, please see the section headed “Statutory and General Information – A. Further information about our Company – 3. written resolutions of the sole Shareholder on 27 August 2018” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, but excluding any Shares that may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase by our Company of our own Shares” in Appendix IV to this prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked, varied or renewed by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Repurchase Mandate, see the section headed “Statutory and General Information – A. Further information about our Company – 3. written resolutions of the sole Shareholder on 27 August 2018” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our combined financial information together with the accompanying notes, set forth in the Accountants' Report in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, 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" in this prospectus.*

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

### OVERVIEW

Our Group is principally conducting wholesale and retail sales of Pre-paid Products (i.e. SIM Cards and Top-up Vouchers) in Hong Kong. The Pre-paid Products allow users to make local and international phone calls and also enjoy mobile data services. During the Track Record Period, substantially all of our Pre-paid Products sold by us (in terms of our revenue) were Operator A Products supplied by Network Operator A, and the target end-users of our Operator A Products are predominantly Filipino or Indonesian mobile users, most of whom are domestic helpers in Hong Kong. We sell Operator A Products through our Sales Network for Operator A Products, which comprises (i) our self-managed retail shops, (ii) a wholesaler (during most of the Track Record Period, Customer A was our sole wholesaler which was subsequently replaced by Customer B since January 2018) and (iii) retailers in Hong Kong. During the Track Record Period, we operated five self-managed retail shops and we had an average of about 250 retailers within our Sales Network for Operator A Products. For further details in relation to the relationship between Customer A and Customer B, please refer to the section headed "Business – Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A" in this prospectus.

In March 2017, we started selling Operator B Products supplied by Network Operator B targeting our Brand S Target Users who have demands for local and international phone calls and/or mobile data services in Hong Kong or overseas, which include mainly (i) local users travelling overseas, who have multiple mobile phones, and would not like to join a post-paid plan and/or occasionally demand for high volume data usage; and (ii) tourists travelling to Hong Kong. We sell Operator B Products through our Sales Network for Operator B Products, which comprises (i) our self-managed retail shops and (ii) retailers in Hong Kong. As at 31 March 2018, we had 465 retailers within our Sales Network for Operator B Products.



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## FINANCIAL INFORMATION

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For FY2016, FY2017 and FY2018, 100.0%, about 99.8% and 91.3%, respectively, of our Pre-paid Products (in terms of our revenue) were supplied by Network Operator A. Network Operator A is one of the four mobile network operators in Hong Kong. The Operator A Products sold by us comprise three different brands of SIM Cards (namely, Brand C, Brand H and Brand KK SIM Cards) and their respective Top-up Vouchers, which may have different face values for purchases from our wholesaler, retailers and mobile users. As we commenced selling of Operator B Products in March 2017, sales of Operator B Products (i.e. the Brand S SIM Cards) accounted for about 0.2% and 8.7% of our total revenue for FY2017 and FY2018 respectively.

During the early part of FY2016, we carried out the Discontinued Business of selling mobile phones, electronics and accessories in our retail shops. To follow our long-term strategy to concentrate on the wholesale and retail sales of Pre-paid Products, we discontinued the Discontinued Business in FY2016 which was disposed to a company outside our Group (which is wholly owned by our Controlling Shareholder). The inventories related to the Discontinued Business were disposed of by our Group at cost with effect from 30 September 2015 pursuant to the inventory transfer agreements entered into by such company wholly owned by our Controlling Shareholder with (i) HK Mobile and (ii) Kinson Group, respectively. For details of the inventory transfer agreements, please refer to the material contracts (ii) and (iii) 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.

### **BASIS OF PREPARATION**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2016. In preparation for the Listing, our Group underwent the Reorganisation, details of which are explained in the section headed “History, Reorganisation and Development” in this prospectus.

Upon completion of the Reorganisation, our Company became the holding company of the companies now comprising our Group. Our Company and its subsidiaries have been under the common control of our Controlling Shareholder, Mr. Siu, before and after the Reorganisation. Accordingly, the financial information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

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The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of our Controlling Shareholder, where this is a shorter period. Further details of the basis of preparation of our financial statements are detailed in note 2 headed “Group Reorganisation and Basis of Presentation of Historical Financial Information Reorganisation” of the Accountants’ Report in Appendix I to this prospectus.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The major factors affecting our result of operations and financial condition include the followings:

#### **Business relationship with our suppliers**

We have been selling Pre-paid Products supplied by Network Operator A since 2003 and we have commenced to sell Operator B Products since March 2017. Our revenue was substantially generated from sale of Operator A Products, which accounted for 100%, about 99.8% and 91.3% of our total revenue for each of FY2016, FY2017 and FY2018, respectively. The success of our business and our growth depend, to a large extent, on our ability to maintain business relationship with our suppliers (i.e. Network Operator A and Network Operator B). If we are unable to continue our business relationship with either of our suppliers or if the terms or scope of the distribution agreements made with them become less favourable to us, it could materially and adversely affect our business, financial condition and results of operations.

#### **Fluctuation of cost of sales**

Our cost of sales represents our cost of inventories sold, which is the cost of Operator A Products and Operator B Products. Pursuant to the Operator A 2018 Distribution Agreement and the Operator B 2016 Distribution Agreement, the Pre-paid Products were generally sold to our Group at prices which were set with discounts to their respective face values. In addition, our Group may be given discretionary discounts which are generally adjusted with reference to the total amount of products purchased during a particular period of time as well as the results of negotiation of our management with Network Operator A. Our cost of sales is to a certain extent affected by the level of discounts given by our suppliers. As the level of discounts is determined by our suppliers at their discretion, there is no assurance that the discount level in the future will not be reduced or any discount will be given at all, and any significant reduction in the discount level would materially and adversely affect our profitability and results of operations.

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### **Demand for our Pre-paid Products from Filipino and Indonesian mobile users in Hong Kong**

Demand for our Pre-paid Products, to a large extent, depends on Filipino and Indonesian mobile users, most of whom are working in Hong Kong as domestic helpers. Accordingly, our financial performance depends heavily on the Government's policy of allowing these people to work in Hong Kong as domestic helpers and the needs and financial resources of these Filipino and Indonesian domestic helpers. According to the Frost & Sullivan Report, our Group was ranked the largest distributor of Pre-paid Products targeted at Filipinos in terms of retail sales revenue in 2017, which captured a market share of about 33.5%. We were also ranked the second largest distributor of Pre-paid Products targeted at Indonesians in terms of retail sales revenue in 2017, which captured a market share of about 24.2%. If the population of Filipino and Indonesian domestic helpers in Hong Kong significantly reduces due to the change of any government's policy, the economic, social or political factors or if their preferred mode of communications changes, our revenue and results of operations will be materially and adversely affected.

### **We rely on our wholesaler and retailers within our Sales Networks**

We have maintained about 4 years to 9 years of business relationship with our five largest customers during the Track Record Period, save for Customer B who has taken up the wholesale business of Customer A and has replaced Customer A as our sole wholesaler since January 2018. Revenue derived from our five largest customers amounted to about HK\$117.6 million, HK\$101.2 million and HK\$80.1 million for FY2016, FY2017 and FY2018, respectively, representing about 58.7%, 52.8% and 41.4% of our revenue for the respective years. Revenue derived from our largest customer (i.e. Customer A) amounted to about HK\$54.3 million, HK\$47.8 million and HK\$32.5 million for FY2016, FY2017 and FY2018, respectively, representing about 27.1%, 24.9% and 16.8% of our revenue for the respective years; while revenue derived from our second largest customer (i.e. Retailer A) amounted to about HK\$39.6 million, HK\$27.4 million and HK\$24.9 million for FY2016, FY2017 and FY2018, respectively, representing about 19.8%, 14.3% and 12.9% of our revenue for the respective years. We have a well-established relationship with Retailer A, which has been our customer since 2009. Since January 2018, Customer A has ceased to engage in the wholesale business of Pre-paid Products and Customer B, which has taken up the wholesale business of Pre-paid Products of Customer A, has replaced Customer A as our wholesaler. We believe that our well-established relationship with our customers enables us to have a stable demand for our Pre-paid Products. There is however no assurance that our business relationship with any of them will continue in the future. If any of these customers ceases to do business with us or substantially reduce the volume of its business with us, our revenue and results of operation will be materially and adversely affected.

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### Rent and rates

We rent all of the properties for our office and retail shops. The cost of leasing and maintaining these properties are reflected in our administrative and selling and distribution expenses. The rent and rates for our retail shops amounted to about HK\$11.8 million, HK\$11.0 million and HK\$11.8 million for FY2016, FY2017 and FY2018, respectively, representing about 5.9%, 5.7% and 6.1% of our revenue, respectively. In June 2017, we opened one more retail shop in Yuen Long, and its amount of rent and rates is about HK\$1.0 million per annum.

In recent years, rental expenses in Hong Kong have increased generally. The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our rent and rates in respect of our retail shops on our profit before taxation during the periods indicated:

#### Rent and rates of our retail shops increase/decrease by:

	+15%	+10%	0%	-10%	-15%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For FY2016</b>					
Corresponding change in rent and rates	13,542	12,954	11,776	10,598	10,010
Corresponding change in profit before taxation ( <i>Note</i> )	24,846	25,434	26,612	27,790	28,378
(Decrease)/increase in profit before taxation	(1,766)	(1,178)	–	1,178	1,766
<b>For FY2017</b>					
Corresponding change in rent and rates	12,629	12,080	10,982	9,884	9,335
Corresponding change in profit before taxation ( <i>Note</i> )	30,581	31,130	32,228	33,326	33,875
(Decrease)/increase in profit before taxation	(1,647)	(1,098)	–	1,098	1,647
<b>For FY2018</b>					
Corresponding change in rent and rates	13,564	12,975	11,795	10,615	10,026
Corresponding change in profit before taxation ( <i>Note</i> )	23,243	23,832	25,012	26,192	26,781
(Decrease)/increase in profit before taxation	(1,769)	(1,180)	–	1,180	1,769

*Note:* Save for the hypothetical fluctuations in rent and rates in respect of our retail shops, all other factors are assumed to remain unchanged.

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As we plan to increase our market share as well as our presence by opening additional retail shops and expanding our operations, we have to secure new retail space in Hong Kong. We expect our rent and rates expenses to increase generally along with economic growth and inflation. There is no assurance that we are able to renew all or any of the current tenancy agreements on terms that are acceptable to us. If we are unable to secure new retail space for our expansion plan or to renew current tenancy agreements on terms acceptable to us or at all, our profitability and results of operations will be adversely affected.

### CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENT

In the application of our Group's accounting policies, which are described in note 3 to the Accountants' Report in Appendix I to this prospectus, management of our Group is required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis as they may have a significant impact on our operational results as reported in our combined financial statements included elsewhere in this prospectus. The financial information as included in the Accountants' Report set out in the Appendix I to this prospectus has been prepared in accordance with the basis of preparation as mentioned above and the accounting policies which conform to HKFRSs.

We have identified certain accounting policies and estimates that we believe are the most critical to the preparation of our combined financial statements and the understanding of our results of operations and financial position. For details of the significant accounting policies and accounting judgements and estimates relating to our Group's financial information, please refer to notes 3 and 4 of the Accountants' Report set out in Appendix I to this prospectus.

We believe the following accounting policies involve the most significant accounting policies, judgments and estimates used in preparation of our financial information:

#### **Accounting policies**

##### **(a) *Revenue recognition***

Our Group is principally conducting wholesale and retail sales of Pre-paid Products (i.e. SIM Cards and Top-up Vouchers) in Hong Kong. We generally recognised our revenue from the sales of Pre-paid Products when the Pre-paid Products are delivered and titles have been passed to our customers. For FY2016, FY2017 and FY2018, we recognised revenue of about HK\$200.3 million, HK\$192.0 million and HK\$193.2 million, respectively. For details of our accounting policy for revenue recognition, please refer to note 3 headed "Significant Accounting Policies – Revenue recognition" to the Accountants' Report set out in Appendix I to this prospectus.

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### **(b) Inventories**

As at 31 March 2016, 2017 and 2018, our inventories amounted to about HK\$25.3 million, HK\$36.1 million and HK\$32.5 million respectively, representing about 36.6%, 46.1% and 44.6% of our current assets as at the respective date. Our inventories are stated at the lower of cost and net realisable value. We determine our costs of inventories by the weighted average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. For details of our accounting policy for inventories, please refer to note 3 headed “Significant Accounting Policies – Inventories” to the Accountants’ Report set out in Appendix I to this prospectus.

### **(c) Provision**

Provisions are recognised when we have a present obligation (legal or constructive) as a result of a past event, it is probable that we will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. For details of our accounting policy for provisions, please refer to note 3 headed “Significant Accounting Policies – Provision” to the Accountants’ Report set out in Appendix I to this prospectus.

### **(d) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax which is based on taxable profit for the year. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. For details of our accounting policy for taxation, please refer to note 3 headed “Significant Accounting Policies – Taxation” to the Accountants’ Report set out in Appendix I to this prospectus.

## **Accounting judgements and estimates**

### **(a) Net realisable value of inventories**

Our Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. For details, please refer to note 4(b) headed “Critical Accounting Judgements and Key Sources of Estimation Uncertainty – Net realisable value of inventories” to the Accountants’ Report set out in Appendix I to this prospectus.

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### **(b) Income tax and deferred taxation**

Our Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. For details, please refer to note 4(c) headed “Critical Accounting Judgements and Key Sources of Estimation Uncertainty – Income tax and deferred taxation” to the Accountants’ Report set out in Appendix I to this prospectus.

### **(c) Provision**

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and those amounts are reasonably estimated, a corresponding amount of provision is recognised in the financial statement. For details, please refer to note 4(d) headed “Critical Accounting Judgements and Key Sources of Estimation Uncertainty – Provision” to the Accountants’ Report set out in Appendix I to this prospectus.

## **RESULTS OF OPERATIONS**

The following table sets forth selected items of the combined statements of profit or loss and other comprehensive income during the Track Record Period:

	<b>FY2016</b> <i>HK\$'000</i>	<b>FY2017</b> <i>HK\$'000</i>	<b>FY2018</b> <i>HK\$'000</i>
<b>Continuing operations:</b>			
Revenue	200,316	191,981	193,244
Cost of sales	<u>(147,377)</u>	<u>(136,164)</u>	<u>(131,421)</u>
Gross profit	52,939	55,817	61,823
Other revenue	2,402	2,947	2,625
Selling and distribution expenses	(18,774)	(18,840)	(23,322)
Administrative expenses	(9,011)	(7,542)	(16,114)
Finance costs	<u>(944)</u>	<u>(154)</u>	<u>–</u>
Profit before taxation	26,612	32,228	25,012
Taxation	<u>(5,069)</u>	<u>(5,916)</u>	<u>(5,619)</u>
Profit for the year from continuing operations	<u>21,543</u>	<u>26,312</u>	<u>19,393</u>
Profit for the year from discontinued operations	<u>1,468</u>	<u>–</u>	<u>–</u>
Profit for the year	<u><u>23,011</u></u>	<u><u>26,312</u></u>	<u><u>19,393</u></u>

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### DESCRIPTION OF SELECTED COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

#### Revenue

Our revenue is mainly generated from sales of Pre-paid Products and is recognised upon delivery of our products.

Our sales of Pre-paid Products decreased by about 4.1% (or HK\$8.3 million) from about HK\$200.3 million for FY2016 to about HK\$192.0 million for FY2017. Our sales of Pre-paid Products increased by about 0.6% (or HK\$1.2 million) from about HK\$192.0 million for FY2017 to about HK\$193.2 million for FY2018.

#### *Breakdown of revenue by types of sales channels*

The following table sets forth the breakdown of our revenue by types of sales channels during the Track Record Period:

Revenue	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Our own retail shops	42,495	21.2	48,631	25.3	62,553	32.4
Wholesaler	54,269	27.1	47,774	24.9	40,361	20.9
Retailers within our Sales Networks	103,552	51.7	95,576	49.8	90,330	46.7
Total	<u>200,316</u>	<u>100.0</u>	<u>191,981</u>	<u>100.0</u>	<u>193,244</u>	<u>100.0</u>

Our revenue generated from sales in our own retail shops increased by about 14.4% (or HK\$6.1 million) from about HK\$42.5 million for FY2016 to about HK\$48.6 million for FY2017 and further increased by about 28.8% (or HK\$14.0 million) from about HK\$48.6 million for FY2017 to about HK\$62.6 million for FY2018. The increase was mainly attributable to the increase in revenue generated from our retail shops in Central, Causeway Bay and Yuen Long, resulting from the increase in advertising and promotion activities carried out by our Group during the Track Record Period.

Our revenue generated from sales in our own retail shops increased by about 28.8% (or HK\$14.0 million) from about HK\$48.6 million for FY2017 to about HK\$62.6 million for FY2018. The increase was mainly attributable to the revenue generated from our new retail shop in Yuen Long of about HK\$8.5 million and the increase in revenue generated from our retail shops in Central, resulting from the increase in advertising and promotion activities carried out by our Group during FY2018.



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Our revenue from sales to the wholesaler amounted to about HK\$54.3 million, HK\$47.8 million and HK\$40.4 million for FY2016, FY2017 and FY2018, respectively. Our revenue from sales to the wholesaler decreased by about HK\$6.5 million or 12.0% from about HK\$54.3 million for FY2016 to about HK\$47.8 million for FY2017, primarily due to the decrease in sales of Pre-paid Products which targeted Filipino mobile users and Indonesian mobile users of about HK\$5.4 million and HK\$1.1 million, respectively. Our revenue from sales to the wholesaler decreased by about HK\$7.4 million or 15.5% from about HK\$47.8 million for FY2017 to about HK\$40.4 million for FY2018, primarily due to the decrease in sales of Pre-paid Products which targeted Filipino mobile users and Indonesian mobile users of about HK\$4.8 million and HK\$2.6 million, respectively.

Our revenue from sales to retailers within our Sales Networks amounted to about HK\$103.6 million, HK\$95.6 million and HK\$90.3 million for FY2016, FY2017 and FY2018, respectively. Our revenue from sales to retailers decreased by about HK\$8.0 million or 7.7% from about HK\$103.6 million for FY2016 to about HK\$95.6 million for FY2017, primarily due to decrease in sales to Retailer A of about HK\$12.3 million during the year, which was partially offset by the increased sales generated from other retailers. Our revenue from sales to retailers decreased by about HK\$5.3 million or 5.5% from about HK\$95.6 million for FY2017 to about HK\$90.3 million for FY2018, primarily due to the decrease in sales to Retailer A and Retailer B of about HK\$2.5 million and HK\$6.0 million respectively.

Our revenue from sales to the wholesaler and retailers within our Sales Network, in aggregate, decreased from about HK\$157.8 million for FY2016 to about HK\$130.7 million for FY2018, representing a CAGR of about 9.0%, primarily due to lower level of discounts being offered by our Group and the discounts offered by other network operators on the Pre-paid Products targeted at Filipino and Indonesian mobile users since the second quarter of 2017. Our Directors believe that such discount offers have resulted in lower demand for Operators A Products and hence negatively impacted on our Group's revenue for FY2018. In response to the aforementioned situation, the tariff and rates of our Operator A Products have been adjusted to be comparable with those charged by our competitors which provided similar Pre-paid Products at such time since the third quarter of 2017.

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### *Breakdown of revenue by types of users*

The following table sets forth the breakdown of revenue by types of users during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Indonesian mobile users (Note 1)	60,624	30.3	63,588	33.1	53,683	27.8
Filipino mobile users (Note 2)	139,692	69.7	127,985	66.7	122,775	63.5
Other users	<u>–</u>	<u>–</u>	<u>408</u>	<u>0.2</u>	<u>16,786</u>	<u>8.7</u>
Total	<u>200,316</u>	<u>100.0</u>	<u>191,981</u>	<u>100.0</u>	<u>193,244</u>	<u>100.0</u>

*Notes:*

1. These are calculated based on the sales of Brand C and Brand H Pre-paid Products.
2. These are calculated based on the sales of Brand KK Pre-paid Products.

During the Track Record Period, our revenue was substantially generated from sales of Operator A Products, target end-users of which were Filipino and Indonesian mobile users in Hong Kong. For FY2016, FY2017 and FY2018, revenue generated from sales to Filipino mobile users accounted for about 69.7%, 66.7% and 63.5% of our total revenue respectively; while revenue generated from sales to Indonesian mobile users accounted for about 30.3%, 33.1% and 27.8% of our total revenue respectively. Sales to Filipino mobile users decreased from about HK\$139.7 million for FY2016 to about HK\$128.0 million for FY2017, which was primarily attributable to the decrease in sales to Retailer A of about HK\$14.4 million during the year. Sales to Filipino mobile users decreased by about HK\$5.2 million or 4.1% from about HK\$128.0 million for FY2017 to about HK\$122.8 million for FY2018, which was primarily due to the decrease in sales to the wholesaler of about HK\$4.8 million during the year. Sales to Indonesian mobile users decreased by about HK\$9.9 million or 15.6% from about HK\$63.6 million for FY2017 to about HK\$53.7 million for FY2018, which was primarily attributable to certain discounts offered by a mobile network operator on some competitive products, which targeted at Indonesian mobile users.

Sales to other mobile users primarily represent sales of Operator B Products (i.e. Brand S Pre-paid Products) which were launched in March 2017 and accounted for about 0.2% and 8.7% of our total revenue for FY2017 and FY2018 respectively. Target end-users of Operator B Products are users who have demands for local and international phone calls and/or mobile data services in Hong Kong or overseas, which include mainly (i) local users travelling overseas, who have multiple mobile phones, and would not like to join a post-paid plan and/or occasionally demand for high volume data usage; and (ii) tourists travelling to Hong Kong.

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### ***Breakdown of revenue by categories of Pre-paid Products***

The table below sets forth the revenue and percentage of revenue by each category of Pre-paid Products during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>SIM Cards</b>						
<b><i>Operator A Products</i></b>						
– Indonesian (i.e. Brand C and Brand H)	1,879	0.9	3,105	1.6	1,483	0.8
– Filipino (i.e. Brand KK)	2,754	1.4	4,445	2.3	2,563	1.3
<b><i>Operator B Products</i></b>						
– Brand S	–	–	214	0.1	10,507	5.4
Sub-total	4,633	2.3	7,764	4.0	14,553	7.5
<b>Top-up Vouchers</b>						
<b><i>Operator A Products</i></b>						
– Indonesian (i.e. Brand C and Brand H)	58,745	29.4	60,483	31.5	52,199	27.0
– Filipino (i.e. Brand KK)	136,938	68.3	123,540	64.4	120,212	62.2
<b><i>Operator B Products</i></b>						
– Brand S	–	–	194	0.1	6,280	3.3
Sub-total	195,683	97.7	184,217	96.0	178,691	92.5
Total	200,316	100.0	191,981	100.0	193,244	100.0

During the Track Record Period, a majority of our revenue was generated from sales of Top-up Vouchers. For FY2016, FY2017 and FY2018, sales of Top-up Vouchers accounted for about HK\$195.7 million, HK\$184.2 million and HK\$178.7 million, respectively, representing about 97.7%, 96.0% and 92.5% of our total revenue, respectively. The decrease in sales of Top-up Vouchers for Filipino mobile users in FY2017 of about HK\$13.4 million was primarily attributable to the decrease in sales to Retailer A of about HK\$14.4 million during the year. The decrease in sales of Top-up Vouchers from about HK\$184.2 million for FY2017 to about HK\$178.7 million for FY2018 was primarily attributable to the decrease in sales of Operator A Top-up Vouchers of about HK\$11.6 million which was partly offset by the increase in sales of Operator B Top-up Vouchers of about HK\$6.1 million.

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Revenue attributable to Operator A Products decreased by about 4.1% or HK\$8.3 million from about HK\$200.3 million for FY2016 to about HK\$191.6 million for FY2017 and further by about 7.9% or HK\$15.1 million to about HK\$176.5 million for FY2018. The decrease in sales of Operator A Products for FY2018 was mainly attributable to the discounts offered by other network operators on the Pre-paid Products targeted at Filipino and Indonesian mobile users since the second quarter of 2017. Our Directors believe that such discount offers have resulted in lower demand for Operators A Products and hence negatively impacted on our Group's revenue for FY2018. In response to the aforementioned situation, the tariff and rates of our Operator A Products have been adjusted to be comparable with those charged by our competitors which provided similar Pre-paid Products at such time since the third quarter of 2017.

Operator B Products (i.e. Brand S Pre-paid Products) were launched in March 2017. Revenue attributable to Brand S Pre-paid Products accounted for about 0.2% and 8.7% or HK\$0.4 million and HK\$16.8 million of our revenue for FY2017 and FY2018, respectively.

### Cost of sales

The following table sets forth the breakdown of our cost of sales by types of sales channels during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Our own retail shops	30,313	20.6	33,445	24.6	40,003	30.4
Wholesaler	40,655	27.6	34,390	25.3	27,859	21.2
Retailers within our Sales Networks	76,409	51.8	68,329	50.1	63,559	48.4
Total	<u>147,377</u>	<u>100.0</u>	<u>136,164</u>	<u>100.0</u>	<u>131,421</u>	<u>100.0</u>

Our cost of sales represents our cost of inventories sold, which is the cost of Operator A Products and Operator B Products. During the Track Record Period, the fluctuations in our cost of sales were generally in line with the fluctuations in revenue. For FY2016, FY2017 and FY2018, our cost of sales was about HK\$147.4 million, HK\$136.2 million and HK\$131.4 million respectively, representing about 73.6%, 70.9% and 68.0% of our revenue, respectively. During the Track Record Period, we were offered various levels of discounts by Network Operator A at its discretion. The level of discretionary discounts given by Network Operator A depends on, to a large extent, the total amount of products purchased during a particular period of time and the results of negotiation of our management with Network Operator A. For FY2016, we were given a lower level of discretionary discounts by Network Operator A as compared with that for FY2017 and FY2018. Thus, our cost of sales were therefore comparatively higher. For FY2018, in addition to the increase in revenue of about 0.6% as compared to FY2017, we were given a higher level of discretionary discounts by Network Operator A and thus our cost of sales decreased by about 3.5%, as compared with that for FY2017.

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### Gross profit

The following table sets forth the breakdown of our gross profit and gross profit margin by types of sales channels during the Track Record Period:

	FY2016		FY2017		FY2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Our own retail shops	12,182	28.7	15,186	31.2	22,550	36.0
Wholesaler	13,614	25.1	13,384	28.0	12,502	31.0
Retailers within our Sales Networks	27,143	26.2	27,247	28.5	26,771	29.6
Total	52,939	26.4	55,817	29.1	61,823	32.0

For sales in our retail shops, we generally sell the Pre-paid Products at their respective face values, but occasionally we may offer discounts and redemption rewards (such as buy ten, get one free). Therefore, sales in our own retail shops generated higher gross profit margin. For sales to the wholesaler and retailers within our Sales Networks, we offer a discount with reference to the face values stated on the relevant Pre-paid Products. For FY2016 and FY2017, the gross profit margin attributable to our sales to the wholesaler was lower than that for sales to retailers within our Sales Networks because we offered a slightly higher level of discounts to the wholesaler as bulk purchase discount. For FY2018, the gross profit margin attributable to our sales to the wholesaler was slightly higher than that for retailers within our Sales Networks, primarily attributable to the increase in sales of Operator B Products and the gross profit margin of which was lower than that of Operator A Products. Our overall gross profit margin was about 26.4%, 29.1% and 32.0% for FY2016, FY2017 and FY2018, respectively. Our overall gross profit margin for FY2016 was lower compared to FY2017 and FY2018, which was primarily attributable to a lower level of discretionary discounts offered by Network Operator A for that year. Our overall gross profit margin for FY2018 was higher, primarily due to a higher level of discount given by Network Operator A and the increase in revenue generated from our retail shops which generally had a higher gross profit margin.

### Other revenue

The following table sets forth the breakdown of other revenue during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Promotion income	780	32.5	780	26.5	780	29.7
Consignment income	1,193	49.7	2,133	72.4	1,822	69.4
Sundry income	429	17.8	34	1.1	23	0.9
	2,402	100.0	2,947	100.0	2,625	100.0

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Other revenue includes promotion income, consignment income and sundry income. For FY2016, FY2017 and FY2018, other revenue amounted to about HK\$2.4 million, HK\$2.9 million and HK\$2.6 million, respectively. Other revenue consists of the following:

- Promotion income represents a fixed sum which we received each month from Network Operator A for subsidising our promotional expenses.
- Consignment income represents the commissions we received from HKT Direct Selling Centre, a company which is wholly owned by our Controlling Shareholder, for selling mobile phones, electronics and accessories on a consignment basis commencing from 1 October 2015. For details about the consignment arrangement, please refer to the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions – Consignment Agreement” in this prospectus.
- Sundry income mainly represents the income from the provision of support services to our customers and a reimbursement of severance payment from the MPF trustee as one-off income in FY2016. Employer can offset severance payments by employee’s accrued benefits derived from the employer’s MPF contribution after paying such severance payment in accordance with the Employment Ordinance.

### Selling and distribution expenses

The following table sets forth the breakdown of our selling and distribution expenses during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rent and rates	11,776	62.7	10,982	58.3	11,795	50.6
Staff costs	5,122	27.3	5,196	27.6	6,654	28.5
Advertising and promotion expenses	1,226	6.5	2,019	10.7	4,110	17.6
Entertainment expenses	147	0.8	154	0.8	138	0.6
Others	503	2.7	489	2.6	625	2.7
	<u>18,774</u>	<u>100.0</u>	<u>18,840</u>	<u>100.0</u>	<u>23,322</u>	<u>100.0</u>

Our selling and distribution expenses include rent and rates, staff costs, advertising and promotion expenses, entertainment expenses and other sales related expenses. For FY2016, FY2017 and FY2018, our selling and distribution expenses amounted to about HK\$18.8 million, HK\$18.8 million and HK\$23.3 million, respectively. Selling and distribution expenses consist of the following:

- Rent and rates is the largest component of our selling and distribution expenses, representing the rental expense and government rates incurred for our self-managed retail shops.

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- Staff costs represent the salaries and employee benefits incurred for our sales staff and promoters.
- Advertising and promotion expenses represent the amounts incurred for promoting our Pre-paid Products such as (i) engaging active and popular television or movie celebrities in the Filipino or Indonesian communities to promote our Operator A Products; (ii) placing of advertisements on newspapers; (iii) printing of paper bags; and (iv) using of in-retail shop marketing through product display, promotion by sales staff and backdrop design.
- Entertainment expenses represent the amount incurred for business development and networking.
- Others represents the amount of management fee and utilities expenses incurred for our self-managed retail shops.

### Administrative expenses

The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	2,058	22.8	2,778	36.8	3,735	23.2
Rent and rates	729	8.1	731	9.7	732	4.5
Depreciation	502	5.6	282	3.7	480	3.0
Stationery and printing	200	2.2	184	2.4	150	0.9
Auditor's remuneration	225	2.5	233	3.1	330	2.1
Legal and professional fee	5	–	168	2.2	197	1.2
Donation	110	1.2	–	–	–	–
Office expenses	815	9.0	739	9.8	1,069	6.6
Listing expenses	4,367	48.6	2,427	32.3	9,421	58.5
	<u>9,011</u>	<u>100.0</u>	<u>7,542</u>	<u>100.0</u>	<u>16,114</u>	<u>100.0</u>

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Our administrative expenses mainly include staff costs, rent and rates, depreciation, stationery and printing, auditor's remuneration, legal and professional fee, donation, office expenses and listing expenses. For FY2016, FY2017 and FY2018, our administrative expenses amounted to about HK\$9.0 million, HK\$7.5 million and HK\$16.1 million, respectively. Administrative expenses consist of the following:

- Staff costs represent the salaries and employee benefits incurred for our office staff.
- Rent and rates represents our rental expense and government rates incurred for our office premises.
- Depreciation represents the depreciation of our property, plant and equipment, which primarily consist of leasehold improvements, furniture and office equipment and motor vehicles.
- Legal and professional fee represents fees charged by company secretary and tax representative. Amount increased in FY2017 as we engaged a new company secretary during the year, which charged a higher service fee.
- Donation represents the amount paid to charitable organisations in Hong Kong.
- Office expenses represent other administrative expenses including repair and maintenance, bank charges, utilities and insurance expense.
- Listing expenses represent the expenses relating to the preparation for the Share Offer which amounted to about HK\$4.4 million, HK\$2.4 million and HK\$9.4 million for FY2016, FY2017 and FY2018, respectively.

Mr. Siu has been our Director and no director's emoluments were paid to Mr. Siu during the Track Record Period. Mr. Siu is the Controlling Shareholder of our Company and had received his remuneration in the form of dividend from our Group, which amounted to the aggregate sum of approximately HK\$30.0 million paid in FY2018. Mr. Chung Chi Fai has been the General Manager of our Group and has received salary as a senior management of our Group. Mr. Chung Chi Fai was appointed as a Director of our Company on 18 August 2017 and received director's emoluments amounted to nil, nil and HK\$325,000 for FY2016, FY2017 and FY2018, respectively. In July 2017, Mr. Chan Him, Alfred and Ms. Cheung Yuet Ngo, Flora joined our Group and became members of our senior management. The aggregate amounts of remuneration of our senior management for FY2016, FY2017 and FY2018 amounted to about HK\$305,000, HK\$341,000 and HK\$1.1 million, respectively.



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### Finance costs

The following table sets forth the breakdown of our finance costs during the Track Record Period:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Interest expenses on bank overdraft	<u>944</u>	<u>100.0</u>	<u>154</u>	<u>100.0</u>	<u>-</u>	<u>-</u>

Our finance costs mainly consist of interest expenses on bank overdrafts.

### Taxation

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.

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

Hong Kong profits tax has been provided for at a rate of 16.5% on the estimated assessable profit during the Track Record Period.

Our income tax expenses for FY2016, FY2017 and FY2018 amounted to about HK\$5.1 million, HK\$5.9 million and HK\$5.6 million respectively; and the effective tax rate for the same periods was about 19.0%, 18.4% and 22.5% respectively. Our effective tax rate was higher than the statutory profits tax rate of 16.5% because some of our expenses were not deductible for tax purpose. As of the Latest Practicable Date and during the Track Record Period, save as disclosed in the section headed “Business – Non-Compliance Incidents” in this prospectus, we performed all our tax reporting and payment obligations and did not have any material or unresolved tax disputes.

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### REVIEW OF HISTORICAL RESULTS OF OPERATION

#### FY2018 compared with FY2017

##### Continuing operations

##### *Revenue*

Our revenue increased by about 0.6% (or HK\$1.2 million) from about HK\$192.0 million for FY2017 to about HK\$193.2 million for FY2018. The increase was mainly attributable to the increase in sales of Operator B Products of about HK\$16.4 million. Such increase was partially offset by (i) the decrease in sales to the Indonesian mobile users by about HK\$9.9 million which was mainly due to certain discounts offered by a mobile network operator on some competitive products, which targeted at Indonesian mobile users; and (ii) the decrease in sales to the Filipino mobile users by about HK\$5.2 million, primarily due to the decrease in sales to the wholesaler of about HK\$4.8 million during the year.

##### *Cost of sales*

Our cost of sales decreased by about 3.5% (or HK\$4.8 million) from about HK\$136.2 million for FY2017 to about HK\$131.4 million for FY2018. Such decrease was mainly attributable to the higher level of discretionary discounts given by Network Operator A for FY2018.

##### *Gross profit*

Our overall gross profit increased by about 10.8% (or HK\$6.0 million) from about HK\$55.8 million for FY2017 to about HK\$61.8 million for FY2018. The increase was primarily attributable to the increase in revenue generated from our retail shops. Such increase was partially offset by (i) the decrease in sales to retailers within our Sales Networks mainly due to the decrease in sales of Operator A Products which targeted at Indonesian mobile users for the reason mentioned above; and (ii) the decrease in sales to the wholesaler mainly due to the decrease in sales of Operator A Products which targeted at Filipino mobile users. Our overall gross profit margin increased from about 29.1% for FY2017 to about 32.0% for FY2018. Such increase was primarily attributable to (i) a higher level of discretionary discounts offered by Network Operator A; and (ii) the increase in revenue generated from our retail shops which generally had a higher gross profit margin as we sold the Pre-paid Products at their respective face values.

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### ***Other revenue***

Our other revenue decreased by about 10.3% (or HK\$0.3 million) from about HK\$2.9 million for FY2017 to about HK\$2.6 million for FY2018. The decrease was primarily attributable to the decrease in consignment income of about HK\$0.3 million resulting from the decreased sales of the consigned goods for the year.

### ***Selling and distribution expenses***

Our selling and distribution expenses increased by about 23.9% (or HK\$4.5 million) from about HK\$18.8 million for FY2017 to about HK\$23.3 million for FY2018. The increase was primarily attributable to (i) the increase in advertising and promotion expenses of about HK\$2.1 million which was primarily due to the engagement of some popular television or movie celebrities from the Filipino or Indonesian communities to promote Operator A Products at our retail shop in Yuen Long and Central; (ii) the increase in staff costs of about HK\$1.5 million which was primarily due to the recruitment of additional sales staff and increase in salary for our sales staff; and (iii) the increase in rent and rates of about HK\$0.8 million which was primarily due to the additional rent for our new retail shop in Yuen Long.

### ***Administrative expenses***

Our administrative expenses increased by about 114.7% (or HK\$8.6 million) from about HK\$7.5 million for FY2017 to about HK\$16.1 million for FY2018. The increase was primarily attributable to (i) the increase in listing expenses of about HK\$7.0 million; and (ii) the increase in office expenses of about HK\$0.3 million mainly due to the increase in insurance premiums paid for more comprehensive coverage.

### ***Finance costs***

Our finance costs were about HK\$0.2 million for FY2017, while we did not incur any finance costs for FY2018 as our bank overdraft was fully repaid during FY2017.

### ***Taxation***

Our income tax expense decreased by about 5.1% (or HK\$0.3 million) from about HK\$5.9 million for FY2017 to about HK\$5.6 million for FY2018. The decrease was primarily attributable to the decrease in assessable profit for the year. Our effective tax rate increased from about 18.4% for FY2017 to about 22.5% for FY2018. The increase was primarily attributable to the increase in listing expenses of about HK\$7.0 million which was not deductible for tax purpose.

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### ***Profit for the year from continuing operations***

As a combined effect of the foregoing, our profit for the year from continuing operations decreased by about 26.2% (or HK\$6.9 million) from about HK\$26.3 million for FY2017 to about HK\$19.4 million for FY2018. Our adjusted net profit margin (excluding the listing expenses) from the continuing operation decreased from about 15.0% for FY2017 to about 14.9% for FY2018, which was relatively stable.

### **FY2017 compared with FY2016**

#### **Continuing operations**

##### ***Revenue***

Our revenue decreased by about 4.1% (or HK\$8.3 million) from about HK\$200.3 million for FY2016 to about HK\$192.0 million for FY2017. The decrease was mainly attributable to the decrease in revenue of about HK\$14.5 million from sales to the wholesaler and retailers within our Sales Networks which was mainly due to lower level of discounts and reward redemption programmes being offered by our Group for FY2017. Such decrease was partially offset by the increase in revenue from sales in our own retail shops of about HK\$6.1 million, especially for our retail shops in Central and Causeway Bay resulting from the increase in advertising and promotion activities carried out by us during FY2017.

##### ***Cost of sales***

Our cost of sales decreased by about 7.6% (or HK\$11.2 million) from about HK\$147.4 million for FY2016 to about HK\$136.2 million for FY2017. The decrease was generally in line with the decline in revenue during the financial year.

##### ***Gross profit***

Our overall gross profit increased by about 5.5% (or HK\$2.9 million) from about HK\$52.9 million for FY2016 to about HK\$55.8 million for FY2017. The increase was primarily attributable to (i) the increase in revenue from our retail shops which generally had a higher gross profit margin as we generally sold the Pre-paid Products at their respective face values; (ii) a higher level of discretionary discounts offered by Network Operator A for FY2017; and (iii) the decrease in sales to the wholesaler. The gross profit margin attributable to our sales to the wholesaler was lower than that for sales to retailers within our Sales Networks because we offered a slightly higher level of discounts to the wholesaler as bulk purchase discount. As the combined effect of the foregoing, our overall gross profit margin increased from about 26.4% for FY2016 to about 29.1% for FY2017.

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### ***Other revenue***

Our other revenue increased by about 20.8% (or HK\$0.5 million) from about HK\$2.4 million for FY2016 to about HK\$2.9 million for FY2017. The increase was primarily attributable to the increase in consignment income of about HK\$0.9 million resulting from the increased sales of the consigned goods to the customers, which is partially offset by the absence of the one-off income in relation to the reimbursement of severance payment of about HK\$0.4 million for FY2016.

### ***Selling and distribution expenses***

Our selling and distribution expenses remained relatively stable at about HK\$18.8 million for both FY2016 and FY2017. The stable selling and distribution expenses was primarily attributable to the decrease in rent and rates of about HK\$0.8 million due to the relocation of our retail shop in Causeway Bay in July 2015 which carried a lower rent. Such decrease was fully offset by the increase in advertising and promotion expenses of about HK\$0.8 million which was primarily due to the increase in advertising and promotion activities carried out by us during FY2017, especially for our retail shops in Central and Causeway Bay.

### ***Administrative expenses***

Our administrative expenses decreased by about 16.7% (or HK\$1.5 million) from about HK\$9.0 million for FY2016 to about HK\$7.5 million for FY2017. The decrease was primarily attributable to (i) the decrease in listing expenses of about HK\$2.0 million; (ii) the decrease in depreciation of about HK\$0.2 million; and (iii) the decrease in donation of about HK\$0.1 million, which were partially offset by (i) the increase in staff costs of about HK\$0.7 million due to recruitment of an additional account manager; and (ii) the increase in legal and professional fees of about HK\$0.2 million due to the engagement of a new company secretary which charged a higher service fee.

### ***Finance costs***

Our finance costs decreased by about 77.8% (or HK\$0.7 million) from about HK\$0.9 million for FY2016 to about HK\$0.2 million for FY2017. The decrease was primarily attributable to the decrease in the average balance of bank overdraft during the financial year.

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### ***Taxation***

Our income tax expense increased by about 15.7% (or HK\$0.8 million) from about HK\$5.1 million for FY2016 to about HK\$5.9 million for FY2017. The increase was primarily attributable to the increase in assessable profit for the year. Our effective tax rate decreased from about 19.0% for FY2016 to about 18.4% for FY2017. The decrease was primarily attributable to the decrease in listing expenses of about HK\$2.0 million which was not deductible for tax purpose.

### ***Profit for the year from continuing operations***

As a combined effect of the foregoing, our profit for the year from continuing operations increased by about 22.3% (or HK\$4.8 million) from about HK\$21.5 million for FY2016 to about HK\$26.3 million for FY2017. Our adjusted net profit margin (excluding the listing expenses) from the continuing operation increased from about 12.9% for FY2016 to about 15.0% for FY2017, mainly due to the increase in the gross profit margin from about 26.4% for FY2016 to about 29.1% for FY2017, and the effect was partially offset by the increase in the administrative expenses as discussed above.

### ***Discontinued operations***

### ***Profit for the year from discontinued operations***

Our profit for the year from discontinued operations decreased from about HK\$1.5 million for FY2016 to nil for FY2017. The decrease was primarily attributable to the disposal of the Discontinued Business to a company outside our Group which is wholly owned by our Controlling Shareholder and the inventories related to such Discontinued Business were disposed of by our Group at cost with effect from 30 September 2015 pursuant to the inventory transfer agreements entered into by such company wholly owned by our Controlling Shareholder with (i) HK Mobile and (ii) Kinson Group, respectively. Such disposal was completed on 30 September 2015.

## **LIQUIDITY AND CAPITAL RESOURCES**

We finance our liquidity requirements primarily through cash flow generated from operating activities. Our primary uses of cash are for the payments to suppliers, rent and rates, staff costs, working capital needs and capital expenditures on property, plant and equipment.

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The following table sets forth a summary of our combined statements of cash flows for the Track Record Period:

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
Net cash generated from operating activities	21,688	17,771	17,595
Net cash used in investing activities	(785)	(102)	(1,501)
Net cash (used in)/generated from financing activities	<u>(16,503)</u>	<u>(16,534)</u>	<u>5,146</u>
Net (decrease)/increase in cash and cash equivalents	4,400	1,135	21,240
Cash and cash equivalents at the beginning of the year	<u>1,361</u>	<u>5,761</u>	<u>6,896</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>5,761</u></b>	<b><u>6,896</u></b>	<b><u>28,136</u></b>

### Operating Activities

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for the sale of Pre-paid Products. Our cash outflow used in operating activities was principally for purchases of Pre-paid Products, rent and rates, staff costs and other operating expenses.

In FY2016, net cashflow from operating activities amounted to about HK\$21.7 million, which was primarily attributable to the operating profit before working capital changes of about HK\$29.8 million, which was partially offset by (i) the net negative changes in working capital of about HK\$0.8 million; (ii) interest paid of about HK\$0.9 million; and (iii) income tax paid of about HK\$6.4 million. The net negative changes in working capital was primarily attributable to (i) the decrease in accruals, other payables and receipts in advance of about HK\$1.5 million, primarily due to the decrease in accrued rental expense and management fee; (ii) the decrease in trade payables of about HK\$1.1 million as the trade payables were fully settled following the disposal of the Discontinued Business; (iii) the increase in deposits, prepayments and other receivables of about HK\$0.7 million, primarily due to the increase in prepayment of listing expenses; which was partly offset by (iv) the decrease in inventories of about HK\$2.3 million.

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In FY2017, net cashflow from operating activities amounted to about HK\$17.8 million, which was primarily attributable to the operating profit before working capital changes of about HK\$32.7 million which was partially offset by (i) the net negative changes in working capital of about HK\$9.1 million; (ii) interest paid of about HK\$0.2 million; and (iii) income tax paid of about HK\$5.6 million. The net negative changes in working capital was primarily attributable to (i) the increase in inventories of about HK\$10.8 million, primarily resulting from the launch of the Operator B Products in March 2017 and hence an increase in inventories being kept by us; (ii) the increase in deposits, prepayments and other receivables of about HK\$0.7 million which was partially offset by (iii) the increase in accruals, other payables and receipts in advance of about HK\$1.3 million, primarily due to the increase in other payable for listing expenses in FY2017; and (iv) the decrease in trade receivables of about HK\$1.1 million.

In FY2018, net cashflow from operating activities amounted to about HK\$17.6 million, which was primarily attributable to the operating profit before working capital changes of about HK\$25.5 million which was partially offset by (i) the net negative changes in working capital of about HK\$0.9 million; and (ii) income tax paid of about HK\$7.0 million. The net negative changes in working capital was primarily attributable to (i) the increase in deposits, prepayments and other receivables of about HK\$3.7 million; and (ii) the increase in trade receivables of about HK\$3.2 million, which was partially offset by (iii) the decrease in inventories of about HK\$3.7 million; and (iv) the increase in accruals, other payables and receipts in advance of about HK\$2.3 million.

### **Investing Activities**

During the Track Record Period, our cash outflow used in investing activities was principally for purchases of property, plant and equipment.

In FY2016, net cashflow used in investing activities amounted to about HK\$0.8 million, which was primarily attributable to purchases of property, plant and equipment.

In FY2017, net cashflow used in investing activities amounted to about HK\$0.1 million, which was primarily attributable to purchases of property, plant and equipment.

In FY2018, net cashflow used in investing activities amounted to about HK\$1.5 million which was primarily attributable to purchases of property, plant and equipment.



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### Financing activities

During the Track Record Period, our cash inflow from financing activities was principally including repayment from a director and related parties. Our cash outflow used in financing activities was primarily for the payment of dividends to equity owners of our Company and repayment on bank overdraft and bank borrowings.

In FY2016, net cashflow used in financing activities amounted to about HK\$16.5 million, which was primarily attributable the decrease in bank overdraft of about HK\$27.7 million, which was partially offset by the repayment from a director of about HK\$13.2 million.

In FY2017, net cashflow used in financing activities amounted to about HK\$16.5 million, which was primarily attributable to the decrease in bank overdraft of about HK\$18.9 million, which was partially offset by the repayment from related parties of about HK\$1.4 million and repayment from a director of about HK\$1.0 million.

In FY2018, net cashflow generated from financing activities amounted to about HK\$5.1 million which was primarily attributable to the repayment from related parties of about HK\$9.0 million, which was partially offset by the dividends paid to equity owner of our Company of about HK\$3.8 million.

### NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as at the dates indicated:

	<b>As at 31 March</b>			<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current assets</b>				
Inventories	25,336	36,140	32,464	62,944
Trade receivables	1,083	–	3,197	2,859
Deposits, prepayments and other receivables	4,697	5,392	9,081	8,585
Amount due from a director	15,389	14,415	–	–
Amounts due from related parties	16,867	15,498	–	–
Cash and cash equivalents	<u>5,761</u>	<u>6,896</u>	<u>28,136</u>	<u>6,102</u>
	<u>69,133</u>	<u>78,341</u>	<u>72,878</u>	<u>80,490</u>

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	As at 31 March			As at 31 July
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current liabilities</b>				
Bank overdraft	18,866	–	–	–
Accruals, other payables and receipts in advance	1,240	2,507	4,811	4,810
Amount due to a related party	833	822	6,055	2,376
Tax payables	<u>2,202</u>	<u>2,528</u>	<u>1,156</u>	<u>1,862</u>
	<u>23,141</u>	<u>5,857</u>	<u>12,022</u>	<u>9,048</u>
<b>Net current assets</b>	<b><u>45,992</u></b>	<b><u>72,484</u></b>	<b><u>60,856</u></b>	<b><u>71,442</u></b>
Total assets less current liabilities	<u>47,687</u>	<u>73,979</u>	<u>63,462</u>	<u>74,295</u>

We recorded net current assets of about HK\$46.0 million, HK\$72.5 million and HK\$60.9 million and HK\$71.4 million as at 31 March 2016, 2017 and 2018 and 31 July 2018, respectively.

Our net current assets increased from about HK\$46.0 million as at 31 March 2016 to about HK\$72.5 million as at 31 March 2017. The increase was mainly due to (i) the decrease in bank overdraft of about HK\$18.9 million resulting from repayment of the bank overdraft in full; (ii) the increase in inventories of about HK\$10.8 million resulting from the launch of the Operator B Products in March 2017 and hence an increase in Operator B Pre-paid Products being kept by us; and (iii) the increase in cash and cash equivalents of about HK\$1.1 million, which was partially offset by (i) the decrease in amounts due from related parties of about HK\$1.4 million; and (ii) the increase in accruals, other payables and receipts in advance of about HK\$1.3 million.

Our net current assets decreased from about HK\$72.5 million as at 31 March 2017 to about HK\$60.9 million as at 31 March 2018. The decrease was mainly due to (i) the settlement of amounts due from a director and related parties of about HK\$29.9 million in aggregate by setting off the dividend declared in September 2017; (ii) the decrease in inventories of about HK\$3.7 million; and (iii) the increase in amount due to a related party of about HK\$5.2 million, which was partially offset by the increase in cash and cash equivalents of about HK\$21.2 million.

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Our net current assets increased from about HK\$60.9 million as at 31 March 2018 to about HK\$71.4 million as at 31 July 2018. The increase was mainly due to (i) the increase in inventories of about HK\$30.5 million, which primarily resulted from the bulk purchase of the Operator A Products in June and July 2018 to enjoy a higher purchase discount; and (ii) the decrease in the amount due to a related party of about HK\$3.7 million, which was partially offset by the decrease in cash and cash equivalents of about HK\$22.0 million.

### WORKING CAPITAL

Barring any unforeseen factors and circumstances, our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated net proceeds from the Share Offer, our Group will have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

### DESCRIPTION OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Available-for-sale financial assets

Available-for-sale financial assets mainly represent the club debentures. The fair value of such club debentures was about HK\$0.8 million, HK\$0.8 million and HK\$0.9 million as at 31 March 2016, 2017 and 2018, respectively. The fluctuation in the balance of the available-for-sale financial assets during the Track Record Period was attributable to the change in the fair value of such club debentures.

#### Inventories

Our inventories mainly represent our SIM Cards, Top-up Vouchers and others. For others in our inventories, amount primarily represents mobile phones, electronics and accessories for our Discontinued Business.

The following table sets forth the components of our inventories as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
SIM Cards	1,268	2,611	5,122
Top-up Vouchers	24,068	33,529	27,342
Others	—	—	—
<b>Total</b>	<b>25,336</b>	<b>36,140</b>	<b>32,464</b>

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## FINANCIAL INFORMATION

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Balances of inventories increased by about 42.7% (or HK\$10.8 million) from about HK\$25.3 million as at 31 March 2016 to about HK\$36.1 million as at 31 March 2017 which was mainly attributable to the launch of the Operator B Products in March 2017 and hence an increase in inventories being kept by us as at 31 March 2017. Balances of inventories decreased by about 10.0% (or HK\$3.6 million) from about HK\$36.1 million as at 31 March 2017 to about HK\$32.5 million as at 31 March 2018 which was mainly attributable to the decrease in inventories of Top-up Vouchers of Operator A Products kept by us as at 31 March 2018.

As most of our inventories are related to our sale of SIM Cards and Top-up Vouchers, our average inventory turnover days of inventories for the year is derived by dividing the average inventory in respect of our sale of SIM Cards and Top-up Vouchers by cost of sales for the year and multiplying by 365 days. Our average inventory turnover days was about 62.0 days, 82.4 days and 95.3 days for FY2016, FY2017 and FY2018, respectively. Our average inventory turnover days were consistent with our Group's policy to maintain inventories level for two to three months usage for our daily operations. The increase in our average inventory turnover days from about 62.0 days for FY2016 to about 82.4 days for FY2017 was primarily attributable to the increase in Operator B Products which were launched in March 2017. The increase in our average inventory turnover days from about 82.4 days for FY2017 to about 95.3 days for FY2018 was primarily due to the increase in average inventory balance together with the decrease in cost of sales for FY2018. As at 31 July 2018, about 97.5% (or HK\$31.7 million) of our inventories as at 31 March 2018 had been subsequently sold.

### **Trade receivables**

Our trade receivables mainly represent trade receivables from the wholesaler. We do not normally grant credit term to our customers, other than Customer A who had about 9 years of business relationship with us and Customer B who has taken up the wholesale business of Pre-paid Products of Customer A since January 2018.

Customers are generally required to settle payment in advance or upon delivery of our Pre-paid Products. Considering the significant sales contribution from Customer A who was a wholesaler as well as its long-term business relationship with our Group, Customer A was granted a credit period of 10 days from delivery. Taking into account that (i) Customer B has taken up the wholesale business of Pre-paid Products of Customer A and has replaced Customer A as our sole wholesaler since January 2018; (ii) our business relationship with Customer A and (iii) the relationship between Customer A and Customer B, the same credit period has been granted to Customer B. For further details in relation to the relationship between Customer A and Customer B, please refer to the section headed "Business – Our Customers and Sales Networks – Reliance on our major customers – Background of Customer A, Customer B and Retailer A" in this prospectus. Our Group seeks to maintain strict control over our outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk.

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## FINANCIAL INFORMATION

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The following table sets forth the ageing analysis of trade receivables, based on invoice date, as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
0 – 10 days	1,083	–	1,818
Over 10 days	–	–	1,379
Total	<u>1,083</u>	<u>–</u>	<u>3,197</u>

Our trade receivables amounted to about HK\$1.1 million, nil and HK\$3.2 million as at 31 March 2016, 2017 and 2018, respectively. Our trade receivables decreased from about HK\$1.1 million as at 31 March 2016 to nil as at 31 March 2017, as all of our trade receivables had been settled during FY2017. Our trade receivables increased from nil as at 31 March 2017 to about HK\$3.2 million as at 31 March 2018, primarily due to the amount yet to be settled by Customer B.

As at 31 March 2016, 2017 and 2018, we had trade receivables of nil, nil and HK\$1.4 million, respectively, that were past due. The increase in the amount of trade receivables that were past due from nil as at 31 March 2017 to about HK\$1.4 million as at 31 March 2018 was mainly due to our sales of Pre-Paid Products to Customer B, who has taken up the wholesale business of Customer A and has replaced Customer A as our sole wholesaler since January 2018, in the fourth quarter of FY2018, certain receivables of which were not settled as at 31 March 2018. We did not hold any collateral over the above balances, but our management considered that no impairment loss was necessary in view of (i) Customer B has taken up the wholesale business of Customer A and has replaced Customer A as our sole wholesaler since January 2018; (ii) our business relationship with Customer A; (iii) the relationship between Customer A and Customer B and (iv) its subsequent repayments. As at 31 July 2018, all of the trade receivables as at 31 March 2018 were fully settled.

Our average turnover days of trade receivables for the year is derived by dividing the average trade receivables by revenue in respect of our sale of Pre-paid Products for the year and multiplying by 365 days. Our average turnover days of trade receivables remained relatively stable at about 2.1 days, 1.0 day and 3.0 days for FY2016, FY2017 and FY2018, respectively.

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## FINANCIAL INFORMATION

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### Deposits, prepayments and other receivables

The following table sets forth the breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	3,174	3,365	4,472
Prepayments	1,393	1,917	4,341
Other receivables	<u>130</u>	<u>110</u>	<u>268</u>
<b>Total</b>	<b><u>4,697</u></b>	<b><u>5,392</u></b>	<b><u>9,081</u></b>

Our deposits mainly represent rental and utility deposits. Our rental and utility deposits amounted to about HK\$3.1 million, HK\$3.4 million and HK\$4.5 million as at 31 March 2016, 2017 and 2018, respectively. The increase in deposit of about HK\$1.1 million or 32.4% from about HK\$3.4 million as at 31 March 2017 to about HK\$4.5 million as at 31 March 2018, which was primarily due to the increase in rental deposit for our new retail shop in Yuen Long which commenced operation in June 2017 and the increase in the rental deposit resulting from the relocation of our retail shop in Causeway Bay in March 2018 which carried a higher rent.

Our prepayments mainly represent the prepayment for insurance expense and the listing expense relating to the Share Offer. The increase in prepayment during the Track Record Period was primarily attributable to the prepayment of listing expense.

Our other receivables mainly represent promotion income receivable from Network Operator A and the advances made to our employees. Our other receivables remained relatively stable during the Track Record Period.

## FINANCIAL INFORMATION

### Amount due from a director

The following table sets forth the details of the amount due from a director as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Mr. Siu	15,389	14,415	–

The amount due from a director represented fund advanced to Mr. Siu, which is unsecured, interest-free and repayable on demand. The outstanding balance of the amount due from a director as at 31 March 2017 and up to 31 July 2017 were assigned to Mr. Siu and were fully settled by setting off the dividend declared in September 2017.

### Amounts due from/to related parties

The amounts due from related parties were in non-trade nature (except for the Lung Shun Holdings Ltd and Hung Sang Group Ltd), unsecured, interest-free and repayable on demand. The outstanding balance of the amounts due from related parties as at 31 March 2017 and up to 31 July 2017 were assigned to Mr. Siu and were fully settled by setting off the dividend declared in September 2017.

The following table sets forth the details of the amounts due from related parties as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Amounts due from related parties</b>			
Lung Shun Holdings Ltd ( <i>Note 1</i> )	4,345	4,345	–
Mobile Phone Shop Ltd	5	–	–
Big Winner Holdings Ltd ( <i>Note 2</i> )	4,389	4,381	–
Hung Sang Group Ltd ( <i>Note 3</i> )	6,829	6,469	–
Hong Kong China Telecommunication Direct Selling Company Ltd	9	–	–
China Way ( <i>Note 4</i> )	271	303	–
Super Telecommunication Company Ltd ( <i>Note 5</i> )	973	–	–
Tai Tung Mobile Phone Company Ltd	9	–	–
Sunday Review Ltd	37	–	–
<b>Total</b>	<u>16,867</u>	<u>15,498</u>	<u>–</u>

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## FINANCIAL INFORMATION

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Notes:

- (1) Lung Shun Holdings Ltd (“**Lung Shun**”) is a limited company incorporated in Hong Kong that is an investment holding company and is 50% owned by Mr. Siu and 50% owned by Mrs. Siu. As at 31 March 2016, 2017 and 2018, the amount due from Lung Shun was about HK\$4.3 million, HK\$4.3 million and nil, respectively. Such amount due from Lung Shun was of trade nature mainly arising from rental payment made by our Group and fund advancement from our Group to Lung Shun.
- (2) Big Winner Holdings Ltd (“**Big Winner**”) is a limited company incorporated in Hong Kong that is dormant and is 50% owned by Mr. Siu and 50% owned by Mrs. Siu. As at 31 March 2016, 2017 and 2018, the amount due from Big Winner Holdings Ltd was about HK\$4.4 million, HK\$4.4 million and nil, respectively. Such amount due from Big Winner was of non-trade nature mainly arising from fund advancement from our Group to Big Winner.
- (3) Hung Sang Group Ltd (“**Hung Sang**”) is a limited company incorporated in Hong Kong that and investment holding company and is 50% owned by Mr. Siu and 50% owned by Mrs. Siu. As at 31 March 2016, 2017 and 2018, the amount due from Hung Sang was about HK\$6.8 million, HK\$6.5 million and nil, respectively. Such amount due from Hung Sang was of trade nature mainly arising from rental payment made by our Group and fund advancement from our Group to Hung Sang.
- (4) China Way is a limited company incorporated in Hong Kong that is dormant and is 50% owned by Mr. Siu and 50% owned by Mr. Lee Kwok Wai (as trustee for Mr. Siu). As at 31 March 2016, 2017 and 2018, the amount due from China Way was about HK\$0.3 million, HK\$0.3 million and nil, respectively. Such amount due from China Way was of non-trade nature mainly arising from the disposal of a motor vehicle by our Group to China Way.
- (5) Super Telecommunication Company Ltd (“**Super Telecom**”) is a limited company incorporated in Hong Kong that is dormant and is solely owned by Mr. Lo Chi Chiu (as trustee for Mr. Siu). As at 31 March 2016, 2017 and 2018, the amount due from Super Telecom was about HK\$0.9 million, nil and nil, respectively. Such amount due from Super Telecom was of non-trade nature mainly arising from fund advancement from our Group to Super Telecom.



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## FINANCIAL INFORMATION

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The following table sets forth the details of the amount due to a related party as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Amount due to a related party</b>			
HKT Direct Selling Centre	<u>833</u>	<u>822</u>	<u>6,055</u>

The amounts due to related parties was in trade nature, unsecured, interest-free and repayable on demand. The outstanding balance of the amounts due to related parties as at 31 March 2017 and up to 31 July 2017 were assigned to Mr. Siu and were fully settled by setting off the dividend declared in September 2017.

As at 31 March 2018, the amount due to a related party was about HK\$6.1 million, which was incurred in relation to the sales of consigned goods. For details, please refer to the section headed “Connected Transactions – Non-Exempt Continuing Connected Transactions – Consignment Agreement” in this prospectus.

### Trade payables

Our trade payables are mainly related to purchases from suppliers of mobile phones, electronics and accessories in relation to our Discontinued Business.

As at 31 March 2016, 2017 and 2018, we did not record any outstanding balance of trade payables.

We are not granted any credit period by Network Operator A and Network Operator B and we are required to settle payment before delivery of our Pre-paid Products. We were granted credit periods ranging from 0 to over 10 days by our suppliers. Following the disposal of the Discontinued Business to a company outside our Group which is wholly owned by our Controlling Shareholder in September 2015, we record nil trade payables as at 31 March 2016, 2017 and 2018.

Our average turnover days of trade payables for the year is derived by dividing the average trade payables by cost of sales in respect of our Discontinued Business for the year and multiplying by 182 days for FY2016. Due to the disposal of the Discontinued Business in September 2015, the average turnover days of trade payables was about 13.1 days in FY2016. As we were not granted any credit period by Network Operator A and Network Operator B, the average turnover days of trade payables was nil for FY2017 and FY2018.

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## FINANCIAL INFORMATION

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As at 31 July 2018, we had no trade payables outstanding. We had no material defaults with regard to payments of trade payables during the Track Record Period.

### Accruals, other payables and receipts in advance

The following table sets forth the details of accruals, other payables and receipts in advance as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	680	463	676
Provision for severance payments	396	849	1,244
Receipts in advance	2	21	937
Other payables	<u>162</u>	<u>1,174</u>	<u>1,954</u>
<b>Total</b>	<u><u>1,240</u></u>	<u><u>2,507</u></u>	<u><u>4,811</u></u>

Accruals mainly represents the accrued expenses for staff salaries and benefits, rental expense, management fee and auditor's remuneration. Our accruals decreased by about 28.6% (or HK\$0.2 million) from about HK\$0.7 million as at 31 March 2016 to about HK\$0.5 million as at 31 March 2017. The decrease was primarily attributable to the payment of accrued staff benefits as at 31 March 2017, which was primarily due to the settlement of staff benefits at the end of each month and thus no accruals were provided. Our accruals increased by about 40.0% (or HK\$0.2 million) from about HK\$0.5 million as at 31 March 2017 to about HK\$0.7 million as at 31 March 2018. The increase was primarily attributable to the increase in accrued expenses for auditor's remuneration.

Provision for severance payments were made for our employees who have worked for us for not less than two years. Our provision for severance payments increased from about HK\$0.4 million as at 31 March 2016 to about HK\$0.8 million as at 31 March 2017 and further increased to about HK\$1.2 million as at 31 March 2018. The increase was mainly attributable to the increase in the number of employees who have worked for one of our subsidiaries for not less than two years.

Receipts in advance mainly represents the deposit received from our customers when they placed orders for our Pre-paid Products.

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Other payables mainly represents payables for entertainment expenses and listing expenses. Our other payables amounted to about HK\$0.2 million, HK\$1.2 million and HK\$2.0 million as at 31 March 2016, 2017 and 2018, respectively. The increase in our other payables from about HK\$0.2 million as at 31 March 2016 to about HK\$1.2 million as at 31 March 2017 and further increased to about HK\$2.0 million as at 31 March 2018 was primarily due to the increase in payables for listing expenses.

### INDEBTEDNESS

The following table sets forth a summary of our indebtedness as at the dates indicated:

	<b>As at 31 March</b>			<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>				
Bank overdraft	18,866	–	–	–
Amount due to a related party	<u>833</u>	<u>822</u>	<u>6,055</u>	<u>2,376</u>
<b>Total</b>	<u><u>19,699</u></u>	<u><u>822</u></u>	<u><u>6,055</u></u>	<u><u>2,376</u></u>

### Bank overdraft

We obtained financing from the banks in the form of bank overdraft during the Track Record Period. Our bank overdraft is revolving borrowing drawn down against bank facility provided by the bank without fixed repayment schedule. Such bank facilities were secured by the personal guarantee of Mr. Siu, corporate guarantee of the related companies and the properties owned by Mr. Siu and the related companies.

Our bank overdraft decreased from about HK\$18.9 million as at 31 March 2016 to nil as at 31 March 2017. The decrease was primarily attributable to the repayment of the bank overdraft. In FY2017, our bank overdraft was fully repaid and all of our bank facilities, guarantees and pledged properties were cancelled and released.

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## FINANCIAL INFORMATION

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The following table sets out the range of interest rates for our bank overdraft as at the dates indicated:

	<b>As at 31 March</b>			<b>At as 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>
	HIBOR			
	+3.1% to			
	HKD Prime			
Bank overdraft	+1.0%	Nil	Nil	Nil

As at 31 July 2018, our material sources of liquidity were cash and cash equivalents of about HK\$6.1 million. As at 31 July 2018 and as at the Latest Practicable Date, we did not maintain any banking facilities and had no outstanding bank borrowings or bank overdraft.

During the Track Record Period, we did not experience any delay or default in repayment of bank overdraft and other borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us. As of the date of this prospectus, we did not have any plan for material external debt financing. We confirm that we were not subject to any material financial covenants nor any breach of such covenants during the Track Record Period.

As at 31 March 2018 and 31 July 2018, we had amount due to a related party of about HK\$6.1 million and HK\$2.4 million, respectively. Our amounts due to a related party was incurred in relation to the sales of consigned goods. For details, please refer to the section headed “Connected Transactions – Non-Exempt Continuing Connected Transactions – Consignment Agreement” in this prospectus. Our Directors confirm that all amount due to a related party as at 31 March 2018 and 31 July 2018 has been fully settled as at the Latest Practicable Date.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities as at 31 July 2018.

### CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group did not have any material contingent liabilities that will have a material adverse effect on our financial position, liquidity or results of operation.

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## FINANCIAL INFORMATION

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### CONTRACTUAL AND CAPITAL COMMITMENTS

#### Operating lease commitment

We have operating lease commitments of minimum lease payments due from us as lessee of properties under operating leases in respect of our office premises and retail shops.

The following table sets forth the future aggregate minimum lease payables under non-cancellable operating leases in respect of office premises and retail stores which fall due for the periods indicated:

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	9,300	11,292	12,229
In the second to fifth years	<u>5,352</u>	<u>17,091</u>	<u>11,680</u>
	<u>14,652</u>	<u>28,383</u>	<u>23,909</u>

#### Capital commitments

The Group had no material capital commitment in respect of the acquisition of property, plant and equipment as at 31 March 2016. As at 31 March 2017 and 2018, the Group had capital commitment in respect of the acquisition of property, plant and equipment of about HK\$85,000 and HK\$357,000, respectively.

### CAPITAL EXPENDITURE

#### Historical capital expenditure

Our capital expenditures are principally for the purchases of furniture and office equipment, leasehold improvement and the purchase of motor vehicles. For FY2016, FY2017 and FY2018, we incurred capital expenditures of about HK\$0.8 million, HK\$0.1 million and HK\$1.5 million, respectively. For the period after the Track Record Period and up to the Latest Practicable Date, we incurred capital expenditures of about HK\$441,000.

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## FINANCIAL INFORMATION

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### Planned capital expenditure

Our planned capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic 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 through the net proceeds from the Share Offer and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the Track Record Period or as at each of the dates indicated:

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Return on equity <sup>(1)</sup>	45.2%	35.6%	30.6%
Return on total assets <sup>(2)</sup>	30.4%	33.0%	25.7%

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Current ratio <sup>(3)</sup>	3.0 times	13.4 times	6.1 times
Quick ratio <sup>(4)</sup>	1.9 times	7.2 times	3.4 times
Gearing ratio <sup>(5)</sup>	39.6%	–	–

<sup>(1)</sup> Return on equity is calculated based on the profit from our continuing operations for the respective year divided by the total equity as at the end of the respective year and multiplied by 100%.

<sup>(2)</sup> Return on total assets is calculated based on the profit from our continuing operations for the respective year divided by the total assets as at the end of the respective year and multiplied by 100%.

<sup>(3)</sup> Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

<sup>(4)</sup> Quick ratio is calculated based on our total current assets minus inventories divided by our total current liabilities as at the end of the respective year.

<sup>(5)</sup> Gearing ratio is calculated based on the total debt divided by total equity as at the end of the respective year and multiplied by 100%.

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## FINANCIAL INFORMATION

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### **Return on equity**

Our return on equity decreased from about 45.2% for FY2016 to about 35.6% for FY2017. The decrease was primarily due to the combined effect of (i) the increase in our profit for the year, primarily due to increase in our gross profit together with the decrease in the non-recurring listing expenses for the year; and (ii) the increase in our total equity as a result of the retained profits recorded for the year.

Our return on equity decreased from about 35.6% for FY2017 to about 30.6% for FY2018. The decrease was primarily due to the combined effect of (i) the decrease in our profit for the year which primarily due to the increase in non-recurring listing expenses in FY2018, which was partially offset by the increase in gross profit; and (ii) the increase in the total equity as a result of the retained profits recorded for the year.

### **Return on total assets**

Our return on total assets was about 30.4% and 33.0% in FY2016 and FY2017, respectively, which was relatively stable throughout such years.

Our return on total assets decreased from about 33.0% for FY2017 to about 25.7% for FY2018. The decrease was primarily due to the decrease in our net profit for the year outweighed the decrease in our total assets. The decrease in our net profit for the year was primarily due to the increase in the non-recurring listing expenses in FY2018. The decrease in our total assets as at 31 March 2018 was primarily due to the settlement of amounts due from a director and related parties by setting off the dividend declared in September 2017 and the decrease in inventories of Operator A Products.

### **Current ratio**

Our current ratio increased from about 3.0 times as at 31 March 2016 to about 13.4 times as at 31 March 2017. The increase was primarily due to the combined effect of (i) the increase in our current assets, primarily due to the increase in inventories of Operator B Products which was launched in March 2017; and (ii) decrease in current liabilities as the bank overdraft was fully repaid during the year.

Our current ratio decreased from about 13.4 times as at 31 March 2017 to about 6.1 times as at 31 March 2018. The decrease was primarily due to the combined effect of (i) the decrease in our current assets, primarily due to the settlement of amounts due from a director and related parties by setting off the dividend declared in September 2017 and the decrease in inventories of Operator A Products; and (ii) increase in current liabilities as a result of increase in amount due to a related party and payables for listing expenses.

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## FINANCIAL INFORMATION

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### Quick ratio

Our quick ratio increased from about 1.9 times as at 31 March 2016 to about 7.2 times as at 31 March 2017 and decreased to about 3.4 times as at 31 March 2018. The quick ratio was primarily in line with the fluctuation in our current ratio.

### Gearing ratio

Our gearing ratio decreased from about 39.6% as at 31 March 2016 to nil as at 31 March 2017 as the bank overdraft was fully repaid in FY2017.

Our gearing ratio was nil as at 31 March 2018 as the bank overdraft was fully repaid in FY2017.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Financial risk management is coordinated at our Group's headquarters, in close co-operation with the board of Directors. Overall objectives in managing financial risks focus on securing our Group's short to medium term cash flows by minimising its exposure to financial markets.

Details of the risks to which we are exposed are set out in note 32 to the Accountants' Report set out in Appendix I to this prospectus.

### OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the paragraphs headed "Contractual and capital commitments" and "Indebtedness" in this section.

### DIVIDEND

For FY2016 and FY2017, we did not pay any dividend. During FY2018, our subsidiary (namely, HK Mobile) declared in September 2017 a special dividend to its then shareholder of HK\$30.0 million, among which part of the dividend declared of about HK\$26.2 million was settled by setting off the amount due from a director and the amounts due from/to related parties assigned to Mr. Siu up to 31 July 2017, while the remaining of about HK\$3.8 million was settled in cash in September 2017. Dividend declared and paid in the past should not be regarded as an indication of the dividend policy to be adopted by our Company following Listing.



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## **FINANCIAL INFORMATION**

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We currently do not have any pre-determined distribution ratio. Our Directors consider that, in general, the amount of any future dividends to be declared by our Company will depend on our Group's results of operations, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. Future declarations of dividends will be at the absolute discretion of our Directors.

We cannot assure you that we will be able to distribute dividends in any year. The declaration and payment of dividends may also be limited by legal restriction and by loan or other agreement that our Company and its subsidiaries may enter into in the future.

### **RELATED PARTY TRANSACTIONS**

With respect to the related party transactions set forth in the section headed "Connected Transactions" and note 29 to 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. The effect of such related party transactions would not distort the track record to the extent that the historical results of our Group are not reflective of its performance.

### **DISTRIBUTABLE RESERVES**

As at 31 March 2018, our Company's distributable reserves were nil.

### **PROPERTY INTERESTS**

During the Track Record Period and up to the Latest Practicable Date, our Group did not own any properties. Our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 5.01 to Rule 5.10 of the Listing Rules. Our property interests did not form part of the property activity and no single interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

For our unaudited pro forma adjusted net tangible assets, please refer to the Appendix II to this prospectus.

### **DISCLOSURE REQUIRED UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES**

As at the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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## FINANCIAL INFORMATION

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### LISTING EXPENSES

Our estimated listing expenses include underwriting commissions, professional fees and other fees and expenses in connection with the Share Offer. Assuming an Offer Price of HK\$1.15 per Offer Share, being the mid-point of our indicative Offer Price range, the total listing expenses will be about HK\$43.0 million, of which about HK\$1.4 million will be borne by the Selling Shareholder and about HK\$41.6 million will be borne by our Group.

It is estimated that about HK\$14.2 million will be capitalised upon the Listing and about HK\$27.4 million has been or will be charged to our combined statements of profit or loss and other comprehensive income, of which (i) about HK\$4.4 million, HK\$2.4 million and HK\$9.4 million has been incurred and charged for FY2016, FY2017 and FY2018 respectively; and (ii) about HK\$11.2 million is expected to be incurred and charged for FY2019. Our Directors expect that our financial results for FY2019 would be materially and adversely affected by the non-recurring listing expenses to be charged to our combined statements of profit or loss and other comprehensive income.

Our Directors would like to emphasise that the listing expenses in relation to the Listing is a current estimate for reference only and the final amount to be recognised in the equity and our combined income statements for FY2019 is subject to adjustment based on audit and the then changes in variables and assumptions.

### RECENT DEVELOPMENT

Based on our Group's unaudited management accounts, the revenue generated from the sales of Operator A Products and Operator B Products for the four months ended 31 July 2018 were about HK\$59.0 million and HK\$10.8 million respectively, representing an increase of about 9.2% and 132.3% respectively comparing to the four months ended 31 July 2017. As at 31 July 2018, we had 274 and 560 retailers within the respective Sales Network for Operator A Products and Operator B Products, respectively.

The amount of revenue generated from the sales of Operator A Products and Operator B Products disclosed above is extracted from the unaudited combined financial statements for the four months ended 31 July 2018 and 2017, which are unaudited but have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA.

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## FINANCIAL INFORMATION

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Save for the listing expenses as disclosed in the paragraph headed “Listing expenses” in this section above, we did not have any significant non-recurrent items in our combined statements of profit or loss and other comprehensive income. Our Directors have confirmed that as at the Latest Practicable Date, save for (a) the listing expenses to be incurred as stated in the paragraph headed “Listing expenses” in this section; (b) the anticipated significant increase in administrative expenses including professional fees and Directors’ remuneration after the Listing; and (c) the expected increase in selling and distribution expenses including the expenses relating to the setting up of new retail shops and additional marketing and promotional activities to strengthen our market position as stated in the section headed “Future Plans and Use of Proceeds” in this prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 March 2018 and up to the date of this prospectus, and there has been no event since 31 March 2018 and up to the date of this prospectus which would materially and adversely affect our business operations or financial conditions.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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### **FUTURE PLANS**

A detailed description of our future plans is set forth in the section headed “Business – Business Strategies” in this prospectus.

### **USE OF PROCEEDS**

We estimate that the net proceeds from the New Issue (after deduction of underwriting fees and estimated expenses payable by us in relation to the Share Offer, and assuming an Offer Price of HK\$1.15 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.0 to HK\$1.3 and the Over-allotment Option is not exercised) are about HK\$53.9 million. Our Directors intend to apply the net proceeds (assuming the mid-point of the indicative Offer Price range is determined and the Over-allotment Option is not exercised) from the New Issue for the following purposes:

- about HK\$35.9 million, representing about 66.6% of the net proceeds, will be used for opening of five retail shops in across Hong Kong, Kowloon and New Territories, among which about HK\$4.4 million will be used for capital expenditure including acquisition of furnitures and equipment and expenses on leasehold improvement for retail shops, and about HK\$31.5 million will be used for operating costs including purchase of initial inventory, hiring of staff, paying rental and other related expenses. For details, please refer to the section headed “Business – Business Strategies – Expansion of our Sales Networks – Setting up additional self-managed retail shops to strengthen our market presence in various districts” in this prospectus;
- about HK\$2.1 million, representing about 3.9% of the net proceeds, will be applied in hiring additional sales personnel to identify potential retailers for the expansion of our Sales Networks. For details, please refer to section headed “Business – Business Strategies – Expansion of our Sales Networks – Increasing the number of retailers in our Sales Networks” in this prospectus;
- about HK\$13.0 million, representing about 24.1% of the net proceeds, will be applied in marketing and promotion activities to further promote our Pre-paid Products and to expand our market share, including advertising through a variety of media which are popular to our target end-users, engage active and well-known television or movie celebrities in the Filipino and Indonesian communities, re-decorate and/or renovate our retail shops and promotion activities as further discussed in the section headed “Business – Business Strategies – Enhancement of promotion campaign” in this prospectus;

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## FUTURE PLANS AND USE OF PROCEEDS

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- about HK\$2.5 million, representing about 4.6% of the net proceeds, will be applied in implementing an enterprises resources planning system which can be integrated with our accounting system to enhance our operational data analysis, financial reporting and supply and retail management capabilities. For details, please refer to section headed “Business – Business Strategies – Enhancing our operational efficiency by strengthening our inventory management capability” in this prospectus;
- about HK\$0.4 million, representing about 0.8% of the net proceeds, will be used towards working capital and other general corporate purposes.

We estimate that the net proceeds to be received by the Selling Shareholder from the sale of Sale Shares will be about HK\$18.1 million (assuming an Offer Price of HK\$1.15 per Offer Share, being the mid-point of the indicative Offer Price range). Proceeds from the sale of the Sale Shares by the Selling Shareholder will not belong to our Company.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be about HK\$16.0 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK\$1.15). If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds for the above uses on a pro rata basis.

If the Offer Price is fixed at HK\$1.3, being the high end of the stated Offer Share range, our net proceeds will be (i) increased by about HK\$11.6 million, assuming the Over-allotment Option is not exercised; and (ii) increased by about HK\$13.7 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds for the above uses in the proportions stated above.

If the Offer Price is fixed at HK\$1.0, being the low end of the stated Offer Price range, our net proceeds will instead be decreased by about HK\$11.6 million, assuming the Over-allotment Option is not exercised. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds from the New Issue are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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## FUTURE PLANS AND USE OF PROCEEDS

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### REASONS FOR THE LISTING AND THE SHARE OFFER

#### Overview

As explained in more detail below, in line with our business strategies, we are seeking to expand our business and further increase our market share in the Pre-paid Products sector. The current working capital of our Group is not sufficient to fund the expansion. Accordingly, we have a genuine need to raise additional funds.

Having considered various financing options, it is clear that the most suitable and advantageous means of doing so, is via a listing and the related Share Offer.

In addition, the extensive benefits to be derived from the listing far outweigh, and wholly justify, the limited short-term costs incurred in achieving a listing. There is therefore a clear and compelling commercial rationale for the Listing.

#### Our Company's plans for business expansion

##### *Our Group's leading position in the industry*

As detailed in the section headed "Business" in this prospectus, our Group conducts wholesale and retail sales of Pre-paid Products (i.e. SIM Cards and Top-up Vouchers) in Hong Kong.

Our Group is a long-established and well-recognised distributor in the industry. The Frost & Sullivan Report concludes that our Group is the largest distributor of Pre-paid Products targeted at Filipinos in Hong Kong (measured by reference to retail sales revenue in 2017) and our Group captured a share of this market of about 33.5%. Our Group was also ranked as the second largest distributor of Pre-paid Products targeted at Indonesians (measured by reference to retail sales revenue in 2017) and captured a market share of about 24.2%. Our Group therefore has a significant presence in the market place.

##### *Opportunities for growth*

Our Company has identified specific opportunities for growth, which it is well placed to exploit given our strong position in the marketplace. As such, our Company has formulated a plan to expand our business, and further increase our existing share of the Pre-paid Products market. As detailed in the section headed "Business – Business Strategies" in this prospectus, our Company aims to be the leading distributor of Pre-Paid Products in Hong Kong.

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## FUTURE PLANS AND USE OF PROCEEDS

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Our Company seeks to achieve this aim principally by increasing customer acquisition, by:

- (1) expanding the sales network. This involves opening new self-managed retail shops in selective locations and increasing the number of retailers in the sales network. During the Track Record Period revenue generated by our self-managed retail shops has increased at a CAGR of about 21.3%, accordingly this is central to our expansion plans;
- (2) increasing advertising and marketing activities; and
- (3) strengthening our Group's inventory management capability.

The benefits of opening additional self-managed retail shops include:

- (i) increasing the sales from our self-managed retail shops to increase our gross and net profit margins, as the Pre-Paid Products sold in our retail shops at their respective face values generate a higher profit margin;
- (ii) enhancing our platform by launching marketing events; and
- (iii) enhancing the loyalty of the end-users by offering customised services in our retail shops.

Both Operator A Products and Operator B Products will be sold at these new retail shops. It is planned that from FY2019 to FY2021, at least five retail shops will be set up in prominent locations of relevant districts with insufficient number of Retail Outlets or districts that we believe to have potential revenue growth or areas that are close to our target users, such as areas that Filipinos and Indonesian domestic helpers will have access or gathering or areas that have concentration of inbound tourists (e.g. Sheung Shui). These districts are currently planned to be Mong Kok, Shatin, Mei Foo, Tsim Sha Tsui and Sheung Shui. We currently expect that two of the retail shops will be opened by the end of FY2019, another two will be opened by the end of FY2020 and one retail shop will be opened by the end of FY2021.

By virtue of the above expansion plans, we aim at increasing our Group's revenues and gross profit margin.

Recently (from FY2018 onward), some of the existing market players have been taking steps to attempt to promote their Pre-paid Products targeted at Filipino and Indonesian mobile users. Our Directors consider that in order to maximise the opportunity to capture a greater market share, and to maintain the current competitive strengths, there is a pressing need to accelerate the implementation of our business strategies as set out in the section headed 'Business – Business Strategies' in this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### ***Sector outlook***

As the Frost & Sullivan Report records over the period 2013 to 2017, there has been steady growth in the retail sales revenue of Pre-paid Products for local and overseas use in Hong Kong, from HK\$6,302.0 million to HK\$7,046.5 million, with a CAGR of 2.8%. The growth has resulted from increased demand for Pre-paid Products both from outbound tourists and a continuous influx of inbound tourists to Hong Kong.

The Frost & Sullivan Report also forecasts that this level of growth will continue because of two key factors: increasing mobile data usage and ongoing activity to strengthen Hong Kong's position as a leading tourist destination. The Frost & Sullivan Report projects that by 2022, the Pre-paid Products distribution market will be worth HK\$8,498.8 million, with a CAGR of 3.8%.

Further, the Frost & Sullivan Report explains that retail sales of Pre-paid Products targeted at Indonesian and Filipino consumers witnessed a growth from approximately HK\$500.4 million in 2013 to about HK\$612.1 million in 2017, with a CAGR of 5.2%. The growth was due to the increase in the population of domestic helpers within Hong Kong and growing popularity and usage of smartphones within that group of users, the overall effect of which has increased spending on Pre-paid Products. The Frost & Sullivan Report forecasts that by 2022, this market will also have grown, to approximately HK\$764.4 million, with a CAGR of 4.5%. This industry outlook demonstrates sustainable demands for Pre-paid Products which will continue to be distributed by our Group under our business plan.

We believe that this growth within the sector of Pre-paid Products targeted at Indonesian and Filipino consumers will provide extensive business opportunities for our Group. Our Group is particularly well placed to capitalise on these opportunities, owing to our position as one of the largest distributors in this sector. In short, the future growth of our Company does not rely solely on trends within the industry, but is firmly based on our Group's ability to actively increase our market share as against our competitors.

### **Genuine need for additional funds to fund the expansion plans**

Our Directors consider that our current working capital would not be sufficient to support the cost of the expansion plans. In terms of the current cash flow, our major operating expenses in the ordinary course of business are constituted by the costs of sales (i.e. costs of sourcing Operator A Products and Operator B Products), rent and rates for retail shops and office premises, and staff costs. The respective items accrued for FY2018 amounted to approximately HK\$131.4 million, HK\$12.5 million and HK\$10.4 million respectively. The total of these three items amounted to about HK\$154.3 million, giving rise to an average monthly amount of HK\$12.9 million for FY2018.



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## FUTURE PLANS AND USE OF PROCEEDS

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In terms of cash and cash equivalents, we had about HK\$28.1 million as at 31 March 2018 and about HK\$6.1 million as at 31 July 2018. Our Directors consider that it is both prudent and important to retain sufficient working capital to accommodate the operating cash outflow, and to guard against any unexpected new costs or any unexpected increase in the existing costs. It would therefore be inefficient and injudicious to rely on the limited working capital to fund the expansion as it could create operational difficulties, if, for example, it would not be able to react promptly to external events in the industry.

As such, our Directors consider that the current financial resources available to our Group are only sufficient for the present scale of our business turnover and are not sufficient to fund the business expansion strategy. Therefore, our Group needs to generate additional funds to finance our expansion plan, while simultaneously maintaining sufficient working capital for our Group's operations. Hence there are genuine funding needs for our expected business growth.

### ***The advantages of equity financing over debt financing***

During the Track Record Period, our Group secured a banking facility with a limit of approximately HK\$47.0 million. The facility was secured by a personal guarantee given by Mr. Siu, corporate guarantees given by some related companies and the properties respectively owned by Mr. Siu and the related companies. The net value of the pledged properties (being the gross valuation net of the outstanding mortgage repayment) provided by Mr. Siu and the related companies in favour of the aforementioned banking facility was over 90% of the value of the banking facility i.e. the level of collateral required by the Bank was very high.

Our Directors have considered the option of debt financing via a fresh bank facility, but are of the view that it is not an attractive option as compared with equity financing, for the following reasons:

- (1) Debt financing from banks or financial institutions of this size would require collateral (e.g. cash deposit, and/or personal guarantee from the controlling shareholders) in order to secure the borrowing.
  - (a) due to the nature of our business, it does not hold any significant property or fixed assets which it could provide as collateral;
  - (b) moreover, reliance on such sources of collateral will inevitably limit the amount of debt financing and, in turn, hinder our Group's business development and implementation of our business strategies and expansion plans, as the value of fixed assets owned by our Controlling Shareholder or its associates that would be available as collateral would be limited and we may not be able to secure sufficient amount of bank borrowings to implement our expansion plans.

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## FUTURE PLANS AND USE OF PROCEEDS

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- (2) Even if further borrowing could be obtained in the form of unsecured borrowing, the terms would be disadvantageous and in particular, the loan would be subject to, comparatively speaking, a higher interest rate;
- (3) The market view is that the interest rate in Hong Kong is set to rise. Hence, the use of debt financing for a significant amount and the subsequent renewal of the debt will subject our Group to the inherent risks of unknown increasing financing costs. The debt market could also alter over the period of the borrowing, which could cause a number of problems at the end of the term, which were not predictable when the borrowing was granted. This would impose a further cash flow burden to our Group;
- (4) This increased financial burden would have negative ramifications for our Group, as if there was a failure to meet the repayment terms, this could trigger the cross-default clause, leading to a severe liquidity risk to our Group;
- (5) Moreover, it is usual for the terms of debt financing to include provisions such as restrictive covenants and cross default clauses, which are likely to hinder the financing plans for our business operation as some restrictions might be imposed by banks on the financial performance and/or maintenance of certain levels of financial ratios. During the Track Record Period, the Group obtained bank loans from two financial institutions, the corresponding loan documents of one of the loans contained both restrictive covenants and cross default clauses; and
- (6) Unlike the position with regard to debt financing, equity financing would not divert capital from the business to repay the loan regardless of the performance of the business. To that end, with equity financing, our Company will have more control over the short and long-term development of the business.

For these reasons, it would not be advantageous for our Group to take on debt financing from a third-party lender. Reliance on debt financing will result in aggressive interest expenses, it will increase our Group's gearing ratio and impose additional cash flow burdens on our Group. Our Directors believe that it is necessary to maintain a disciplined financial strategy, without exposing our Group to aggressive gearing, in order to achieve sustainable growth in the long run; and a cash level sufficient to support our Group's existing operations.

Finally, it should be noted that in principle, our Company is not opposed to debt financing; it does not consider debt financing and equity financing to be mutually exclusive. However, our Company's key objective is to access a form of financing that is flexible, offers favourable terms, and which will enable our Group to achieve its expansion plans as efficiently as possible without being exposed to uncertain financial risks. To that end, our Group is likely to be in a far better position to bargain for more favourable terms from debt financiers, once our Company has become a listed company, as our Group will have a larger equity base after the Listing.

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## FUTURE PLANS AND USE OF PROCEEDS

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### Commercial rationale for the listing

#### ***(1) Access to financing for future expansion and business growth***

Our Directors do not take the view that the Listing is a one-off financing exercise but rather a long-term investment for our Group to raise capital in long run. The one-off listing expenses therefore need to be viewed through this lens. Through the Listing, not only can we raise funds from the New Issue and apply them to our expansion plan, we believe we will also be able to gain access to the capital markets for future secondary fund raising for any further expansion plans, as and when necessary, through the issuance of equity and/or debt securities; the financing costs of such an exercise will be materially lower as compared with any banking financing that can be obtained by a private company. In light of this, there is a commercial justification for the decision to pay a one-off cost in the form of listing expenses, as our Company will be able to reap the benefits of such a strategy for a number of years to come. The fact that the Listing expenses are greater than the interest expenses does not affect this analysis.

#### ***(2) Enhance the transparency and corporate governance of our Company***

The Listing will strengthen our internal control and corporate governance practices, which in turn would increase our customers' and suppliers' confidence in us and would also attract potential new customers. Our Directors consider that despite the listing expenses, the Listing would bring about the above intangible benefits that would justify the costs and resources that have been expended on the listing application.

#### ***(3) Enhancement of our Group's public profile, status and image and increased bargaining power***

Although our Group already has an established brand in the sector, our Directors believe that a listing status will enhance our credibility with our suppliers and customers and thus, enhance our level of competitiveness in the sector. In particular, our suppliers will have access to and knowledge about (among other information) our financial position and business operation, which will be disclosed by us in our regular reports from time to time, and we believe such transparency and enhanced level of corporate governance will instill their confidence in strengthening their business relationship with us. With such status, our Group can be differentiated from some of our competitors, whether during the process of seeking relationships with new network operators, seeking new customers or when negotiating discounts with existing operators. This would in turn facilitate the growth in our business operations and the implementation of our expansion plans.

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## FUTURE PLANS AND USE OF PROCEEDS

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By strengthening our financial position through fund-raising, principally through achieving a growth in our sales volumes, we will also have more bargaining power when seeking to negotiate with our suppliers (such as expansion of product varieties and exclusivity arrangement for selected products). Our Company believes that the capital raised through the Share Offer would strengthen and enhance our Group's position in the market place. It would also improve our Group's cashflow position, which in turn enables our Group to capture an even greater share of the market.

The Listing, which itself is a form of complimentary advertising, will therefore enable our Company to enhance our market reputation and therefore further our existing competitive strengths.

### ***(4) Improved workforce***

Our Directors believe that as a listed company, we will be able to recruit and retain talented employees, at both an operational and administrative level by implementing a share option scheme. Furthermore, we believe that our staff will feel more stable and secure about their employment with us, rather than joining a private company, hence strengthening their morale at work. In turn, an integrated workforce will improve the quality of our services and efficiency of our day-to-day operations to the benefit of our long-term development and competitiveness. This will in turn increase the operational and financial efficiency of our Company and our market value.

### ***(5) Ease of negotiation with banks and other financial institutions***

Whilst our Group was able to expand our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans when they fell due in the past, our Group still plans to seek equity or equity-linked financing as it would ease our cash flow, and will give our Company access to a pool of capital which will boost the investment credibility of the business. It will be much easier to negotiate with banks and financial institutions if we are a listed company with enlarged capital base. We also believe that a public listing status generally enables banks and other financial institutions to give more favourable terms for our borrowings from them, because of enhanced corporate governance measures being introduced and implemented by us, enhanced information transparency, as well as closer monitor of our Group's financial position, other internal control parameters and connected transactions (among other aspects) by INEDs and other regulatory authorities.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **(6) *Appeal to a diversified investor base***

Our Directors expect that prospective investors will be attracted to companies that have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. This will enable our Company to attract institutional investors. Moreover, because of the reputation of Hong Kong as a world-class market, our Company will have better access to foreign investors.

### **(7) *Enhanced liquidity***

The Listing will enhance the liquidity of the Shares, which will be freely traded in the Stock Exchange, as compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

Our Directors therefore believe that the Listing of our Company is the key strategy for us to enhance our level of competitiveness among other customers and other business stakeholders.

Given the need to accelerate the implementation of our business strategies, and bearing in mind the limitations of bank borrowing set out above, our Directors are of the view that despite the one-off listing expenses, the Listing represents the most advantageous means to obtain funds to implement the business expansion plans. It will allow our Company to execute the business strategies efficiently and prudently in a relatively short time frame without negatively affecting our current operation and liquidity, whilst also laying the framework for any further expansion in the future.

## **Conclusion**

It is therefore plain from the foregoing that:

- (1) Based on its existing position as a leading distributor in the industry and given the current industry outlook, our Company has sustainable and achievable plans to expand our business;
- (2) The expansion of the business cannot be funded from our Group's working capital;
- (3) Our Company has a genuine need to access the capital market in Hong Kong;
- (4) A Listing represents the most effective means of raising funds to develop the underlying assets/businesses in an efficient, prudent and time-effective manner. It is therefore consistent with, and critical to, the commercial strategy for the business;
- (5) It confers a number of benefits on our Company, which are exclusive to the Listing and cannot be achieved via debt financing.

Hence, on any view, there is a compelling commercial rationale for the Listing. The benefits of access to the Hong Kong equity market are essential to our Group's business operation and future expansion.

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## UNDERWRITING

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### UNDERWRITERS

CLC Securities Limited

Sinolink Securities (Hong Kong) Company Limited

Opus Capital Limited

Innovax Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Public Offer

##### *Public Offer Underwriting Agreement*

The Public Offer Underwriting Agreement was entered into on 10 September 2018. Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by members of the public in Hong Kong of 10,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set out in this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally to apply to subscribe for or procure applications to subscribe for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, among other things, the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

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## UNDERWRITING

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### ***Grounds for termination***

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) are entitled to terminate the Public Offer Underwriting Agreement by giving notice (either orally or in writing) at any time before 8:00 a.m. on the Listing Date (the “Termination Time”) to our Company if any of the following events shall occur prior to the Termination Time:

- (a) there comes to the notice of any of the Sponsor, the Joint Lead Managers or any of the Public Offer Underwriters:
  - (i) any matter or event showing any of the representations, warranties or undertakings contained in Public Offer Underwriting Agreement given by our Company, our Controlling Shareholder and our executive Directors to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement (other than those undertaken by the Sponsor, the Joint Lead Managers and/or the Public Offer Underwriters) which, in any such cases, is considered, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or
  - (ii) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect or any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the context of the Share Offer; or
  - (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any material respect, and which is considered, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or

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## UNDERWRITING

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- (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), an omission that would have a material adverse effect on the Share Offer; or
  - (v) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our Controlling Shareholder and our executive Directors under the Public Offer Underwriting Agreement arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
  - (vi) any breach by any party to the Public Offer Underwriting Agreement (other than the Sponsor, the Joint Lead Managers or any of the Public Offer Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), is material; or
  - (vii) the Placing Underwriting Agreement is terminated for whatever reason; or
- (b) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, BVI, or any of the jurisdictions in which our Group operates (the “**Relevant Jurisdiction**”); or
  - (ii) any change in, or any event or series of events or development resulting or likely to result in any material change in the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects in the Relevant Jurisdiction; or
  - (iii) any change in the conditions of Hong Kong or international equity securities or other financial markets; or
  - (iv) the imposition of any moratorium, suspension or restriction on trading in securities operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or



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## UNDERWRITING

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- (v) any change or development involving a prospective change in any forms of taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdiction; or
- (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
- (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) or the United Nations on Hong Kong; or
- (viii) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, outbreak of infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or

which, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of our Group taken as a whole or, in the case of sub-paragraph (vi) above, on any present or prospective shareholders in his/its capacity as such shareholders of the Company; or
- (bb) has or will have or is likely to have, a material adverse effect on the success of the Share Offer or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or
- (cc) for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Share Offer as a whole.

### **Undertakings to the Stock Exchange pursuant to the Listing Rules**

#### ***Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Share Offer (including pursuant to the Over-allotment Option) or any issue of shares or securities in circumstances prescribed by Rule 10.08 of the Listing Rules, we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into our equity securities or enter into any agreement or arrangement to issue such Shares or securities (whether or not such issue of Shares or securities will be completed within six months from the Listing Date).

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## UNDERWRITING

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### *Undertakings by our Controlling Shareholder*

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder has undertaken to our Company and to the Stock Exchange, except pursuant to the Share Offer (including pursuant to the Over-allotment Option), that he will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); or
- (b) in the period of six months commencing on the date on which the First Six-month Period expires (“**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the 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, he would cease to be our controlling shareholder (as defined in the Listing Rules).

Note (2) of Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent a controlling shareholder from using the shares beneficially owned by him as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) (“**Banking Ordinance**”) for a bona fide commercial loan.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has undertaken to our Company and the Stock Exchange that, during the First Six-Month Period and the Second Six-Month Period, he will:

- (a) when he pledges or charges any securities of our Company beneficially owned by him in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company of such indications.

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## UNDERWRITING

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Under Note (3) to Rule 10.07(2) of the Listing Rules, we are required to inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (a) and (b) above by our Controlling Shareholder and disclose such matters by way of an announcement in compliance with the Listing Rules.

### **Undertakings pursuant to the Public Offer Underwriting Agreement**

#### ***Undertakings by our Company***

Pursuant to the Public Offer Underwriting Agreement, our Company have undertaken to and covenanted with the Sole Sponsor, the Joint Lead Manager, the Joint Bookrunners, the Co-Manager and the Public Offer Underwriters that, and each of our Controlling Shareholder and the executive Directors has jointly and severally undertaken to and covenanted with the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Manager and the Public Offer Underwriters to procure that without the prior written consent of the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalisation Issue, the grant of the Over-allotment Option, the grant of options under the Share Option Scheme, the Shares to be issued upon the exercise of the Over-allotment Option, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the memorandum and articles of association of the Company or any consolidation, sub-division or capital reduction of the Shares, our Company shall not:

- (a) allot and issue, accept subscription for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so (i) at any time during the First Six-month Period; or (ii) at any time during the Second Six-month Period so as to result in our Controlling Shareholder, ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company; or
- (b) at any time during the First Six-month Period, subject to the Listing Rules and the Takeovers Code, make or agree to make any buy back of any Shares or other securities of our Company.

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## UNDERWRITING

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### **Undertakings by our Controlling Shareholder**

Our Controlling Shareholder has undertaken to each of the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Manager, the Public Offer Underwriters and our Company that save as (i) pursuant to the Share Offer (including the offer for sale of the Sale Shares) or the Stock Borrowing Agreement; or (ii) permitted under the Listing Rules and with the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (a) he shall not, and shall procure that none of his associates or any company controlled by him or any of his associates, nominees or trustees holding in trust for him will, at any time during the First Six-month Period, sell, transfer or otherwise dispose of or enter into any agreement to sell, transfer or to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares directly or indirectly owned by him or in which he is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalisation Issue or any interest in any shares in any company controlled by him which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules;
- (b) he shall not, and shall procure that none of his associates or any company controlled by him or any of his associates, nominees or trustees holding in trust for him will, at any time during the Second Six-month Period, sell, transfer or otherwise dispose of, or enter into any agreement, to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or any interest therein) directly or indirectly owned by him or in which he is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalisation Issue or any interest in any shares in any company controlled by him which is the beneficial owner of any of these Shares, or announce any intention to do so, if, immediately following such action, our Controlling Shareholder, would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and

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## UNDERWRITING

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- (c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) immediately above, during the period commencing on the date by reference to which disclosure of his direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he shall:
  - (i) when he pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, he must immediately inform our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as requested by our Company, the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters); and
  - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over our Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) immediately above, when he receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be sold, transferred, disposed of, immediately inform our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) of such indications.

For the avoidance of doubt, the above restrictions do not prevent our Controlling Shareholder from using our Shares beneficially owned by him as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance), for a bona fide commercial loan.

### **Indemnity**

Our Company, our Controlling Shareholder and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Managers and the Public Offer Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company or our Controlling Shareholder or our executive Directors of the Public Offer Underwriting Agreement, on and subject to the terms of the Public Offer Underwriting Agreement.

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## UNDERWRITING

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### **The Placing**

In connection with the Placing, it is expected that our Company, the Selling Shareholder, our Controlling Shareholder, and our executive Directors will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Manager and the Placing Underwriters in respect of the Placing. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions set out therein, severally agree to purchase or subscribe the Placing Shares being offered pursuant to the Placing or procure purchasers or subscribers for such Placing Shares.

We expect to grant to the Joint Bookrunners the Over-allotment Option, exercisable by the Joint Bookrunners at the sole discretion of the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) at any time from the date of the Placing Underwriting Agreement until the 30th day from the last day for lodging applications under the Public Offer, to require us to offer up to an aggregate of 15,000,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Share Offer, at the Offer Price to solely cover over-allocations in the Placing, if any.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholder will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” above in this section.

### **Underwriting Commission and Expenses**

Under the terms and conditions of the Public Offer Underwriting Agreement, the Joint Lead Managers (on behalf of the Public Offer Underwriters) will, in the case of the Placing Underwriting Agreement, the Joint Lead Managers (on behalf of the Placing Underwriters) are expected to, receive an underwriting commission equal to 7.0% on the aggregate Offer Price payable in respect of the Offer Shares, out of which they shall pay any sub-underwriting commissions. The respective entitlements of the Underwriters to the underwriting commission will be paid as separately agreed among themselves. The commissions payable to the Underwriters will be borne by our Company with respect to the New Shares to be issued by our Company.

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## UNDERWRITING

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Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.15 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.0 to HK\$1.3 per Offer Share), the aggregate underwriting commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the listing of the existing Shares and the Share Offer are estimated to be about HK\$43.0 million in total of which about HK\$1.4 million will be borne by the Selling Shareholder and about HK\$41.6 million will be borne by our Group.

### **Public Offer Underwriters' Interests in our Company**

Save for their respective obligations and interests under the Underwriting Agreements or as otherwise disclosed in this prospectus, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of members of our Group nor any interest the Share Offer.

### **Independence of the Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **RESTRICTIONS ON THE PUBLIC OFFER SHARES**

No action has been taken to permit a public offering of the Public Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation 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.

In particular, the Public Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

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## STRUCTURE OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. CLC International Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange and CLC Securities Limited is one of the Joint Lead Managers of the Share Offer.

The Share Offer initially consists of:

- (i) the Public Offer of 10,000,000 New Shares (subject to adjustment as mentioned below) in Hong Kong as described in “Public Offer” in this section below; and
- (ii) the Placing of an aggregate of 73,000,000 New Shares and 17,000,000 Sale Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of Placing Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. 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 Placing Underwriters are soliciting from prospective investors’ indications of interest in acquiring the Placing Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and Placing respectively may be subject to adjustment and, in the case of the Placing only, the Over-allotment Option as set out in “Placing – Over-allotment Option” in this section below.

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company (for itself and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.



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## STRUCTURE OF THE SHARE OFFER

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### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares pursuant to the Share Offer 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 and sold pursuant to the Share Offer and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional 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 Public Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or around Friday, 14 September 2018 and in any event, not later than Monday, 17 September 2018.

**If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) by Monday, 17 September 2018, the Share Offer will not proceed and will lapse.**

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

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## STRUCTURE OF THE SHARE OFFER

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If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [hkasiaholdings.com](http://hkasiaholdings.com) 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 the Public Offer 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 (as amended from time to time).

Share certificates for the Public Offer Shares are expected to be issued on Wednesday, 26 September 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 27 September 2018 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting – Underwriting Arrangements and Expenses – Grounds for termination” in this prospectus has not been exercised. Investors who trade the 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.

### **PUBLIC OFFER**

#### **Number of Public Offer Shares initially offered**

Our Company is initially offering 10,000,000 New Shares for subscription by the public in Hong Kong at the Offer Price under the Public Offer, representing about 10% of the total number of Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the Placing; and (ii) the Public Offer as mentioned below, the number of the Public Offer Shares will represent about 25% of our Company’s issued share capital immediately after completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which have been or may be granted under the Share Option Scheme.

Completion of the Public Offer is subject to the conditions as set out in the paragraph “Conditions of the Share Offer” in this section.

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## STRUCTURE OF THE SHARE OFFER

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### Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total available Shares under the Public Offer (after taking into account of any reallocation of Public Offer Shares between the Public Offer and the Placing is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B with any odd Board Lots being allocated to pool A. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 5,000,000 and 5,000,000 respectively. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the “price” for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 5,000,000 Public Offer Shares are liable to be rejected.

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## STRUCTURE OF THE SHARE OFFER

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### Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to readjustment on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Public Offer Shares are not fully subscribed, the Joint Lead Managers (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deems appropriate;
  - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available under the Public Offer, then 10,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 20,000,000, representing 20% of the Offer Shares initially available under the Share Offer;
  - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Public Offer, then 20,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 30,000,000, representing 30% of the Offer Shares initially available under the Share Offer;
  - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Public Offer, then 30,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 40,000,000, representing 40% of the Offer Shares initially available under the Share Offer; and
  - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available under the Public Offer, then 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 50,000,000, representing 50% of the Offer Shares initially available under the Share Offer.

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## STRUCTURE OF THE SHARE OFFER

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- (b) Where the Placing Shares are not fully subscribed:
- (i) if the Public Offer Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and
  - (ii) if the Public Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Public Offer, then up to 10,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 20,000,000, representing 20% of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (xx) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (yy) the Placing Shares are not fully subscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.0 per Offer Share) stated in this prospectus.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is conducted other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 20,000,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Joint Lead Managers may (subject to compliance with the applicable law, rules and regulations (including the practice notes under the Listing Rules and the guidance letters given by the Stock Exchange from time to time)) in their sole and absolute discretion reallocate Offer Shares of the Placing to the Public Offer to satisfy valid applications under the Public Offer. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers.

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## STRUCTURE OF THE SHARE OFFER

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### **Applications**

The Joint Lead Managers (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under Public Offer.

Each applicant under the Public Offer 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 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 Placing.

The listing of the Public Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.3 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph "Price Determination of the Share Offer" below in this section, is less than the maximum price of HK\$1.3 per Offer Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for the Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

### **PLACING**

#### **Number of Offer Shares offered**

The number of Shares to be initially offered under the Placing will be 73,000,000 New Shares for subscription and 17,000,000 Sale Shares for purchase (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the Placing Shares will represent about 22.5% of our enlarged issued share capital immediately after completion of the Share Offer without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme.

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## STRUCTURE OF THE SHARE OFFER

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The Placing is subject to the same conditions as stated in the paragraph “Conditions of the Share Offer” above in this section.

### **Allocation**

Allocation of Placing Shares pursuant to the 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 Shares, and/or hold or sell its Shares, after the listing of the 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.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

### **Over-allotment Option**

In connection with the Share Offer, our Company is expected to grant an Over-allotment Option to the Joint Bookrunners, which will be exercisable at the sole discretion of the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters).

Pursuant to the Over-allotment Option, the Joint Bookrunners have the right, exercisable at any time from the date of the Placing Underwriting Agreement until 30 days from the date of the last day of lodging application under the Public Offer, to require our Company to allot and issue up to 15,000,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover, among other things, over-allocation in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent about 3.61% of our enlarged share capital immediately following the completion of the Share Offer and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

### **PRICE DETERMINATION OF THE SHARE OFFER**

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 14 September 2018, and in any event not later than Monday, 17 September 2018, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder).

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## STRUCTURE OF THE SHARE OFFER

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The Offer Price will be not more than HK\$1.3 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

**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 Joint Lead Managers, for themselves 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 the consent of our Company (for itself and on behalf of the Selling Shareholder), reduce the number of Offer Shares offered in the Share Offer 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 Public Offer. 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 Public Offer, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.hkasiaholdings.com](http://www.hkasiaholdings.com) notices of the reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder), will be fixed within such revised 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 Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.



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## STRUCTURE OF THE SHARE OFFER

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Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer 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 (for itself and on behalf of the Selling Shareholder) with the Joint Lead Managers (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Share Offer, the results of applications and the basis of allotment of Public Offer Shares under the Public Offer, are expected to be announced on Wednesday, 26 September 2018 in the manner set out in the section headed “How to Apply for the Public Offer Shares – 11. Publication of Results” in this prospectus.

### PRICE PAYABLE ON APPLICATION

The Offer Price will be not more than HK\$1.3 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

Applicants under the Public Offer should pay, on application, the maximum price of HK\$1.3 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK\$2,626.20 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Public Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$1.3 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

### STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

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## STRUCTURE OF THE SHARE OFFER

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Sinolink Securities (Hong Kong) Company Limited has been appointed by us as the Stabilising Manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Public Offer. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchase of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 15,000,000 Shares in aggregate, which is about 15% of the Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising action in Hong Kong during the stabilisation period.

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## STRUCTURE OF THE SHARE OFFER

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Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for it, may have an adverse impact on the market price of the Shares;
- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

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## STRUCTURE OF THE SHARE OFFER

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### STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may over-allocate up to but not more than 15,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Joint Bookrunners may borrow up to 15,000,000 Shares from Mr. Siu, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

A summary of the stock borrowing arrangement is set out as follows:

- the Stock Borrowing Agreement will only be effected by the Joint Bookrunners for settlement of over-allocation in connection with the Placing;
- the maximum number of Shares to be borrowed from Mr. Siu by the Joint Bookrunners will be limited to the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option, which is 15,000,000 Shares;
- the same number of Shares so borrowed must be returned to Mr. Siu or its nominee(s), as the case may be, on or before the fifth business day following the earlier of (i) the last day on which the Shares may be issued by our Company pursuant to the Over-allotment Option or (ii) the day on which the Over-allotment Option is exercised in full;
- the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- no payment or other benefit will be made to Mr. Siu by the Joint Bookrunners under the stock borrowing arrangement.

### DEALING

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 27 September 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 27 September 2018, and will be traded in board lots of 2,000 Shares each.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

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 Joint Lead Managers, 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 Public 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 Joint Lead Managers may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Public 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 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 Tuesday, 11 September 2018 until 12:00 noon on Friday, 14 September 2018 from:

- (i) any of the following offices of the Public Offer Underwriter(s):

CLC Securities Limited  
13/F, Nan Fung Tower  
88 Connaught Road Central  
Central  
Hong Kong

Sinolink Securities (Hong Kong) Company Limited  
Units 2503, 2505-06 25/F Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

Opus Capital Limited  
18/F Fung House  
19-20 Connaught Road Central  
Central  
Hong Kong

Innovax Securities Limited  
Unit A-C 20/F Neich Tower  
128 Gloucester Road  
Wan Chai  
Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(ii) any of the following branches of the receiving bank:

(a) Bank of China (Hong Kong) Limited

District	Branch name	Branch address
Hong Kong Island	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin, Kowloon
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
New Territories	Citywalk Branch	Shop 65 & 67-69, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 11 September 2018 until 12:00 noon on Friday, 14 September 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 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 "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – HK ASIA HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

**Tuesday, 11 September 2018 – 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 12 September 2018 – 9:00 a.m. to 5:00 p.m.**  
**Thursday, 13 September 2018 – 9:00 a.m. to 5:00 p.m.**  
**Friday, 14 September 2018 – 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 on Friday, 14 September 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

#### 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 Joint Lead Managers (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 Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- (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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (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 Share Offer in this prospectus;
- (vi) agree that none of our Company, the Selling Shareholder, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer 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 Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors 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 Public 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 Public 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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (xiv) agree to accept the Public 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 Public 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 Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

#### General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://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 Service

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 11 September 2018 until 11:30 a.m. on Friday, 14 September 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 14 September 2018 or such later time under the paragraph headed “10. Effects of Bad Weather on the Opening of the Applications Lists” in this section.

#### No Multiple Applications

If you apply by means of **HK eIPO White Form** service, 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 Public 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** service more than once and obtaining different payment 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 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 Public 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 Centre  
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 Public 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 Joint Lead Managers and our Hong Kong Share Registrar.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public 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 Public 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 Public 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 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 Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public 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 Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, 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 Share Registrar, receiving banks, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors 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 it will not offer any Public 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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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 our Company's announcement of the Public Offer 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 Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our 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 our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; 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 Public 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



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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 2,000 Public Offer Shares. Instructions for more than 2,000 Public 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 Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Tuesday, 11 September 2018</b>	<b>– 9:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 12 September 2018</b>	<b>– 8:00 a.m. to 8:30 p.m.</b>
<b>Thursday, 13 September 2018</b>	<b>– 8:00 a.m. to 8:30 p.m.</b>
<b>Friday, 14 September 2018</b>	<b>– 8:00 a.m. to 12:00 noon</b>

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 11 September 2018 until 12:00 noon on Friday, 14 September 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 14 September 2018, the last application day, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public 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 Public 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, the Hong Kong Share Registrar, the receiving banks, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors 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 Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public 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 Sponsor, the Joint Lead Managers 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 Public Offer Shares.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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. If 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 Friday, 14 September 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public 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.

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).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** 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** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Public 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](http://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, see the section headed “Structure of the Share Offer – Price payable on Application” 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 Friday, 7 September 2018. 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 Friday, 7 September 2018 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 26 September 2018 on our Company's website at [www.hkasiaholdings.com](http://www.hkasiaholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer 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.hkasiaholdings.com](http://www.hkasiaholdings.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m., Wednesday, 26 September 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 8:00 a.m., Wednesday, 26 September 2018 to 12:00, midnight, Tuesday, 2 October 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 10:00 p.m. from Wednesday, 26 September 2018 to Tuesday, 2 October 2018 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 26 September 2018 to Friday, 28 September 2018 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it 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 Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer" 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public 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 Joint Lead Managers, 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public 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) Public Offer Shares and Placing 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 dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 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\$1.3 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure of the Share Offer – Conditions of the Share Offer” 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 is expected to be made on Wednesday, 26 September 2018.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (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).

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** or **YELLOW** 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 Public Offer 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 favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public 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).



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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Subject to arrangements for dispatch/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, 26 September 2018. 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, 27 September 2018 provided that the Share Offer has become unconditional and the right of termination described in the "Underwriting" section 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***

If you apply for 1,000,000 or more Public 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, 26 September 2018 or such other date as is 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 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 fewer than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 26 September 2018, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for fewer than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 26 September 2018, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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, 26 September 2018, 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 Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public 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 Public Offer in the manner described in the paragraph headed "*11. Publication of Results*" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 26 September 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public 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 Public 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, 26 September 2018, or such other date as is 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 fewer than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 26 September 2018 by ordinary post at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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 Public Offer Shares*

For the purposes of allocating Public 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, 26 September 2018, 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 Public Offer in the manner specified in the paragraph headed "*11. Publication of Results*" in this section above on Wednesday, 26 September 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 26 September 2018 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Public 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, 26 September 2018. Immediately following the credit of the Public 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 Public 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, 26 September 2018.

### 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 advisor 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.

*The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.*



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

## **ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HK ASIA HOLDINGS LIMITED AND CLC INTERNATIONAL LIMITED**

### **INTRODUCTION**

We report on the historical financial information of HK Asia Holdings Limited (formerly known as HK Asia Mobile Communications Holdings Limited) (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-1 to I-63, which comprises the combined statements of financial position as at 31 March 2016, 2017 and 2018 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 11 September 2018 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### **DIRECTORS RESPONSIBILITIES FOR THE HISTORICAL FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**OPINION**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s financial position as at 31 March 2017 and 31 March 2018 and the Group’s financial position as at 31 March 2016, 2017 and 2018 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

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

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company's subsidiaries and states that no dividend have been paid by the Company in respect of the Track Record Period.

**No Historical Financial Statements for the Company.**

No statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,  
**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*  
**Wong Sze Wai, Basilia**  
Practising Certificate Number: P05806  
Hong Kong, 11 September 2018

**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

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

The Historical Financial Information in this report was prepared based on Previously Issued Financial Statements and management accounts of the Group for the Track Record Period. The Previously Issued Financial Statements was audited by us in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

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



## Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	For the year ended 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Continuing operations:</b>				
Revenue	6	200,316	191,981	193,244
Cost of sales		<u>(147,377)</u>	<u>(136,164)</u>	<u>(131,421)</u>
Gross Profit		52,939	55,817	61,823
Other revenue	7	2,402	2,947	2,625
Selling and distribution expenses		(18,774)	(18,840)	(23,322)
Administrative expenses		(9,011)	(7,542)	(16,114)
Finance costs	8	<u>(944)</u>	<u>(154)</u>	<u>–</u>
Profit before taxation	9	26,612	32,228	25,012
Taxation	12	<u>(5,069)</u>	<u>(5,916)</u>	<u>(5,619)</u>
Profit for the year from continuing operations		<u>21,543</u>	<u>26,312</u>	<u>19,393</u>
Profit for the year from discontinued operations	26	<u>1,468</u>	<u>–</u>	<u>–</u>
Profit for the year		<u><u>23,011</u></u>	<u><u>26,312</u></u>	<u><u>19,393</u></u>
<b>Other comprehensive income, net of income tax</b>				
Item that may be reclassified subsequently to profit or loss				
Profit/(loss) arising on revaluation of available-for-sale financial assets		<u>90</u>	<u>(20)</u>	<u>90</u>
<b>Total comprehensive income for the year</b>		<u><u>23,101</u></u>	<u><u>26,292</u></u>	<u><u>19,483</u></u>
<b>Profit for the year attributable to owners of the Company</b>		<u><u>23,011</u></u>	<u><u>26,312</u></u>	<u><u>19,393</u></u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><u>23,101</u></u>	<u><u>26,292</u></u>	<u><u>19,483</u></u>
<b>Earnings per share attributable to owners of the Company</b>				
From continuing and discontinued operations				
Basic and diluted (HK cents)	14	<u>7.26</u>	<u>8.30</u>	<u>6.12</u>
From continuing operations				
Basic and diluted (HK cents)	14	<u><u>6.80</u></u>	<u><u>8.30</u></u>	<u><u>6.12</u></u>

The accompanying notes form an integral part of the Historical Financial Information.

## Combined Statements of Financial Position

		As at 31 March		
	Notes	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	895	715	1,736
Available-for-sale financial assets	16	<u>800</u>	<u>780</u>	<u>870</u>
		<u>1,695</u>	<u>1,495</u>	<u>2,606</u>
<b>Current assets</b>				
Inventories	17	25,336	36,140	32,464
Trade receivables	18	1,083	–	3,197
Deposits, prepayments and other receivables	19	4,697	5,392	9,081
Amount due from a director	20	15,389	14,415	–
Amounts due from related parties	21	16,867	15,498	–
Cash and cash equivalents	23	<u>5,761</u>	<u>6,896</u>	<u>28,136</u>
		<u>69,133</u>	<u>78,341</u>	<u>72,878</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Bank overdraft	23	18,866	–	–
Accruals, other payables and receipts in advance	24	1,240	2,507	4,811
Amount due to a related party	22	833	822	6,055
Tax payables		<u>2,202</u>	<u>2,528</u>	<u>1,156</u>
		<u>23,141</u>	<u>5,857</u>	<u>12,022</u>
<b>Net current assets</b>		<u>45,992</u>	<u>72,484</u>	<u>60,856</u>
<b>Total assets less current liabilities</b>		<u>47,687</u>	<u>73,979</u>	<u>63,462</u>
<b>Net assets</b>		<u>47,687</u>	<u>73,979</u>	<u>63,462</u>
<b>Equity</b>				
Share capital	25	670	670	670
Reserves	27	<u>47,017</u>	<u>73,309</u>	<u>62,792</u>
<b>Total equity</b>		<u>47,687</u>	<u>73,979</u>	<u>63,462</u>

The accompanying notes form an integral part of the Historical Financial Information.

## Combined Statements of Changes in Equity

	Share capital HK\$'000	Available- for-sale financial assets reserve HK\$'000 (note)	Accumulated (Losses)/ Retained earnings HK\$'000	Total HK\$'000
<b>At 1 April 2015</b>	670	–	23,916	24,586
Profit for the year	–	–	23,011	23,011
Fair value change on available-for-sale financial assets	–	90	–	90
Total comprehensive income for the year	–	90	23,011	23,101
<b>At 31 March 2016 and 1 April 2016</b>	670	90	46,927	47,687
Profit for the year	–	–	26,312	26,312
Fair value change on available-for-sale financial assets	–	(20)	–	(20)
Total comprehensive income for the year	–	(20)	26,312	26,292
<b>At 31 March 2017 and 1 April 2017</b>	670	70	73,239	73,979
Profit for the year	–	–	19,393	19,393
Fair value change on available-for-sale financial assets	–	90	–	90
Total comprehensive income for the year	–	90	19,393	19,483
Dividend paid	–	–	(30,000)	(30,000)
<b>At 31 March 2018</b>	<u>670</u>	<u>160</u>	<u>62,632</u>	<u>63,462</u>

*Note:*

The available-for-sale financial assets reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies adopted for the revaluation for available-for-sale financial assets.

The accompanying notes form an integral part of the Historical Financial Information.

## Combined Statements of Cash Flows

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Operating activities</b>			
Profit before income tax			
– continuing operations	26,612	32,228	25,012
– discontinued operations	<u>1,758</u>	<u>–</u>	<u>–</u>
	28,370	32,228	25,012
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	502	282	480
Interest expenses	<u>944</u>	<u>154</u>	<u>–</u>
<b>Operating profit before working capital changes</b>	29,816	32,664	25,492
Decrease/(increase) in inventories	2,346	(10,804)	3,676
(Increase)/decrease in trade receivables	176	1,083	(3,197)
Increase in deposits, prepayments and other receivables	(704)	(695)	(3,689)
Decrease in trade payables	(1,097)	–	–
Increase/(decrease) in accruals, other payables and receipts in advance	<u>(1,522)</u>	<u>1,267</u>	<u>2,304</u>
<b>Net cash generated from operations</b>	29,015	23,515	24,586
Interest paid	(944)	(154)	–
Income tax paid	<u>(6,383)</u>	<u>(5,590)</u>	<u>(6,991)</u>
<b>Net cash generated from operating activities</b>	<u>21,688</u>	<u>17,771</u>	<u>17,595</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	<u>(785)</u>	<u>(102)</u>	<u>(1,501)</u>
<b>Net cash used in investing activities</b>	<u>(785)</u>	<u>(102)</u>	<u>(1,501)</u>

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Cash flow from financing activities</b>			
Repayment from a director	13,180	974	–
Repayment from/(advance to) related parties	(2,026)	1,358	8,992
Decrease in bank overdraft	(27,657)	(18,866)	–
Dividends paid to equity owners of the Company	<u>–</u>	<u>–</u>	<u>(3,846)</u>
<b>Net cash (used in)/from financing activities</b>	<u>(16,503)</u>	<u>(16,534)</u>	<u>5,146</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	4,400	1,135	21,240
<b>Cash and cash equivalents at the beginning of the year</b>	<u>1,361</u>	<u>5,761</u>	<u>6,896</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>5,761</u></u>	<u><u>6,896</u></u>	<u><u>28,136</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and cash equivalents	<u><u>5,761</u></u>	<u><u>6,896</u></u>	<u><u>28,136</u></u>

The accompanying notes form an integral part of the Historical Financial Information.

## Statement of financial position of the Company

		As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000
	<i>Notes</i>		
<b>Current assets</b>			
Deposits and prepayments		<u>1,853</u>	<u>4,179</u>
<b>Current liabilities</b>			
Other payables		1,108	1,888
Amounts due to subsidiaries		<u>3,200</u>	<u>14,252</u>
		<u>4,308</u>	<u>16,140</u>
<b>Net current liabilities</b>		<u>(2,455)</u>	<u>(11,961)</u>
<b>Net liabilities</b>		<u>(2,455)</u>	<u>(11,961)</u>
<b>Equity</b>			
Share capital	25	–	–
Reserves		<u>(2,455)</u>	<u>(11,961)</u>
		<u>(2,455)</u>	<u>(11,961)</u>

**II. NOTES TO THE HISTORICAL FINANCIAL STATEMENTS****1. General Information**

The Company was incorporated in the Cayman Islands on 5 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at 24/F., Chun Wo Commercial Centre, 23-29 Wing Wo Street, Sheung Wan, Hong Kong.

The Company is an investment holding company. The Group principally engages in wholesale and retail sales of the Pre-paid Products (i.e. SIM Card and Top-up Vouchers) in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

**2. Group Reorganisation and Basis of Presentation of Historical Financial Information Reorganisation**

Pursuant to Reorganisation as fully explained in the section headed "History, Reorganisation and Development" in this Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period on 5 September 2018. The Company and its subsidiaries have been under the common control of Mr. Siu Muk Lung ("Mr. Siu") throughout the Track Record Period.

The Reorganisation is merely a reorganisation of the listing business with no change in management of such business and the ultimate owner of the business. Accordingly, the Financial Information has been prepared by applying the principles of merger accounting, as prescribed in Hong Kong Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA, as if the Reorganisation had been completed at the beginning of the Track Record Periods.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholder, where this is a shorter period.

The combined statements of financial position of the Group at 31 March 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries using the existing carrying amounts of the principal business of the Group for the Track Record Periods. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganisation.

Pursuant to the Reorganisation detailed below, the Company has become the holding company of the companies now comprising the Group on 5 September 2018. The Company and its subsidiaries have been under the common control of Mr. Siu throughout the Track Record Periods, and before and after the Reorganisation, or since their respective dates of incorporation, where there is a shorter period.

The Group has undergone the corporate reorganisation to rationalize the Group's structure in preparation for the Listing which involved the following steps:

***Incorporation of the Company***

On 5 May 2016, the Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. 1 Share was allotted and issued fully paid at par to an initial subscriber upon incorporation and on the same date, the one subscriber share was transferred to Mr. Siu. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 June 2016.

***Incorporation of HK Asia Mobile***

On 13 June 2016, HK Asia Mobile was incorporated in the BVI with limited liability. HK Asia Mobile was initially authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 share of HK Asia Mobile was issued to the Company for cash at par and therefore HK Asia Mobile was the Company's wholly-owned subsidiary.

***Transfer of share of China Way (Far East) Limited from MP Direct Selling Centre to Mr. Siu***

China Way is a company incorporated in Hong Kong with limited liability on 26 November 2004 with issued share capital of HK\$2.00 and its entire issued share capital was beneficially owned as to 50% by Mr. Siu and 50% by MP Direct Selling Centre prior to the Reorganisation.

On 9 August 2017, 1 share of China Way was transferred from MP Direct Selling Centre to Mr. Siu at a consideration of HK\$1 with reference to the net asset value of China Way. After such transfer of share in China Way, China Way ceased to be a member of the Group.

Having considered that the business and the assets held by China Way are not related to the business of the Group, China Way has been disposed of and is not included in the Group.



***Acquisition of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group by the Company***

Pursuant to a sale and purchase agreement entered into among, Mr. Siu, HK Asia Mobile and the Company on 27 August 2018, HK Asia Mobile acquired:

- (a) the entire issued share capital of MP Direct Selling Centre from Mr. Siu as beneficial owner;
- (b) the entire issued share capital of HK Mobile from Mr. Siu as beneficial owner;
- (c) the entire issued share capital of Golden Bright from Mr. Siu as beneficial owner;
- (d) the entire issued share capital of Harvest Triple from Mr. Siu as beneficial owner;
- (e) the entire issued share capital of HK Asia Telecom from Mr. Siu as beneficial owner; and
- (f) the entire issued share capital of Kinson Group from Mr. Siu as beneficial owner.

In consideration of the above acquisition:

- (a) HK Asia Mobile had, at the direction of Mr. Siu, procured the Company to allot and issue 17,000,000 Shares to Mr. Siu, credited as fully paid.
- (b) 1 ordinary share of US\$1.00 in HK Asia Mobile, credited as fully paid, was allotted and issued to the Company.

The transfer of the acquired shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group took effect on 5 September 2018.

After the above acquisition, each of HK Asia Mobile, MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group became wholly-owned subsidiaries of the Company.

**3. Significant Accounting Policies**

The Historical Financial Information and has been prepared under the historical cost convention and using the merger basis of accounting as if the Group had always been in existence as further explained below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Historical Financial Information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise stated.

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong.

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2016 throughout the Track Record Period.

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations during the Track Record Period.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)-Int 22	Foreign Currency Transaction and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

The management is in the process of assessing their potential impact on the results and financial position of the Group.

***HKFRS 9 “Financial Instruments”***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follow:

All recognized financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business mode whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

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

In relation to the impairment of financial assets, HKFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit loss are recognized.

There were no material impact on the Group's accounting for financial liabilities, as the new requirements of HKFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Group will apply HKFRS 9 from the annual periods beginning on 1 April 2018 (the new standard is effective for the annual period beginning on or after 1 January 2018), with practical expedients permitted under the standard, and accordingly will not restate comparative periods in the year of initial application. Base on the historical experience, the Group did not encounter any default cases. Thus, the directors of the Company have anticipate that the implementation of HKFRS 9 is not expected to result in any significant impact on the amounts reported in respect of the Group's financial performance and position.

***HKFRS 15 “Revenue from contracts with customers”***

In 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance Obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The current revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognizes revenue when a performance obligation is satisfied. The Group will adopt the new standard using modified retrospective approach which means that the cumulative impact of the adoption will be recognised in the opening retained profits at 1 April 2018 (the new standard is effective for the annual period beginning on or after 1 January 2018) and the comparative information for the year ended 31 March 2016, 2017 and 2018 will not be restated. Base on the preliminary assessment, the directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in a reporting period and consider that the Group will recognize the revenue under HKFRS 15 similar to its current revenue recognition policy.

#### ***HKFRS 16 "Leases"***

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee and retail stores should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value

basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for lease that are classified as operating leases under the predecessor standard, HKAS 17.

As set out in note 30, total operating lease commitment of the Group in respect of its office premises and retail shops as at 31 March 2016, 2017 and 2018 were amounting to approximately HK\$14,652,000, HK\$28,383,000 and HK\$23,909,000 respectively. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these commitments will be required to be recognized in the combined statement of financial position as right-of use assets and lease liabilities. Other than that, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Historical Financial Information.

#### ***Basis of presentation***

The Historical Financial Information is presented in Hong Kong Dollar, rounded to the nearest thousand except when otherwise indicated, which is the presentation currency of the Company.

The combined financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below, except for certain financial assets which have been carried at fair value as explains below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the 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 the combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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 set out below have been applied consistently to all Period presented in Historical Financial Information.

***Merger accounting for common control combination***

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

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

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

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

***Revenue recognition***

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

*(i) Sales of goods*

Revenue from the sales 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 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.

*(ii) Consignment commission income*

The Group recognises commission income from consignment sales services when services are provided to the customers to complete the consignment sales transaction.

*(iii) Interest income*

Interest income from a financial assets 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******The Group as lessee***

Operating lease payments 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. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

***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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the Track Record Period in which they are incurred.

***Taxation***

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

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from “profit before taxation” as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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 difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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 is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

***Property, plant and equipment***

Property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or fair value to their residual values over their estimated useful lives using the straight-line method.

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 profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and office equipment	20% per annum
Leasehold improvement	20% per annum
Motor vehicles	20% per annum

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighting average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

***Provision***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### ***Dividend***

Dividend to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### ***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 and 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 into the following specified categories: financial asset 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

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

Income is recognised on an effective interest basis for debt instruments.

*Available-for-sale financial asset*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial asset are recognized in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial asset reserve is reclassified to profit or loss.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit and loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits and other receivables, amount due from a director, amounts due from related parties and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer of counterparty;
- breach of contract, such as default or delinquency in interest and principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are 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 as well as 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 estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

**Financial liabilities***Classification as debt or equity*

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

*Other financial liabilities*

Other financial liabilities (including trade payables, other payables, amount due to a related party and bank overdraft) are subsequently measured at amortised cost using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on 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.

*Financial guarantee contracts*

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



Financial guarantee contracts issued by the group are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

#### *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 subsequently all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

#### ***Retirement benefit costs***

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

***Short-term and other long-term employee benefits***

Liabilities are recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of the reporting period.

***Provision for severance payment***

The Group's net obligation in respect of the severance payment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

Past service cost is recognised immediately to the extent that the benefits have already been vested.

***Related parties transactions***

A party is considered to be related to the Group if:

- (i) A person or a close member of that person's family is related to the Group if that person:
  - (a) has control or joint control over the Group;
  - (b) has significant influence over the Group; or
  - (c) is a member of the key management personnel of the Group or of a parent of the Group.

- (ii) An entity is related to the Group if any of the following conditions applies:
- (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
  - (b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member;
  - (c) both entities are joint ventures of the same third party;
  - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;
  - (f) the entity is controlled or jointly controlled by a person identified in (i);
  - (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (h) The entity, or any member of a group of which is a part, provides key management personnel services to the Group and Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the equity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

***Segment reporting***

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Historical Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

***Discontinued operations***

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

**4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

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

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

***(a) Estimated useful lives of property, plant and equipment***

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write down technically obsolete assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

***(b) Net realisable value of inventories***

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

**(c) *Income tax and deferred taxation***

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

**(d) *Provision***

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and those amount is reasonable estimate, a corresponding amount of provision is recognised in the financial statement. However, no provision is recognised for costs that need to be incurred to operate in the future.

**5. Operating Segment**

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the Track Record Period, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole report under HKFRSs.

The Group currently operates one operating segment which is revenue from sale of the Pre-paid Products (i.e. SIM Cards and Top-up Vouchers). Accordingly, the Group does not have separately reportable segments.

The Group's selling mobile phones, electronics and accessories was disposed during the Track Record Period and classified as discontinued operations.

***Geographical information***

All the Group's operations and non-current assets are located in Hong Kong, no geographical analysis.

***Information about major customers***

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the Track Record Period are as follow:

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Customer A	54,269	47,774	32,492
Retailer A	<u>39,638</u>	<u>27,377</u>	<u>24,916</u>

As at 31 March 2016, 2017 and 2018, 100%, Nil and Nil, respectively of the Group's trade receivable were due from Customer A.

**6. Revenue**

Revenue, which is also the Group's turnover, represent the income generated by sale of Pre-paid Products during the Track Record Period.

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Continuing operations:			
Sale of Pre-paid Products	<u>200,316</u>	<u>191,981</u>	<u>193,244</u>

**7. Other Revenue**

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Promotion income	780	780	780
Consignment income	1,193	2,133	1,822
Sundry income	<u>429</u>	<u>34</u>	<u>23</u>
	<u>2,402</u>	<u>2,947</u>	<u>2,625</u>

**8. Finance Costs**

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Interest expenses on bank overdraft	<u>944</u>	<u>154</u>	<u>–</u>

**9. Profit Before Taxation**

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations:</b>			
Auditors' remuneration	225	233	329
Cost of inventories recognised as an expense	147,377	136,164	131,421
Depreciation of property, plant and equipment	502	282	480
Employee benefit expenses (including directors' emoluments) (note 10)	6,605	6,959	9,306
Minimum lease payment under operating lease in respect of premises	12,021	11,265	12,108
Listing expenses	4,367	2,427	9,421
Advertising and promotion expenses	<u>1,226</u>	<u>2,019</u>	<u>4,110</u>



**10. Employee Benefit Expenses (Including Directors' Emoluments)**

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Directors' fees	–	–	–
Salaries, allowances and benefits in kind	6,265	6,195	8,542
Retirement benefits scheme contributions	340	764	764
	<u>6,605</u>	<u>6,959</u>	<u>9,306</u>

**11. Directors' Emoluments and Five Highest Paid Individuals****(a) Directors' emoluments**

Pursuant to the Listing Rules and Section 383 of the Hong Kong Companies Ordinance and Companies (Disclosure of Information about benefits of Directors Regulation (Cap. 622G) the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the Track Record Period are as follow:

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Directors' fees	–	–	–
Salaries, allowances and benefits in kind	–	–	314
Retirement benefitsscheme contributions	–	–	11
	<u>–</u>	<u>–</u>	<u>325</u>

The emoluments of each of the directors for the Track Record Period are set out below:

For the year ended 31 March 2016				
	Salaries	Retirement		
	allowance	benefits		
Directors'	and benefits	scheme		
fees	in kind	contribution		Total
HK\$'000	HK\$'000	HK\$'000		HK\$'000
<b>Executive directors:</b>				
Mr. Siu ( <i>Note a</i> )	–	–	–	–
Mr. Chung Chi Fai ( <i>Note b</i> )	–	–	–	–

For the year ended 31 March 2017				
	Salaries	Retirement		
	allowance	benefits		
Directors'	and benefits	scheme		
fees	in kind	contribution		Total
HK\$'000	HK\$'000	HK\$'000		HK\$'000
<b>Executive directors:</b>				
Mr. Siu ( <i>Note a</i> )	–	–	–	–
Mr. Chung Chi Fai ( <i>Note b</i> )	–	–	–	–

For the year ended 31 March 2018				
	Directors' fees	Salaries allowance and benefits in kind	Retirement benefits scheme contribution	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>				
Mr. Siu ( <i>Note a</i> )	–	–	–	–
Mr. Chung Chi Fai ( <i>Note b</i> )	–	314	11	325
	<u>–</u>	<u>314</u>	<u>11</u>	<u>325</u>

*Notes:*

- (a) Mr. Siu is the director of HK Mobile during the Track Record Period and was appointed as a director of the Company on 5 May 2016.
- (b) Mr. Chung Chi Fai was appointed as a director of the Company on 18 August 2017.

**(b) Five highest paid individuals**

The five highest paid employees of the Group for the years ended 31 March 2016, 2017 and 2018 exclude directors whose emoluments are reflected in the analysis shown in Note 11(a).

For the year ended 31 March			
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Employees	<u>1,450</u>	<u>1,806</u>	<u>2,209</u>

Details of the remuneration of the above employees during the Track Record Period are as follow:

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowance and benefit in kind	1,382	1,731	2,136
Discretionary bonus	–	–	–
Retirement benefits scheme contributions	<u>68</u>	<u>75</u>	<u>73</u>
	<u>1,450</u>	<u>1,806</u>	<u>2,209</u>

**(c) Senior management of the Group**

	For the year ended 31 March		
	2016	2017	2018
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the director, highest paid employees and senior management waived or agreed to waive any emoluments during the Track Record Period.

**12. Taxation**

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The taxation charge comprises:			
Hong Kong Profits tax			
– Current year	<u>5,069</u>	<u>5,916</u>	<u>5,619</u>

Hong Kong Profits Tax is calculated at 16.5% for each of the assessable profits for the Track Record Period.

The taxation charge for the year can be reconciled to the profit before taxation per combined statements of profit or loss and other comprehensive income as follow:

	For the year ended 31 March					
	2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before taxation	<u>26,612</u>		<u>32,228</u>		<u>25,012</u>	
Tax at applicable income tax rate	4,391	16.5	5,318	16.5	4,127	16.5
Tax effect of expenses not deductible for tax purpose	<u>678</u>	<u>2.5</u>	<u>598</u>	<u>1.9</u>	<u>1,492</u>	<u>6.0</u>
Taxation for the year	<u>5,069</u>	<u>19.0</u>	<u>5,916</u>	<u>18.4</u>	<u>5,619</u>	<u>22.5</u>

### 13. Dividends

During the Track Record Period, no dividend was declared by the Group. During the years ended 31 March 2016, 2017 and 2018, a subsidiary, HK Mobile paid dividends of approximately Nil, Nil and HK\$30,000,000, respectively, to its shareholders.

The rate of dividend and number of shares ranking for dividend are not considered meaningful having regard to the purpose of this report.

Other than as disclosed above, no dividend was paid or declared by the companies comprising the Group during the Track Record Period.

### 14. Earnings per Share Attributable to the Owners of the Company

#### *From continuing and discontinued operations*

The calculations of earnings per share from continuing and discontinued operations for the years ended 31 March 2016, 2017 and 2018 are based on the profit attributable to owners of the Company of approximately HK\$23,011,000, HK\$26,312,000 and HK\$19,393,000 respectively, and on the basis of 317,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed "Share Capital" to the Prospectus, as if these shares had been issued throughout the Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the Track Record Period.

***From continuing operations***

The calculations of earnings per share from continuing operations for the years ended 31 March 2016, 2017 and 2018 are based on the profit attributable to owners of the Company from continuing operations of approximately HK\$21,543,000, HK\$26,312,000 and HK\$19,393,000 respectively, and on the basis of 317,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed “Share Capital” to the Prospectus, as if these shares had been issued throughout the Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the Track Record Period.

***From discontinued operations***

The basic and diluted earnings per share from discontinued operations are approximately HK0.46 cents, Nil and Nil for the years ended 31 March 2016, 2017 and 2018 respectively. The calculations of earnings per share from discontinued operations for the years ended 31 March 2016, 2017 and 2018 are based on the profit attributable to owners of the Company from discontinued operations of approximately HK\$1,468,000, HK\$Nil and HK\$Nil respectively, and on the basis of 317,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed “Share Capital” to the Prospectus, as if these shares had been issued throughout the Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the Track Record Period.

**15. Property, Plant and Equipment**

	<b>Leasehold improvement</b> <i>HK\$'000</i>	<b>Furniture and office equipment</b> <i>HK\$'000</i>	<b>Motor Vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>				
<b>As at 1 April 2015</b>	1,326	2,689	333	4,348
Additions	<u>535</u>	<u>250</u>	<u>–</u>	<u>785</u>
<b>As at 31 March 2016 and 1 April 2016</b>	1,861	2,939	333	5,133
Additions	<u>–</u>	<u>102</u>	<u>–</u>	<u>102</u>
<b>As at 31 March 2017 and 1 April 2017</b>	<u>1,861</u>	<u>3,041</u>	<u>333</u>	<u>5,235</u>
Additions	<u>630</u>	<u>871</u>	<u>–</u>	<u>1,501</u>
<b>As at 31 March 2018</b>	<u>2,491</u>	<u>3,912</u>	<u>333</u>	<u>6,736</u>
<b>Accumulated depreciation</b>				
<b>As at 1 April 2015</b>	1,078	2,325	333	3,736
Charge for the year	<u>291</u>	<u>211</u>	<u>–</u>	<u>502</u>
<b>As at 31 March 2016 and 1 April 2016</b>	1,369	2,536	333	4,238
Charge for the year	<u>128</u>	<u>154</u>	<u>–</u>	<u>282</u>

	Leasehold improvement <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Motor Vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 March 2017 and 1 April 2017</b>	1,497	2,690	333	4,520
Charge for the year	<u>229</u>	<u>251</u>	<u>–</u>	<u>480</u>
<b>As at 31 March 2018</b>	<u>1,726</u>	<u>2,941</u>	<u>333</u>	<u>5,000</u>
<b>Net book values</b>				
As at 31 March 2016	<u>492</u>	<u>403</u>	<u>–</u>	<u>895</u>
As at 31 March 2017	<u>364</u>	<u>351</u>	<u>–</u>	<u>715</u>
As at 31 March 2018	<u>765</u>	<u>971</u>	<u>–</u>	<u>1,736</u>



**16. Available-for-sale financial assets**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
At fair value			
Club debentures	<u>800</u>	<u>780</u>	<u>870</u>

**17. Inventories**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Pre-paid products	<u>25,336</u>	<u>36,140</u>	<u>32,464</u>

**18. Trade receivables**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	<u>1,083</u>	<u>–</u>	<u>3,197</u>

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 10 days to its customers.

The following table sets forth the ageing analysis of trade receivables, based on invoice date, as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
0 – 10 days	1,083	–	1,808
Over 10 days	<u>–</u>	<u>–</u>	<u>1,389</u>
	<u>1,083</u>	<u>–</u>	<u>3,197</u>

***Past due but not impaired***

Included in the Group's trade receivables balances are debts with carrying amounts of approximately Nil, Nil and HK\$1,379,000 as at 31 March 2016, 2017 and 2018 respectively which were past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Overdue by:			
Within 10 days	-	-	1,377
Over 10 Days	-	-	2
	<u>-</u>	<u>-</u>	<u>2</u>
	<u>-</u>	<u>-</u>	<u>1,379</u>

The Group's policy for impairment loss on trade receivable is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balance.

**19. Deposits, prepayments and other receivables**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Deposits	3,174	3,365	4,472
Prepayments	1,393	1,917	4,341
Other receivables	<u>130</u>	<u>110</u>	<u>268</u>
	<u>4,697</u>	<u>5,392</u>	<u>9,081</u>

**20. Amount due from a director**

Amount due from a director is as follows:

	Maximum during the year <i>HK\$'000</i>	31 March 2016 <i>HK\$'000</i>	Maximum during the year <i>HK\$'000</i>	31 March 2017 <i>HK\$'000</i>	Maximum during the period <i>HK\$'000</i>	31 March 2018 <i>HK\$'000</i>
<b>Director:</b>						
Mr. Siu	28,569	15,389	15,389	14,415	14,415	–

The amount due from a director was in non-trade nature, unsecured, interest free and repayable on demand and has been fully settled by offset of the dividend declared in September 2017.

**21. Amounts due from related parties**

The amounts due from related parties were in non-trade nature (except for the Lung Shun Holdings Ltd and Hung Sang Group Ltd), unsecured, interest-free and repayable on demand and have been assigned to the director of the Company, Mr. Siu in September 2017.

	Maximum during the year <i>HK\$'000</i>	31 March 2016 <i>HK\$'000</i>	Maximum during the year <i>HK\$'000</i>	31 March 2017 <i>HK\$'000</i>	Maximum during the period <i>HK\$'000</i>	31 March 2018 <i>HK\$'000</i>
<b>Related parties:</b>						
Lung Shun Holdings Ltd (note a)	4,345	4,345	4,392	4,345	4,345	–
Mobile Phone Shop Ltd (note b)	5	5	5	–	–	–
Big Winner Holdings Ltd (note c)	4,389	4,389	4,389	4,381	4,381	–
Hung Sang Group Ltd (note d)	6,829	6,829	6,895	6,469	6,469	–
Hong Kong China Telecommunication Direct Selling Company Ltd (note e)	9	9	9	–	–	–
China Way (note f)	271	271	303	303	303	–
Super Telecommunication Company Ltd (note g)	973	973	973	–	–	–
Tai Tung Mobile Phone Company Ltd (note h)	9	9	9	–	–	–
Sunday Review Ltd (note i)	37	37	37	–	–	–

*Note:*

- (a) Lung Shun Holdings Ltd is a limited liability company incorporated in Hong Kong that is 50% owned by Mr. Siu and 50% owned by Ms. Lee Chun Yuk ("Mrs. Siu").
- (b) Mobile Phone Shop Ltd is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Siu.
- (c) Big Winner Holdings Ltd is a limited liability company incorporated in Hong Kong that is 50% owned by Mr. Siu and 50% owned by Mrs. Siu.
- (d) Hung Sang Group Ltd is a limited liability company incorporated in Hong Kong that is 50% owned by Mr. Siu and 50% owned by Mrs. Siu.
- (e) Hong Kong China Telecommunication Direct Selling Company Ltd is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Siu.
- (f) China Way is a limited liability company incorporated in Hong Kong that is 50% owned by Mr. Siu and 50% owned by Mr. Lee Kwok Wai (as trustee of Mr. Siu).
- (g) Super Telecommunication Company Ltd is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Lo Chi Chiu (as trustee for Mr. Siu).
- (h) Tai Tung Mobile Phone Company Ltd is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Chan Chi Man (as trustee for Mr. Siu).
- (i) Sunday Review Ltd is a limited liability company incorporated in Hong Kong that is wholly owned by Yumang Stanley C. (as trustee for Mr. Siu).

**22. Amount due to a related party**

The amount due to a related party was in trade nature, unsecured, interest free and repayable on demand and has been assigned to the director of the Company, Mr. Siu in September 2017.

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Related party:</b>			
HKT Direct Selling Centre (note)	833	822	6,055

*Note:* HKT Direct Selling Centre is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Siu.

**23. Cash and cash equivalents/bank overdraft**

Cash and cash equivalents represent cash at banks and in hand. Cash at banks carried interest at average market rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Bank balances carrying interest at prevailing market rate of 0.01% to 0.02%, 0.01% to 0.02% and 0.01% to 0.02% per annum as at 31 March 2016, 2017 and 2018, respectively.

Bank overdrafts as at 31 March 2016, 2017 and 2018 carrying interest at prevailing market rates of HIBOR +3.1% to HKD Prime +1.0%, Nil and Nil per annum and are repayable on demand.

During the Track Record Period, the bank overdrafts were granted from the bank facilities which were secured by the personal guarantee of the Director (Mr. Siu), corporate guarantee of the related companies, the properties owned by the Director (Mr. Siu) and the properties owned by the related companies. All the bank facilities and guarantees were released during the year ended 31 March 2017.

**24. Accruals, others payables and receipts in advance**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Accruals	680	463	676
Provision for severance payments ( <i>note</i> )	396	849	1,244
Receipts in advance	2	21	937
Other payables	<u>162</u>	<u>1,174</u>	<u>1,954</u>
	<u>1,240</u>	<u>2,507</u>	<u>4,811</u>

*Note:* The provision for severance payments is determined with reference to the employee's remuneration and their years of services and the movements of the provision for severance payments during the Track Record Period are as follow:

	Severance payments HK\$'000
At 1 April 2015	366
Provision for the year	<u>30</u>
At 31 March 2016 and 1 April 2016	396
Provision for the year	<u>453</u>
At 31 March 2017 and 1 April 2017	849
Provision for the year	<u>395</u>
At 31 March 2018	<u>1,244</u>

**25. Share capital*****Incorporation of the Company***

The Company was incorporated and registered as an exempted company in the Cayman Islands on 5 May 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of a nominal value of HK\$0.01 each.

For the purpose of the presentation of the combined statements of financial position, the balance of share capital of the Group as at 31 March 2016 represents the issued share capital of HK Asia Mobile, HK Mobile Phone, Golden Bright, Harvest Triple, HK Asia Telecom, Kinson Group and MP Direct Selling Centre. The balance of share capital of the Group as at 31 March 2017 and 31 March 2018 represents the issued share capital of the Company, HK Asia Mobile, HK Mobile Phone, Golden Bright, Harvest Triple, HK Asia Telecom, Kinson Group and MP Direct Selling Centre.

**26. Discontinued operation**

The Group carried out the Discontinued Business of selling mobile phones, electronics and accessories during the year ended 31 March 2016.

The Discontinued Business were discontinued on 30 September 2015 to follow the long-term strategy of the Group so as to concentrate on the wholesale and retail sales of pre-paid product and it was disposed at cost to HKT Direct Selling Centre, a related party of the Group.

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	9,367	–	–
Cost of sales	<u>(7,609)</u>	<u>–</u>	<u>–</u>
Gross profit	1,758	–	–
Taxation	<u>(290)</u>	<u>–</u>	<u>–</u>
Profit for the year from discontinued operations	<u>1,468</u>	<u>–</u>	<u>–</u>
Profit for the year from discontinued operations attributable to owners of the Company	<u>1,468</u>	<u>–</u>	<u>–</u>

During the Track Records Period, the Group recorded net cash inflows from operating activities of approximately HK\$1,468,000, HK\$Nil and HK\$Nil, as at 31 March 2016, 2017 and 2018, respectively.

## **27. Reserves**

### ***The Group***

Details of the movements in the reserves of the Group during the Track Record Period are set out in the combined statements of changes in equity.

## **28. Retirement benefit plans**

### ***Defined contribution scheme***

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of the employee’s monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) (the “mandatory contributions”). The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

## **29. Material related party transactions**

Save as disclosed in notes 11, 20, 21, 22 and 23 of the Financial Information, the Group entered into the following significant related party transactions during the Track Record Period.



**(a) Name of relationship with related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Name	Relationship with the Group
Mr. Siu	Ultimate owner of the Company
Lung Shun Holdings Ltd	50% owned by Mr. Siu and 50% owned by Mrs. Siu
Big Winner Holdings Ltd	50% owned by Mr. Siu and 50% owned by Mrs. Siu
Hung Sang Group Ltd	50% owned by Mr. Siu and 50% owned by Mrs. Siu
Hong Kong China Telecommunication Direct Selling Company Ltd	Wholly owned by Mr. Siu

**(b) Compensation of key management personnel**

The directors of the Company are identified as key management members of the Group and their compensation during the Track Record Period is set out in note 11.

**(c) Significant transactions with related party**

Other than the transactions and balances disclosed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Track Record Period:

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Recurring:			
Rental expense paid to related parties: <i>note (i)</i>			
– Lung Shun Holdings Ltd	696	696	696
– Hung Sang Group Ltd	720	720	720
Consignment income received from HKT Direct Selling Centre	<u>1,193</u>	<u>2,133</u>	<u>1,822</u>

- (i) During the years ended 31 March 2016, 2017 and 2018, the rental expenses paid to related parties, Lung Shun Holdings Ltd and Hung Sang Group Ltd were fair and reasonable.

**(d) Guarantee contracts**

The directors of the Company has conducted an assessment on the fair values of the financial guarantees provided to the related parties on the dates of the guarantees entered that the estimated amount that would be payable to those banks for the assuming obligations was minimal and accordingly, no provision was made during the Track Record Period.

As at 31 March 2016, 2017 and 2018, HK Mobile has executed financial guarantees to certain bank for banking facility granted to a related party, Big Winner Holdings Ltd, wholly owned by Mr. Siu and his spouse, Mrs. Siu, amounting to approximately HK\$16,320,000, HK\$Nil and HK\$Nil, respectively. The Group did not pay or incur any liabilities during the Track Record Period for the purpose of fulfilling the financial guarantees. All the financial guarantees have been released for the year ended 31 March 2017.

**(e) Guarantee provided by related parties**

During the Track Record Period, the bank overdrafts were granted from bank facilities which were secured by the personal guarantee from Mr. Siu, corporate guarantee from Big Winner Holdings Ltd and secured by properties owned by Mr. Siu and Big Winner Holdings Ltd. All the bank facilities and guarantees were released during the year ended 31 March 2017.

**30. Operating lease arrangements*****The Group as lessee***

The Group has future aggregate minimum lease payables under non-cancellable operating leases in respect of office premises and retail stores which fall due as follow:

	For the year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within one year	9,300	11,292	12,229
In the second to fifth years	<u>5,352</u>	<u>17,091</u>	<u>11,680</u>
	<u>14,652</u>	<u>28,383</u>	<u>23,909</u>

Operating lease payments represent rentals payable by the Group for certain office premises and retail shops. Leases are negotiated for terms of 1 to 3 years.

**31. Capital commitments**

As at 31 March 2016, 2017 and 2018, the Group had capital commitment of approximately HK\$Nil, HK\$85,000 and HK\$357,000, respectively in respect of acquisition of property, plant and equipment.

**32. Financial risk management**

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. Overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimizing its exposure to financial markets.

*(a) Categories of financial assets and liabilities*

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>			
Available-for-sale financial assets	800	780	870
Loans and receivables (including cash and cash equivalents)			
– Trade receivables	1,083	–	3,197
– Deposits and other receivables	3,304	3,475	4,740
– Amount due from a director	15,389	14,415	–
– Amounts due from related parties	16,867	15,498	–
– Cash and cash equivalents	<u>5,761</u>	<u>6,896</u>	<u>28,136</u>
	<u>43,204</u>	<u>41,064</u>	<u>36,943</u>

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Financial liabilities</b>			
Amortised cost:			
– Other payables	162	1,174	1,954
– Amount due to a related party	833	822	6,055
– Bank overdraft	<u>18,866</u>	<u>–</u>	<u>–</u>
	<u>19,861</u>	<u>1,996</u>	<u>8,009</u>

**(b) Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings and bank overdraft which bore interests at fixed and floating interest rates. Bank borrowings bearing fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk. Bank overdraft bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk. The Group does not have a formulated policy to manage the interest rate risk but will closely monitor the interest rate risk exposure in the future.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates on bank overdraft. The analysis is prepared assuming the bank borrowings and bank overdraft outstanding at the ended of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the Track Record Period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2016, 2017 and 2018 would decrease/increase by approximately HK\$94,000, HK\$Nil and HK\$Nil, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank overdraft.

**(c) Credit risk**

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Normally, the Group requests the customers to pay sales deposits to reduce the credit risk exposures.

The Group has concentration risk on trade receivables from Customer A, the largest customer of the Group. During the Track Record Period, all the trade receivables were from Customer A. Customer A has no significant defaults in the past. The Group's historical experience in collection of trade receivables falls within the recorded allowances and the directors are of the opinion that no provision for uncollectible receivables is required.

The credit risk for cash and bank balances is considered minimal as such amounts are placed in banks with good credit ratings assigned by international credit-rating agencies.

**(d) Liquidity risk**

The management of the Group has built a liquidity risk management framework for managing the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining bank facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

	Weighted average interest rate %	On demand or within one year HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>As at 31 March 2016</b>						
<b>Non-derivative financial liabilities</b>						
Other payables	-	162	-	-	162	162
Amount due to a related party	-	833	-	-	833	833
Bank overdraft	4.71	18,866	-	-	18,866	18,866
		<u>19,861</u>	<u>-</u>	<u>-</u>	<u>19,861</u>	<u>19,861</u>
Financial guarantees issued:						
- Maximum amount guaranteed (note)	-	<u>16,320</u>	<u>-</u>	<u>-</u>	<u>16,320</u>	<u>16,320</u>
		<u>36,181</u>	<u>-</u>	<u>-</u>	<u>36,181</u>	<u>36,181</u>

	Weighted average interest rate %	On demand or within one year HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>As at 31 March 2017</b>						
<b>Non-derivative financial liabilities</b>						
Other payables	–	1,174	–	–	1,174	1,174
Amount due to a related party	–	822	–	–	822	822
		<u>1,996</u>	<u>–</u>	<u>–</u>	<u>1,996</u>	<u>1,996</u>
<b>As at 31 March 2018</b>						
Other payables	–	1,954	–	–	1,954	1,954
Amount due to a related party	–	6,055	–	–	6,055	6,055
		<u>8,009</u>	<u>–</u>	<u>–</u>	<u>8,009</u>	<u>8,009</u>

*Note:*

The amounts included above for financial guarantee contracts are the maximum amounts the subsidiary of the Company, HK Mobile could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the subsidiary of the Company, HK Mobile considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

**(e) Fair value measurements**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, 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 input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used).

The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).



Financial asset	Fair value at 31 March 2016 HK\$'000	Fair value at 31 March 2017 HK\$'000	Fair value at 31 March 2018 HK\$'000	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable inputs
Club debentures	800	780	870	Level 2	Market approach – reference to saleable price of club debentures of similar nature	31 March 2016 None 31 March 2017 None 31 March 2018 None

There was no transfer between Level 1 and Level 2 during the Track Record Period.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The above table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's combined statements of financial position approximate of their fair values.

**(f) Reconciliation of liabilities arising from financing activities**

	Non-cash Changes						Non-cash Changes		
	As at 1 April 2015 HK\$'000	Cash flows HK\$'000	As at 31 March 2016 and 1 April 2016 HK\$'000	Cash flows HK\$'000	As at 31 March 2017 and 1 April 2017 HK\$'000	Cash flows HK\$'000	Assigned to a director HK\$'000	Settled by dividends HK\$'000	As at 31 March 2018 HK\$'000
Amounts due to/(from) a director	(28,569)	13,180	(15,389)	974	(14,415)	–	(11,739)	26,154	–
Amounts due to/(from) related companies	(14,008)	(2,026)	(16,034)	1,358	(14,676)	8,992	11,739	–	6,055
Bank borrowings	–	–	–	–	–	–	–	–	–
Bank overdrafts	46,523	(27,657)	18,866	(18,866)	–	–	–	–	–
Total liabilities from financing activities	3,946	(16,503)	(12,557)	(16,534)	(29,091)	8,992	–	26,154	6,055

### 33. Capital management

The Group's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods commensurately with the level of risk.

The Group activity and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the debt to equity ratio. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 March 2016, 2017 and 2018.

The Group's net debts to equity ratio at the reporting period was as follows:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Net debts (note)	13,105	–	–
Total equity	47,687	73,979	63,462
Net debts to equity ratio	27%	N/A	N/A

Note: Net debts are defined to include bank overdraft net of cash and cash equivalents.

### 34. Interest in subsidiaries

At the date of this report, the Group has equity interests in the following subsidiaries:

Name of Company	Place of incorporation/registration and operation	Issued/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
HK Asia Mobile (note (a))	Incorporated on 13 June 2016 in the British Virgin Islands (the "BVI")	US\$1	100%	–	Investment holding
HK Mobile (note (b))	Incorporated on 4 March 2009 in Hong Kong	HK\$20,000	–	100%	Wholesale and retail sales of the Pre-paid Products
Golden Bright (note (b))	Incorporated on 5 June 2012 in Hong Kong	HK\$1	–	100%	Dormant
Harvest Triple (note (b))	Incorporated on 20 April 2012 in Hong Kong	HK\$1	–	100%	Holding property interest of the Group
HK Asia Telecom (note (b))	Incorporated on 6 September 2010 in Hong Kong	HK\$1	–	100%	Retail sales of the Pre- paid Products
Kinson Group (note (b))	Incorporated on 6 February 2014 in Hong Kong	HK\$1	–	100%	Retail sales of the Pre- paid Products and consignment sales
MP Direct Selling Centre (note (c))	Incorporated on 7 December 1995 in Hong Kong	HK\$650,000	–	100%	Holding property interests of the Group

Note:

- (a) No audited financial statements have been prepared for the Company and the company incorporated in the BVI since their respective dates of incorporation as there were no statutory requirements.

- (b) The companies comprising the Group has adopted 31 March as their financial year end date. The statutory financial statements of the following companies for the Track Record Period were prepared in accordance with the relevant accounting principles and financial regulations applicable to the respective jurisdictions and were audited by the following Certified Public Accountants.

Name	Financial year ended	Name of auditor
HK Mobile	31 March 2016, 2017 and 2018	HLB Hodgson Impey Cheng Limited
Golden Bright	31 March 2016, 2017 and 2018	HLB Hodgson Impey Cheng Limited
Harvest Triple	31 March 2016, 2017 and 2018	HLB Hodgson Impey Cheng Limited
HK Asia Telecom	31 March 2016, 2017 and 2018	HLB Hodgson Impey Cheng Limited
Kinson Group	31 March 2016, 2017 and 2018	HLB Hodgson Impey Cheng Limited

- (c) The company comprising the Group has adopted 30 April as their financial year end date. The statutory financial statements of the following company for the Track Record Period were prepared in accordance with the relevant accounting principles and financial regulations applicable to the respective jurisdictions and were audited by the following certified public accountants.

Name	Financial year ended	Name of auditor
MP Direct Selling Centre	30 April 2016, 2017 and 2018	HLB Hodgson Impey Cheng Limited

### 35. Non-cash transaction

During the year ended 31 March 2018, the Group declared a special dividend of approximately HK\$30,000,000, among which part of dividend declared of HK\$26,154,000 was settled by setting off the amount due from a director and amounts due from/(to) related parties assigned to Mr. Siu up to 31 July 2017.

### 36. Events after the reporting date

Save as disclosed elsewhere in the Prospectus, the following events took place subsequent to 31 March 2018:

- (a) On 27 August 2018, the written resolutions as detailed in Appendix IV “Statutory and General Information” in the Prospectus was duly passed.
- (b) On 5 September 2018, the Reorganisation as detailed in the section headed “History, Reorganisation and Development” in the Prospectus was duly completed.

### 37. Subsequent financial statements

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 11 September 2018.

*The information set forth in this appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, included as Appendix I to this prospectus, and is included herein for illustrative purposes 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 included as Appendix I to this prospectus.*

#### A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules (the "Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") is for illustration purposes only, and is set forth here to illustrate the effect of the issue of New Shares pursuant to the Share offer on our combined net tangible assets as of 31 March 2018 as if it had taken place on 31 March 2018.

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 31 March 2018, as derived from our combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to owners of the Company as at 31 March 2018 (HK\$'000) (Note 1)	Estimated net proceeds from the issue of New Shares pursuant to the Share Offer (HK\$'000) (Note 2)	Unaudited pro forma adjusted combined net tangible assets (HK\$'000) (Note 3)	Unaudited pro forma adjusted combined net tangible assets per Share (HK\$)
Based on an Offer Price of HK\$1.0 per Offer Share	63,462	58,414	121,876	0.30
Based on an Offer Price of HK\$1.3 per Offer Share	63,462	81,571	145,033	0.36

*Notes:*

- (1) The audited combined net tangible assets attributable to owners of our Company as at 31 March 2018 is extracted from the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of New Shares pursuant to the Share Offer are based on the Offer Price of HK\$1.0 and HK\$1.30 per Offer Share, after deduction of underwriting fees and related expenses payable by our Company (excluding listing expenses of approximately HK\$16.2 million incurred up to 31 March 2018) and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 400,000,000 Shares are in issue immediately after the Capitalisation Issue and the issue of New Shares pursuant to the Share Offer and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under Share Option Scheme.
- (4) No adjustment have been made to the unaudited pro forma adjusted combined net tangible assets of our Group as at 31 March 2018 to reflect any trading results or other transactions of our Group into subsequent to 31 March 2018.

**B. INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public accountants, Hong Kong.



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

11 September 2018

**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN  
INVESTMENT CIRCULAR**

To the Board of Directors of HK Asia Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of HK Asia Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) by 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 of the Group as at 31 March 2018, and related notes (the “Unaudited Pro Forma Financial Information”) as set out in Section A of Appendix II to the prospectus issued by the Company dated 11 September 2018 (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 proposed Share Offer of the Company on the Group’s financial position as at 31 March 2018 as if the proposed Share Offer had taken place at 31 March 2018. 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 six months ended 31 March 2018, on which an accountants’ report 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 ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 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 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors 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 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 the 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 31 March 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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



**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

**Wong Sze Wai, Basilia**

Practising Certificate Number: P05806

Hong Kong, 11 September 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 27 August 2018 with effect from 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) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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 will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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.

**(iii) Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed 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 transferee. 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 in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) 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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

***(i) Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed 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.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) 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) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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.



***(iv) Borrowing powers***

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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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.

***(v) Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only 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 held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration 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 and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any 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 ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

***(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for 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 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 contract or arrangement 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 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; or

- (ee) 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 associates 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 accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

***(i) Special and ordinary resolutions***

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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, 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 shareholder in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

***(iv) Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an 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 and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(v) *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, but the absence of a quorum shall not preclude the appointment of a chairman.

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.

**(vi) *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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts 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 property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.



**(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 but 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 according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest 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, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) 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 is 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, 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 is 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company 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's operations must be conducted mainly outside the Cayman Islands. 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**

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 of the 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 arrangement 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 (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), 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, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association 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**

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. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, 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 interests 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**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of 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.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions 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:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28 June 2016.

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 for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.



**(m) 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. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how 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. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

**(t) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection – Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability on 5 May 2016. Our Company has established a place of business in Hong Kong at 24th Floor, Chun Wo Commercial Centre, 23 Wing Wo Street, Sheung Wan, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 June 2016, with Mr. Siu of Flat C, 39/F & 40/F, Flourish Court, 30 Conduit Road, Hong Kong appointed as the Hong Kong authorised representative of our Company on 18 May 2016 for acceptance of the service of process and notices on behalf of our Company required to be served on our Company in Hong Kong. As our Company was incorporated in the Cayman Islands, our operations are subject to the Companies Law and to our constitution which comprises the Memorandum and Articles of our Company. A summary of relevant sections of the Memorandum and Articles of our Company and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

**2. Changes in the share capital of our Company**

As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of nominal value of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

- (a) On 5 May 2016, 1 Share was issued and allotted fully paid at par to the initial subscriber, Sharon Pierson and the said 1 Share was transferred to Mr. Siu on the same date.
- (b) On 27 August 2018, in consideration of the acquisition by HK Asia Mobile of all the issued shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group, an aggregate of 17,000,000 Shares were allotted and issued, credited as fully paid, to Mr. Siu.
- (c) Pursuant to the written resolutions of the sole Shareholder passed on 27 August 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares.

- (d) Immediately upon completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), 400,000,000 Shares will be issued fully paid or credited as fully paid and 9,600,000,000 Shares will remain unissued.

Save as disclosed herein and in the paragraph headed “Written resolutions of the sole Shareholder on 27 August 2018” below, there has been no alteration in the share capital of our Company since the date of its incorporation.

### **3. Written resolutions of the sole Shareholder on 27 August 2018**

On 27 August 2018, the following written resolutions were passed by the sole Shareholder pursuant to which, among other things:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares, such additional Shares to rank *pari passu* in all respects with the existing Shares;
- (b) conditional upon the conditions as stated in the section headed “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled (or, if applicable, waived):
  - (i) the Share Offer (including the sale of Sale Shares by the Selling Shareholder under the Share Offer) and the Over-allotment Option on the terms and subject to the conditions set out in this prospectus and the Application Forms were approved, and our Directors were authorised to allot and issue the New Shares and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option pursuant to the terms and conditions set out in this prospectus;
  - (ii) conditional upon the share premium account of our Company being credited with the proceeds from the New Issue, our Directors were authorised to capitalise a sum of HK\$2,999,999.99 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par a total of 299,999,999 Shares, such Shares to be allotted and issued, credited as fully paid at par, to the holders of Shares whose names appear on the register of members of our Company at the close of business on 27 August 2018, or as each of them may direct in writing, in proportion (or as nearly as possible without involving the issue of fraction of Shares) to their respective shareholdings in our Company;

- (iii) the rules of the Share Option Scheme were approved and adopted and the Board was authorised at its absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options granted thereunder and to take all steps which it considers to be necessary or desirable to implement and give effect to the Share Option Scheme;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than pursuant to, or in consequence of, the Share Offer and the Capitalisation Issue, the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any other share option scheme of our Company, or by way of rights issues, 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 a specific authority granted by our Shareholders in general meetings) such number of Shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme);
- (v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), such number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme);
- (vi) each of the general mandates referred to in paragraphs (iv) and (v) above will remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held or when it is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest;

(vii) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of Shares 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 number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended number shall not exceed 10% of the aggregate number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); and

- (c) our Company approved and conditionally adopted the Memorandum and the Articles with effect from the Listing Date.

#### **4. Corporate Reorganisation**

The companies comprising our Group underwent a Reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. The Reorganisation involved the following:

- (a) On 5 May 2016, our Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. 1 Share was allotted and issued fully paid at par to Sharon Pierson as initial subscriber. On the same date, such 1 fully-paid Share was transferred to Mr. Siu.
- (b) On 13 June 2016, HK Asia Mobile was incorporated in the BVI with limited liability. HK Asia Mobile was initially authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 share of HK Asia Mobile was issued to our Company for cash at par and therefore our Company held the entire issued share capital of HK Asia Mobile.
- (c) On 9 August 2017, 1 share of China Way was transferred from MP Direct Selling Centre to Mr. Siu at a consideration of HK\$1 with reference to the net asset value of China Way.

- (d) On 27 August 2018, HK Asia Mobile acquired:-
  - (i) the entire issued share capital of MP Direct Selling Centre from Mr. Siu as beneficial owner;
  - (ii) the entire issued share capital of HK Mobile from Mr. Siu as beneficial owner;
  - (iii) the entire issued share capital of Golden Bright from Mr. Siu as beneficial owner;
  - (iv) the entire issued share capital of Harvest Triple from Mr. Siu as beneficial owner;
  - (v) the entire issued share capital of HK Asia Telecom from Mr. Siu as beneficial owner; and
  - (vi) the entire issued share capital of Kinson Group from Mr. Siu as beneficial owner.
- (e) In consideration for the above acquisition:-
  - (i) HK Asia Mobile had, at the direction of Mr. Siu, procured our Company to allot and issue 17,000,000 Shares to Mr. Siu, credited as fully paid; and
  - (ii) HK Asia Mobile had allotted and issued 1 share of US\$1.00 to our Company, credited as fully paid.
- (f) The transfer of the acquired shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group took effect on 5 September 2018.

## **5. Changes in the share capital of our subsidiaries**

The subsidiaries of our Company are listed in the accountants' report set out in Appendix I to this prospectus.

Save as those disclosed in the section headed "History, Reorganisation and Development" and the paragraphs headed "Changes in the share capital of our Company" and "Corporate Reorganisation" in this Appendix above, there is no alteration in the share capital of the subsidiaries of our Company which took place within two years preceding the date of this prospectus.



## 6. Repurchase by our Company of our own Shares

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our 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 a 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 27 August 2018, conditional upon the conditions as stated in the section headed “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled (or, if applicable, waived), a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), such number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). The Repurchase Mandate will 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 any applicable law or the Articles to be held or when it is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting, 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 and the applicable laws of the 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 our Company may be made out of profits of our Company, out of our 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 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 our Company, or, if authorised by the Articles and subject to the Companies Law, out of capital.

*(iii) Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully paid up.

***(b) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that our Directors believe that such repurchases will benefit our Company and our 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, our Company may only apply funds of our Company legally available for such purpose in accordance with the Memorandum and the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Company as disclosed in this prospectus, and taking into account the current working capital position of our Company, our 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 our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital position of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

***(d) Number of Shares which may be repurchased***

On the basis of 400,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), our Directors would be authorised under the Repurchase Mandate to repurchase up to 40,000,000 Shares during the period in which the Repurchase Mandate remains in force.

***(e) General***

None of our Directors, nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

If as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases 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, our 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 core connected person (as defined in the "Definition" section of this prospectus) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

As required by Rule 10.06(5) of the Listing Rules, the listing of the Shares repurchased by our Company shall, subject to applicable law, be cancelled upon purchase and our Company shall apply for listing of any further issues of that type of Shares in the normal way. Furthermore, our Company shall ensure that the documents of title of purchased Shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (i) the sale and purchase agreement dated 9 August 2017 entered into between MP Direct Selling Centre and Mr. Siu in relation to the disposal of 1 share representing 50% of the entire issued share capital of China Way by MP Direct Selling Centre to Mr. Siu in consideration of HK\$1;

- (ii) the inventory transfer agreement dated 17 August 2017 entered into between HK Mobile and HKT Direct Selling Centre in relation to the transfer of certain mobile phones, electronics and accessories from HK Mobile to HKT Direct Selling Centre with effect from 30 September 2015 in consideration of HK\$941,452.50;
- (iii) the inventory transfer agreement dated 17 August 2017 entered into between Kinson Group and HKT Direct Selling Centre in relation to the transfer of certain mobile phones, electronics and accessories from Kinson Group to HKT Direct Selling Centre with effect from 30 September 2015 in consideration of HK\$1,521,977.80;
- (iv) the sale and purchase agreement dated 27 August 2018 entered into between Mr. Siu, HK Asia Mobile and our Company in relation to the acquisition of the entire issued share capital of each of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom, and Kinson Group in consideration of (1) HK Asia Mobile, at the direction of Mr. Siu, procuring our Company to allot and issue 17,000,000 Shares to Mr. Siu, credited as fully paid; and (2) 1 ordinary share of US\$1.00 each in HK Asia Mobile, credited as fully paid, being allotted and issued to our Company;
- (v) the deed of non-competition dated 27 August 2018 and executed by the Controlling Shareholder, in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) containing the non-competition undertakings as more particularly set out in the section headed “Relationship with the Controlling Shareholder – Non-competition Undertaking” in this prospectus;
- (vi) the deed of indemnity dated 3 September 2018 given by the Controlling Shareholder in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) containing, among other things, indemnities as more particularly set out in the paragraph headed “E. Other information – 1. Estate duty, tax and other indemnities” in this Appendix; and
- (vii) the Public Offer Underwriting Agreement.

## 2. Intellectual property

### *Domain names*

As at the Latest Practicable Date, our Group was the registrant of the following domain name:

Domain name	Name of registrant	Registration date	Expiry date
www.hkasiaholdings.com	HK Mobile	1 August 2017	31 July 2019

*Note: The contents contained in the website above do not form part of this prospectus.*

Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to our Group's business.

**C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT STAFF AND SUBSTANTIAL SHAREHOLDERS**

**1. Disclosure of interests or short position of Directors and chief executives of our Company in the shares, underlying shares or debentures of our Company and its associated corporations**

Immediately following the completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised, the interests and/or short positions of our Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO), which (a) will have to be disclosed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under the SFO), (b) will be required pursuant to section 352 of the SFO, to be entered in the register required to be kept therein; or (c) will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to our Company and the Stock Exchange are as follows:

**(i) Long positions in the Shares of our Company**

<b>Name of Director/ Chief executive</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding %</b>
Mr. Siu	Beneficial Owner	300,000,000	75

**2. Particulars of service contracts and letters of appointment****(a) Executive Directors**

Each of the executive Directors has entered into a service contract with our Company on 27 August 2018 for an initial term of three years with effect from the Listing Date and thereafter be continuous unless and until terminated by not less than three months' notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice. Each of the annual basic salary (excluding the bonus mentioned below) of executive Directors is set out below. The basic salary of each executive Director after the expiry of the initial term is subject to annual review with such increment (if any) at such rate to be determined by the remuneration committee of our Company and approved by a majority in number of the members of the Board (excluding the Director whose salary is under review) and the relevant executive Director shall abstain from voting and shall not be counted in the quorum in respect of the proposed resolution regarding the increment.

Pursuant to the terms of the service contracts entered into between each executive Director and our Company, the annual salary (excluding the bonus mentioned below) of each executive Director is as follows:

<b>Name</b>	<b>Annual salary (HK\$)</b>
Mr. Siu	600,000
Mr. Chung Chi Fai	420,000

Each of the executive Directors may be entitled to a discretionary bonus as may be determined by the remuneration committee of our Company from time to time and approved by a majority of the members of the Board by reference to the then prevailing market conditions, the performance of our Company as well as his/her individual performance provided that the Director shall abstain from voting and shall not be counted in the quorum in respect of the resolution regarding the amount so payable to himself/herself.



**(b) Non-executive Directors and independent non-executive Directors**

Each of our non-executive Directors and our independent non-executive Directors has entered into a letter of appointment with our Company for a period of two years commencing from the Listing Date subject to the provision of retirement and rotation of Directors under the Articles.

Pursuant to the terms of the letters of appointment entered into between the non-executive Directors and the independent non-executive Directors on the one part and our Company on the other part, the annual Director's fee payable to each of them is as follows:

Name	Annual Director's fee (HK\$)
Mr. Ritchie Ma	180,000
Mr. Lam Kin Lun Davie	180,000
Mr. Lee Kwan Ho, Vincent Marshall	180,000
Mr. Kwok Wai Leung Stanley	180,000
Mr. Fok Kam Chau	180,000
Mr. Shiao Hei Lok Herod	180,000

Our non-executive Directors and our independent non-executive Directors are not entitled to any bonus.

**(c)** Each of our Directors is entitled to reimbursement for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under the relevant service contract or letter of appointment.

**(d)** Save as disclosed in this prospectus, none of our Directors has entered or proposed to enter into any service agreements with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**3. Directors' remuneration**

- (a) The aggregate sums of approximately HK\$nil, HK\$nil and HK\$0.3 million were paid to our Directors as remuneration (including benefits in kind) by our Group for each of FY2016, FY2017 and FY2018 respectively. Further information in respect of our Directors' remuneration is set out in the accountant's report in Appendix I to this prospectus.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$1.4 million will be paid to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) by our Group for FY2019.
- (c) None of our Directors or past directors of any member of our Group has been paid any sum of money for each of FY2016, FY2017 and FY2018 respectively for (a) the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of FY2016, FY2017 and FY2018 respectively.

**4. Substantial Shareholders**

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised, the following persons (other than our Directors or the chief executive of our Company) will have an interest and/or a short position in the Shares or underlying Shares or debentures of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which

they are taken or deemed to have under such provisions of the SFO) or will be expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any member of our Group, once the Shares are listed on the Stock Exchange:

***Long positions in the Shares***

<b>Name</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding %</b>
Mrs. Siu ( <i>Note 1</i> )	Interest of spouse	300,000,000	75

*Notes:*

1. Mrs. Siu is the spouse of Mr. Siu. Under the SFO, Mrs. Siu is deemed to be interested in the same number of Shares of which Mr. Siu is interested in.

**5. Agency fees or commissions received**

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries within the two years ended on the date of this prospectus.

**6. Related party transactions**

Save as disclosed herein and in notes 11, 20, 21, 22 and 23 in the paragraph headed “Notes to the financial statements” of the Accountants’ Report set out in Appendix I to this prospectus, our Group has not entered into any related party transactions within the two years immediately preceding the date of this prospectus.

**7. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of our Directors or the chief executives of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provision of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, in each case once the Shares are listed on the Stock Exchange;
- (b) our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised, have an interest and/or a short position in the Shares or underlying Shares or debentures of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or who will be expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any member of our Group, once our Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts referred to in the paragraph headed “E. Other information – 8. Qualification and consent of experts” in this Appendix has any direct or indirect interest in the promotion of any member of our 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 our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group;

- (d) none of our Directors nor the experts referred to in the paragraph headed “E. Other information – 8. 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 our Group taken as a whole;
- (e) none of our Directors has any existing or proposed service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (f) none of our Directors nor the experts referred to in the paragraph headed “E. Other information – 8. Qualification and consent of experts” in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from our 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 our Group; and
- (g) none of the Controlling Shareholder and Directors is interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

#### **D. SHARE OPTION SCHEME**

The purpose of the Share Option Scheme is to enable our Company to grant options to full-time or part-time employees, Directors (including executive, non-executive or independent non-executive Directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of our Company and/or any of our subsidiaries from time to time (the “**Eligible Participants**”) as incentives or rewards for their contribution to the growth of our Group and to provide our Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a written resolution of the sole Shareholder on 27 August 2018 (the “**Adoption Date**”).

No options will be granted under the Share Option Scheme unless the grant of such options is in compliance with all the requirements of the Listing Rules.

**1. Terms of the Share Option Scheme**

**(a) *Who may join***

The Board may, at its absolute discretion, offer the Eligible Participants, options to subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with paragraph (b) below, and subject to the other terms of the Share Option Scheme summarised below.

An offer of grant of an option shall remain open for acceptance by the Eligible Participant concerned for such period as determined by the Board, which period shall not be more than fourteen (14) days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price under paragraph (b) where paragraphs (c)(vi) and (d)(iii) apply.

**(b) *Price of Shares***

The subscription price for Shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall not be less than the highest of (i) the closing price per Share on Main Board as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option, which must be a business day; (ii) the average closing price per Share on Main Board as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option; or (iii) the nominal value of a Share. For the purpose of determining the subscription price for Shares under this paragraph (b), where the Shares have been listed on Main Board for less than five (5) business days, the final offer price per Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee) at which Shares are to be subscribed or purchased pursuant to the Share Offer shall be taken as the "closing price per Share" for any business day falling within the period before the Listing Date.

(c) *Maximum number of Shares*

- (i) The maximum aggregate 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 our Group must not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme if this will result in such limit being exceeded.
- (ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group must not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) (such 10% limit representing 40,000,000 Shares expected then to be in issue without taking into account Shares which may fall to be issued upon the exercise of the over-allotment Option) unless Shareholders’ approval has been obtained pursuant to paragraph (iii) or (iv) below. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) The Board may seek approval by Shareholders in general meeting to renew the Scheme Mandate Limit and our Company must send a circular to our Shareholders containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group in these circumstances must not exceed 10% of the total number of Shares in issue at the date of approval of the renewed limit (the “**Renewed Scheme Mandate Limit**”). Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of our Group and exercised options) will not be counted for the purpose of calculating the Renewed Scheme Mandate Limit.

- (iv) Subject to paragraph (i) above, the Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit or the Renewed Scheme Mandate Limit referred to in paragraphs (c)(ii) or (c)(iii) above (as the case may be) provided that the options in excess of the Scheme Mandate Limit or the Renewed Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to such Eligible Participants with an explanation as to how the terms of the options serve such purpose, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
  
- (v) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under all of the schemes of our Company under the 10% limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.



- (vi) Unless approved by our Shareholders in the manner set out in this paragraph (vi), the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the total number of Shares in issue. Where any further grant of options to an Eligible Participant would result in the total number of Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding options under the Share Option Scheme) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue as at the date of such further grant, such further grant must be subject to the separate approval of Shareholders at general meeting with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. A circular must be sent to our Shareholders disclosing the identity of the Eligible Participant, the number and the terms of the options previously granted and to be granted and containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the subscription price for Shares) of the options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph (b) above.

**(d) *Restrictions on grant of options***

- (i) No offer or the grant of an option shall be made after an inside information has come to our Company's knowledge, until such inside information has been announced and, in particular, no Eligible Participant shall be granted an option during the period commencing one (1) month immediately before the earlier of:
- (1) 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, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (2) the deadline for our Company to announce its results for any year or half-year under the Listing Rules or any other interim period (whether or not required under the Listing Rules),

and ending on the date of announcement for such results. For the avoidance of doubt, no options shall be granted as mentioned above during any period of delay in publishing a results announcement.

- (ii) Any grant of options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (iii) Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of Shares in issue on the date of offer and having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by Shareholders taken on a poll in general meeting. In addition, the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph (b) above. The grantee, his/her associates and all core connected persons of our Company must abstain from voting in such general meeting (except that any grantee, his/her associate and core connected person may vote against the proposed grant provided that his/her intention to do so has been stated in the Shareholders' circular). A Shareholders' circular must be prepared and sent by our Company containing (1) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting; (2) a recommendation from our independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options) to our independent Shareholders as to voting; (3) the information required under Rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and (4) the information required under Rule 2.17 of the Listing Rules.

- (iv) Our Directors may not make any offer of options to an Eligible Participant who is a Director during the periods or times in which our 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 any corresponding code or securities dealing restrictions adopted by our Company.

***(e) Time of and restrictions on exercise of option***

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed 10 years from the date of grant of the option.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the Board may determine in its absolute discretion.

***(f) Assignment***

Options granted under the Share Option Scheme must be personal to the grantee and shall not be assignable. No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or equitable) in favour of any third party over or in relation to any option or attempt to do so. Any breach of the foregoing by the grantee shall entitle our Company to cancel any option granted to such grantee (to the extent not already exercised).

***(g) Rights on cessation of employment by death***

If the grantee of an option (being an individual) ceases to be an Eligible Participant by reason of death and none of the events set out in paragraph (i) below which would be a ground for the termination of his/her employment, directorship, appointment or engagement arises, his/her personal representative(s) may exercise the option up to the entitlement of the grantee as at the date of death (to the extent which has become exercisable but not already exercised) within a period of twelve (12) months from the date of death (or such longer period as the Board may determine or, if any of the events referred to in paragraphs (k), (l) and (m) below occurs during such period, his/her personal representative(s) may exercise the option pursuant to paragraphs (k), (l) and (m) below within such period), failing which the option will lapse.

***(h) Right on winding up of, or material changes in, the grantee***

If a grantee (being a corporation):

- (i) commences winding up by whatever means, whether voluntarily or not; or
- (ii) suffers a change in its constitution, management, directors, shareholdings or beneficial ownership which in the opinion of the Board is material,

the option (to the extent not already exercised) shall lapse on the date of the commencement of winding up of the grantee or on the date of notification by our Company that the said change in constitution, management, directors, shareholding or beneficial ownership is material, as the case may be, and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving the grantee's option has lapsed by reason of material change in the constitution, management, directors, shareholding or beneficial ownership as aforesaid shall be final and conclusive.

***(i) Rights on dismissal of the grantee***

If the grantee of an option ceases to be an Eligible Participant by reason of the termination of his/her employment, directorship, appointment or engagement on any one or more of the grounds that he/she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has breached or failed to comply with any provisions of the relevant service contract, letter of appointment or other contracts or agreements of the grantee with our Company or the relevant subsidiary for the employment, appointment or engagement, or has been convicted of any criminal offence involving his/her integrity or honesty or on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the service contract or letter of appointment or other contract or agreement for employment, appointment or engagement of the grantee with our Company or the relevant subsidiary, his/her option (to the extent not already exercised) will lapse and not be exercisable on the date of termination of his/her employment, directorship, appointment or engagement. A resolution of the Board or the board of directors or governing body of the relevant subsidiary to the effect that the employment, directorship, appointment or engagement of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (i) shall be conclusive.

***(j) Right on cessation of eligibility for other reasons***

If the grantee of an option ceases to be an Eligible Participant for any other reason, the grantee may exercise the option up to his/her entitlement at the date of cessation (to the extent which has become exercisable but not already exercised) within three (3) months following the date of such cessation (or such longer period as the Board may determine or, if any of the events referred to in paragraphs (k), (l) and (m) below occurs during such period, he/she may exercise the option pursuant to paragraphs (k), (l) and (m) below within such period), failing which the option will lapse. The date of cessation as aforesaid shall be the last working day with our Company or the relevant subsidiary, whether salary or compensation is paid in lieu of notice or not, or the last date of office or appointment as Director, or the last date of appointment or engagement as consultant or adviser to our Company or the relevant subsidiary, as the case may be, in the event of which, the date of cessation as determined by a resolution of the Board or the board of directors or governing body of the relevant subsidiary shall be conclusive.

***(k) Rights on a general offer***

If a general (or partial) offer (whether by takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), the terms of which have been approved by any relevant regulatory authority and are in accordance with the applicable laws and regulatory requirements and becomes, or is declared unconditional prior to the expiry of the option, our Company shall within seven (7) days of such offer becoming or being declared unconditional give notice thereof to the grantee, whereupon the grantee (or his/her personal representatives) shall be entitled to exercise the option in full or in part (to the extent which has become exercisable but not already exercised) at any time within fourteen (14) days after the date of such notice and, to the extent any of the options have not been so exercised, such option shall upon the expiry of such period lapse.

***(l) Rights on winding up***

In the event that a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as it despatches such notice of the proposed general meeting to each Shareholder give notice thereof to the grantee (or his/her personal representatives), who may, by notice in writing to our Company (such notice to be received by our Company not later than five (5) business days prior to the proposed general meeting) accompanied by a remittance/payment for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, exercise the option (to the extent which has become exercisable but not already exercised) either to its full extent or to the extent specified in such notice and our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise, credited as fully paid up and register the grantee as holder thereof. Any options shall, to the extent they have not been so exercised, lapse and determine.

***(m) Rights on compromise or arrangement***

If, pursuant to the Companies Law or other applicable law, a compromise or scheme of arrangement between our Company and our members and/or creditors is proposed for the purpose of or in connection with the reconstruction of our Company or our amalgamation with any other company or companies, our Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as we give notice to the members or creditors of our Company summoning a meeting to consider such a compromise or scheme of arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on earlier of:

- (i) the date two (2) calendar months thereafter; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise his/her option (to the extent which has become exercisable but not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of the 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. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been so exercised, lapse and determine. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented 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 but only up to the extent not already exercised 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 our Company and no claim shall lie against our Company or any of our officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

***(n) Effects of alterations to share capital***

In the event of any capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision, or reduction of the share capital of our Company in accordance with legal requirements and the requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which our Company and/or any of our subsidiaries is a party), the number or nominal amount of Shares subject to the option granted pursuant to Share Option Scheme so far as unexercised and/or the subscription price or any combination thereof, shall be adjusted in such manner as the auditors for the time being of our Company or an independent financial adviser to be appointed by our Company for such purpose shall certify in writing to the Board to be in their opinion fair and reasonable provided always that:-

- (i) no such adjustments shall be made the effect of which would be to enable any Share to be issued at less than its nominal value;
- (ii) such adjustments shall be made on the basis that the grantee shall have as nearly as possible the same proportion of the equity share capital of our Company to which the grantee was entitled before such adjustments,

and in each case, any adjustment must be made in compliance with the Listing Rules (including Chapter 17 thereof), and any guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, the auditors for the time being of our Company or an independent financial adviser to be appointed by our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules or the relevant guidance or interpretation thereof.

**(o) Ranking of Shares**

The Shares to be issued and allotted upon the exercise of options granted under the Share Options Scheme will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which Shares are allotted to the grantee (or his/her personal representative(s)) (the “**Allotment Date**”) and accordingly will entitle the holders to participate in all dividends or other distributions declared paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the Allotment Date.

Unless the context otherwise requires, references to “**Shares**” in the Share Option Scheme include references to shares in the share capital of our Company of such nominal amount as shall result from a sub-division or a consolidation, reclassification or reconstruction of the share capital of our Company from time to time forming part of the ordinary equity share capital.

**(p) Lapse of option**

The right to exercise an option shall lapse automatically and become not exercisable (to the extent not already exercised) immediately upon the earliest of:

- (i) the expiry of the period referred to in paragraph (e) above;
- (ii) the expiry of the periods referred to in paragraphs (g), (h), (j), (k), (l) and (m) above;
- (iii) subject to paragraph (l) above, the date of the commencement of the winding-up of our Company;
- (iv) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her employment, directorship, appointment or engagement referred to in paragraph (i) above;



- (v) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest (legal or equitable) in favour of any third party over or in relation to any option or attempt to do so in breach of the Share Option Scheme.

***(q) Period of the Share Option Scheme***

Subject to the fulfillment of the conditions of the Share Option Scheme and the earlier termination by Shareholders' resolution in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the Adoption Date, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

***(r) Alteration to the Share Option Scheme and the terms of options granted under the Share Option Scheme***

All provisions of the Share Option Scheme may, subject to the Listing Rules, be altered from time to time in any respect by a resolution of the Board save that the following alterations shall require the prior sanction of an ordinary resolution of our Shareholders in general meeting (with all grantees, prospective grantee and their associates abstaining from voting and the votes taken by poll):

- (i) any alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee or the Eligible Participants;
- (ii) any alterations of the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted under the Share Option Scheme (except where the alterations take effect automatically under the existing terms of the Share Option Scheme); and
- (iii) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme.

No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of our Shareholders under the Articles of Association for the time being for a variation of the rights attached to the Shares. Any amended terms of the Share Option Scheme or options shall still comply with the relevant requirements of Chapter 17 of the Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time).

In respect of any meeting of the grantees which may be held for this purpose, all the provisions of the constitutional documents for the time being of our Company as to general meetings of our Company shall *mutatis mutandis* apply as though the options were a class of shares forming part of the capital of our Company except that:

- (i) not less than seven (7) days' notice of such meeting shall be given;
- (ii) a quorum at any such meeting shall be two (2) grantees present in person or by proxy and holding options entitling them to the issue of one-tenth of the number of all Shares which would fall to be issued upon the exercise of all options then outstanding unless there is only one (1) grantee holding all options then outstanding, in which case the quorum shall be one (1) grantee;
- (iii) every grantee present in person or by proxy at any such meeting shall be entitled on a poll to one (1) vote for each Share to which he/she would be entitled upon exercise in full of his/her options then outstanding; and
- (iv) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven (7) or more than fourteen (14) days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those grantees who are then present in person or by proxy shall form a quorum and at least seven (7) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantee who are then present in person or by proxy shall form a quorum.

Where there is any proposed change to the terms of any options granted to an Eligible Participant who is also a substantial Shareholder or an independent non-executive Director or any of their respective associates (except where the change takes effect automatically under the existing terms of the Share Option Scheme), then the proposed change must be subject to the approval of our Shareholders taken on poll at general meeting and to such other requirements of the Listing Rules. The Grantee, his/her associates and all core connected persons of our Company must abstain from voting in such general meeting (except that any Grantee, his/her associate or core connected person may vote against the proposed change provided that his/her intention to do so has been stated in the circular). A Shareholders' circular must be prepared and sent by our Company explaining the proposed change and disclosing the original terms of the options, and containing a recommendation from the independent non-executive Directors (excluding an independent non-executive Director who is the holder of the options which terms are to be changed) on whether or not to vote in favour of the proposed change and containing such other information required under the Listing Rules.

***(s) Administration of the Share Option Scheme***

The Share Option Scheme shall be administered by the Board.

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine in its absolute discretion, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

***(t) Termination of the Share Option Scheme***

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects in respect of any options granted prior thereto but not yet exercised at the time of termination. Upon such termination, details of the options granted, including options exercised or outstanding shall be disclosed in the circular to Shareholders seeking approval of the first new scheme to be established after such termination.

***(u) Cancellation of Options***

Subject to paragraph (f) above, any cancellation of options granted but not exercised shall be approved by the Board. Cancelled options may be re-issued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the Share Option Scheme and the requirements of the Listing Rules and provided further that new options may be issued to a grantee in place of his/her cancelled options only if there are available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Renewed Scheme Mandate Limit.

Any reference to the “**Board**” above shall include a duly authorised committee of the Board.

**2. Present status of the Share Option Scheme**

The Share Option Scheme is conditional on:

- (a) the Listing Committee of the Stock Exchange granting (i) approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme) and (ii) if so required by the Stock Exchange, approval of the Share Option Scheme and the grant of options thereunder;

- (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver of any conditions) and not being terminated in accordance with its terms or otherwise; and
- (c) commencement of dealings in the Shares on Main Board.

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 of the Stock Exchange for the approval of the Share Option Scheme and the subsequent granting of options under the Share Option Scheme and for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

## **E. OTHER INFORMATION**

### **1. Estate duty, tax and other indemnities**

Our Controlling Shareholder (also the “**Indemnifier**”) has entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for our present subsidiaries) (being the material contract (vi) referred to in the paragraph headed “B. Further Information about the Business – 1. Summary of material contracts” above of this Appendix) to provide indemnities, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses, liabilities and interests incidental to or relating to taxation) and claims falling on any member of our Group resulting from or by reference to any income, profits, gains earned, accrued or received, or any transactions, events, matters or things entered into or occurring, on or before the Listing Date, whether alone or in conjunction with any circumstances whenever occurring and whether or not such tax liabilities or claims are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifier is under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation, liabilities or claims in the audited accounts of any member of our Group up to the end of the Track Record Period; or
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on the day immediately after the end of the Track Record Period and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the end of the Track Record Period; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the end of the Track Record Period or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation, liabilities or claims arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the IRD, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such taxation, liabilities or claims arise or are increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to the end of the Track Record Period which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier's liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifier has also undertaken to each member of our Group that he will indemnify and at all times keep each member of our Group fully indemnified, from and against all depletion in or reduction in value of assets, increase in liabilities, losses (including without limitation, confiscation of income and/or assets, suspension of operation), claims, actions, proceedings, demands, orders, notices, liabilities, damages, costs (including legal costs on a full indemnity basis), expenses, interest, fines, penalties, payments of whatever nature suffered or incurred by any member of our Group directly or indirectly arising out of or in connection with any of the following (collectively, the “**Indemnified Matters**”):

- (a) the implementation of the corporate reorganisation of our Group in the preparation of Listing as described in this prospectus;
- (b) all breaches, non-compliance and/or violation of, by any member of our Group on or before the Listing Date, (i) any applicable laws, rules and/or regulations (whether in Hong Kong or any other part of the world) and/or (ii) any requirements imposed by any regulatory authorities including but not limited to all the matters as referred to in the section headed “Business – Non-compliance incidents” in this prospectus;
- (c) all breaches of, by any member of our Group on or before the Listing Date, any lease or tenancy agreements entered into by any member of our Group; and
- (d) the relocation (or any proceedings relating to such relocation) of any shops on the properties leased or rented to any member of our Group on or before the Listing Date as a result of the compliance or enforcement of any order(s) by the landlord or any other person/authority which would terminate or otherwise restrict the continuous and exclusive possession and occupation of any such properties or any part thereof,

provided that the Indemnifier is under no liability under the deed of indemnity in respect of the Indemnified Matters:

- (i) to the extent that provision or reserve has been made for the relevant Indemnified Matters in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period; or

- (ii) to the extent that any provision or reserve made for the Indemnified Matters in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period which is finally established to be over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of the Indemnified Matters shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifier's liability in respect of the Indemnified Matters shall not be available in respect of any such liability arising thereafter.

## **2. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

## **3. Sponsor**

The Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

Our Company agreed to pay the Sponsor a fee of HK\$6,500,000 in respect of its services rendered in its capacity as the sponsor to our Company for the Share Offer (excluding other fees payable by our Company to the Sponsor in relation to book-building, pricing, underwriting and other related services provided or to be provided by the Sponsor).

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

## **4. Registration procedures**

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

**5. Taxation of holders of Shares****(a) *The Cayman Islands***

Under the present laws of the Cayman Islands, transfers and other disposals of the Shares are exempted from the Cayman Islands stamp duty so long as our Company does not hold any interest in land in the Cayman Islands.

**(b) *Hong Kong***

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty and the current rate charged on each of the purchaser and the seller is 0.1%. 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 the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares. It is emphasised that none of our Company, the Selling Shareholder, our Directors, the Sponsor, the Underwriters and all of their respective directors, agents or advisers nor any other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, holding, purchase or disposal of or dealing in the Shares or exercising any rights attaching to them.

**6. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK\$60,000 and are payable by our Company.

**7. Promoter**

There are no promoters of our Company.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given to the promoters in connection with the Share Offer or the related transactions described in this prospectus.



**8. 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:

<b>Expert</b>	<b>Qualification</b>
The Sponsor	Licensed corporation holding a licence under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Sit, Fung, Kwong & Shum	Legal advisors of our Company as to Hong Kong law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Bernard Mak	Barrister-at-law of Hong Kong
Martin W.H. Wong	Barrister-at-law of Hong Kong
Henry H.G. Cheng	Barrister-at-law of Hong Kong
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Frost & Sullivan	Industry consultant

Each of the experts referred to above 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.

**9. 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 COWUMPO so far as applicable.

**10. No material adverse change**

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018, being the date to which the latest audited financial statements of our Company were made, and up to the date of this prospectus.

**11. Particulars of the Selling Shareholder**

Particulars of the Selling Shareholder as at the Latest Practicable Date are set out as follows:

Name:	Siu Muk Lung
Description:	Merchant
Residential address:	Flat C, 39/F & 40/F, Flourish Court, 30 Conduit Road, Mid-Levels, Hong Kong
Number of Sale Shares:	17,000,000 Shares

**12. Miscellaneous**

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) within the two years preceding the date of this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or our subsidiaries and no commission (excluding sub-underwriters' commission) has been paid or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any shares in or debentures of our Company or our subsidiaries;
  - (iii) no share or loan capital of our Company or our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iv) no founder, management or deferred shares of our Company or our subsidiaries have been issued or agreed to be issued; and
  - (v) our Company has no outstanding convertible debt securities.
- (b) None of the Sponsor, Sit, Fung, Kwong & Shum, Conyers Dill & Pearman, Bernard Mak, Martin W.H. Wong, Henry H.G. Cheng, HLB Hodgson Impey Cheng Limited and Frost & Sullivan:
- (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

- (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group saved as disclosed in this prospectus and in connection with the Underwriting Agreements.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (d) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

### **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 (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case at any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

1. the Application Forms;
2. the written consents referred to in “Appendix IV – Statutory and General Information – E. Other information – 8. Qualification and consent of experts” in this prospectus;
3. a copy of each of the material contracts referred to in “Appendix IV – Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in this prospectus; and
4. the statement of particulars of the Selling Shareholders.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours, Monday to Friday (except public holidays) at the office of Sit, Fung, Kwong & Shum at 9th Floor, York House, The Landmark, 15 Queen’s Road Central, Central, Hong Kong up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles;
2. the accountants’ report from HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
3. the report from HLB Hodgson Impey Cheng Limited in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
4. the audited financial statements of the companies comprising our Group for each of FY2016, FY2017 and FY2018 (or for the period since their respective dates of incorporation of the relevant members of our Group where it is shorter), if any;

5. the report from Frost & Sullivan entitled “Independent Market Research – Hong Kong Pre-paid SIM Card Distribution Market”;
6. the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
7. the letters of advice from Sit, Fung, Kwong & Shum, in respect of non-compliances with the Old HKCO, the Companies Ordinance and the IRO;
8. the legal opinions from Bernard Mak, barrister-at-law of Hong Kong, in respect of non-compliances with the Old HKCO, the Companies Ordinance and the MPFSO;
9. the legal opinions from Martin W.H. Wong, barrister-at-law of Hong Kong, in respect of non-compliances with the IRO;
10. the legal opinions from Henry H.G. Cheng, barrister-at-law of Hong Kong, in respect of our Group’s compliance with the Competition Ordinance;
11. the Companies Law;
12. the material contracts referred to in “Appendix IV – Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in this prospectus;
13. the service contracts and the letters of appointment with each of our Directors referred to in “Appendix IV – Statutory and General Information – C. Further Information about Directors, Management Staff and Substantial Shareholders – 2. Particulars of service contracts and letters of appointment” in this prospectus;
14. the written consents referred to in “Appendix IV – Statutory and General Information – E. Other information – 8. Qualification and consent of experts” in this prospectus;
15. the rules of the Share Option Scheme; and
16. the statement of particulars of the Selling Shareholder.



