THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mobile Telecom Network (Holdings) Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of the Company.

M Tel

MOBILE TELECOM NETWORK (HOLDINGS) LIMITED

流動電訊網絡（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8266)

VERY SUBSTANTIAL ACQUISITION

A notice convening an extraordinary general meeting (the "**EGM**") of the Company to be held at Suite 1006, 10/F., Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 10 September 2012 at 11:00 a.m. is set out on pages 184 to 186 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

23 August 2012

* *For identification purpose only*

CHARACTERISTICS OF GEM

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

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

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Agreement"	the agreement dated 22 February 2012 (as supplemented by the supplemental agreement dated 15 March 2012) and entered into among the Vendors and the Purchaser in relation to the sale and purchase of the Sale Shares
"Board"	the board of Directors
"Bondholder(s)"	the holder(s) of the Convertible Bonds or the Option Convertible Bonds, as the case may be
"Business Day"	a day other than a Saturday, Sunday or public holiday on which banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement
"Completion Date"	the date of Completion
"connected person"	has the meaning ascribed to it in the GEM Listing Rules
"Consideration"	the consideration to be satisfied by the Purchaser to the Vendors for the sale and purchase of the Sale Shares
"Conversion Period"	the conversion period of the First Bonds or the Second Bonds, as the case may be
"Conversion Price"	the initial conversion price of HK$0.25 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bonds

"Conversion Shares"	the Shares to be allotted and issued upon the exercise of the conversion rights in respect of the Convertible Bonds
"Convertible Bonds"	the First Bonds and the Second Bonds
"CPT"	Chunghwa Picture Tubes, Ltd.
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held and convened on Monday, 10 September 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Agreement, the exercise of each of the Options and the transactions contemplated thereunder
"Encumbrance"	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-purchase, or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
"Enlarged Group"	the Group as enlarged by the Proposed Acquisition
"First Bonds"	the convertible bonds in the principal amount of HK$9,360,000 and HK$2,340,000, to be issued by the Company in favour of the First Vendor and the Second Vendor respectively in accordance with the terms and conditions of the Agreement
"First Vendor"	Chan Wan Kim
"G6 Production"	G6 fabrication, a mass production standard for LCD

DEFINITIONS

"Gartner"	Gartner is an information technology research and advisory company providing technology related insight
"Gartner Research"	the research published by Gartner
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GPS"	Global Positioning System
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPS"	in-plane switching, which was developed to improve on the poor viewing angle and the poor color reproduction of twisted nematic panels. This change reduces the amount of light scattering in the matrix, which gives IPS its characteristic wide viewing angles and good color reproduction. Such LCD technology aligns the liquid crystals in a plane parallel to the glass substrates
"Latest Practicable Date"	20 August 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Committee"	has the meaning ascribed to it in the GEM Listing Rules
"LCD"	liquid crystal display
"Maturity Date"	the date of maturity of the Convertible Bonds, being the date falling on the third anniversary of the date of issue of the Convertible Bonds
"Net Current Assets"	the current assets of the Target Group less (i) cash and bank balances and (ii) prepayments, as shown in the unaudited consolidated statement of financial position of the Target Company as at 31 January 2012
"Option Conversion Period"	the conversion period of the Option Convertible Bonds

"Option Conversion Price"	the initial conversion price of HK$0.25 per Option Conversion Share, subject to adjustments, pursuant to the terms of the Option Convertible Bonds
"Option Conversion Shares"	the Shares to be allotted and issued upon the exercise of the conversion rights in respect of the Option Convertible Bonds
"Option Convertible Bonds"	the convertible bonds to be issued by the Company in favour of the Vendors in accordance with the terms and conditions of the Agreement
"Option Deeds"	(i) the option deed entered into between the First Vendor and the Purchaser in relation to the grant of right to the Purchaser to call upon the sale of 400,000 Target Shares; and (ii) the option deed entered into between the Second Vendor and the Purchaser in relation to the grant of right to the Purchaser to call upon the sale of 100,000 Target Shares
"Option Maturity Date"	the date of maturity of the Option Convertible Bonds, being the date falling on the third anniversary of the date of issue of the Option Convertible Bonds
"Options"	the options granted by each of the Vendors to the Purchaser as contemplated under the Option Deeds
"PetroAsian Energy"	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on main board of the Stock Exchange (Stock code: 850)
"PRC"	the People's Republic of China
"Promissory Notes"	the promissory notes to be issued by the Company to the First Vendor and the Second Vendor in the principal amounts of HK$4,160,000 and HK$1,040,000 respectively and with a maturity date on the date falling 90 days after the Completion Date

"Proposed Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser subject to and upon the terms and conditions of the Agreement
"Purchaser"	Golden Kingtex Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
"Sale Shares"	1,500,000 Target Shares, which is legally and beneficially owned as to 1,200,000 Target Shares by the First Vendor and as to 300,000 Target Shares by the Second Vendor
"Second Bonds"	the convertible bonds in the principal amount of HK$9,360,000 and HK$2,340,000, to be issued by the Company in favour of the First Vendor and the Second Vendor respectively accordance with the terms and conditions of the Agreement
"Second Vendor"	Wong Chun Wai
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of US$0.01 each in the share capital of the Company
"Shortfall Amount"	the amount of the Net Current Assets not recovered in full by the Target Group before the date falling 90 days after the Completion Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Target Company"	ETC Technology Limited, a company incorporated in Hong Kong with limited liability
"Target Group"	the Target Company and its subsidiaries
"Target Shares"	shares of HK$1.00 each in the share capital of the Target Company
"Vendors"	the First Vendor and the Second Vendor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America

MOBILE TELECOM NETWORK (HOLDINGS) LIMITED
流動電訊網絡（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8266)

Executive Directors:
Dr. Chan Chung *(Chairman)*
Mr. Chan Wai Kwong, Peter
Mr. Siu King Nin, Peter
Mr. Choi Ho Yan
Mr. So Haw, Herman

Independent non-executive Directors:
Mr. Chiu Wai Piu
Mr. Cheung Kwan Hung, Anthony
Mr. Heung Chee Hang, Eric

Registered office
Cricket Square
Hutchins Drive
P.O. Box 2681
George Town
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 2516, 25th Floor,
North Tower, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon
Hong Kong

23 August 2012

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 15 March 2012, in relation to, among other things, the Proposed Acquisition.

* *For identification purpose only*

On 22 February 2012 (after the trading hours of the Stock Exchange) (as supplemented by the supplemental agreement dated 15 March 2012), the Vendors and the Purchaser entered into the Agreement pursuant to which the Purchaser has agreed to purchase and the Vendors have agreed to sell the Sale Shares for a total consideration of HK$39,000,000.

As one or more of the relevant percentage ratios applicable to the Company exceeds 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information on the Proposed Acquisition, the Agreement and the Options; (ii) the financial information of the Target Group; (iii) the financial information of the Group; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) the notice of EGM and other information as required under the GEM Listing Rules.

THE AGREEMENT

Date: 22 February 2012 (after trading hours of the Stock Exchange) (as supplemented by the supplemental agreement dated 15 March 2012)

Parties: (1) the Purchaser as purchaser

(2) the Vendors as vendors

Save as to the First Vendor being (i) a holder of 12,500,888 shares in the issued share capital of PetroAsian Energy, representing approximately 0.30% of the issued share capital of PetroAsian Energy; (ii) a holder of 57% of the issued share capital of Lee Shing Mining Company Limited, an associated company of PetroAsian Energy (which PetroAsian Energy is a holder of 43% of its issued share capital); and (iii) the Second Vendor being a legal representative of a PRC subsidiary of Lee Shing Mining Company Limited, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors is a third party independent of the Company and connected persons of the Company. PetroAsian Energy, through its wholly owned subsidiary, China Oil Resources Group Limited, is interested in approximately 28.99% of the issued share capital of the Company as at the Latest Practicable Date and is a substantial shareholder of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors does not have any prior business relationship with the Company and connected persons of the Company.

ASSET TO BE ACQUIRED

Pursuant to the Agreement, the Vendors have agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 75% of the issued share capital of the Target Company as at the Latest Practicable Date.

CONSIDERATION

The consideration of HK$39,000,000 for the sale and purchase of the Sale Shares shall be settled by the Purchaser (which shall be shared by the Vendors on as 80% by the First Vendor and 20% by the Second Vendor) in the following manner:

(a) as to HK$10,400,000 shall be paid by the Purchaser to the Vendors by cashier order(s) issued by a licensed bank(s) in Hong Kong and made payable to the Vendors or as the Vendors may direct at Completion;

(b) as to HK$11,700,000 shall be paid by the Purchaser by procuring the Company to issue to the Vendors the First Bonds at Completion;

(c) as to HK$11,700,000 shall be paid by the Purchaser by procuring the Company to issue to the Vendors the Second Bonds at Completion; and

(d) the balance of HK$5,200,000 shall be satisfied by the Purchaser by procuring the Company to issue the Promissory Notes to the Vendors at Completion.

The Consideration was determined with reference to (i) financial position, business outlook and future prospect of the Target Group; (ii) the profitability of the Target Group; and (iii) a price earnings ratio of 6.5 on the guaranteed profits under the Profit Guarantee. The price earnings ratio of 6.5 was determined with reference to other available market comparables in similar operations and/or industry with the Target Group with a range from 4.26 to 12.33. There are no comparables which have exactly the same operations as the Target Group. However, in view of that these companies have similar operations and participate in similar industries, the Board had made reference to the following market comparables:

Stock code	Name	Principal business of the company and its subsidiaries	Price earnings ratio
532	Wong's Kong King International (Holdings) Limited	Trades, and distributes chemicals, materials and equipment used in the manufacture of PCBs (Print Circuit Board) and electronic products. The company also manufactures electrical and electronic consumer products for OEM customers.	4.26

Stock code	Name	Principal business of the company and its subsidiaries	Price earnings ratio
595	AV Concept Holdings Limited	Marketing and distribution of electronic components, and the design, development and sale of electronic products.	5.01
889	Datronix Holdings Limited	Design, manufacture and sale of magnetics used in consumer electronics, data processing appliances and other electronics systems for coupling, isolation, filtering, interfacing and timing control applications.	8.77
915	Linmark Group Limited	Sources a wide range of soft goods and hard goods for its customers and provides chain management solutions to retail chain operators, brands, wholesalers, mail order houses and department stores in various countries. The company also trades garments.	12.33

Source: Bloomberg

Since there are no direct market comparables which could be found to compare with the Target Group, the Board is of the view that the above market comparables are fair representatives given that these companies were engaged in similar operations and participate in similar industries with the Target Group.

Given that the Target Group is principally engaging in trading and agency business for LCD, it does not involve heavy capital expenditure. The consideration was therefore determined based on the price earnings ratio and the Profit Guarantee instead of the net asset value of the Target Group. The Consideration was arrived at after arm's length negotiations between the parties to the Agreement. Although the Consideration represents a substantial premium to the adjusted net asset value of the Target Group of approximately HK$2,671,000 as at 31 March 2012, the Consideration was determined with reference to the factors as set out above. As such, the Directors considered that the Consideration to be fair and reasonable. The Directors also consider that the terms and conditions of the Proposed Acquisition to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The cash consideration will be paid by the Purchaser by internal resources of the Group and/or loan financing.

Under the Agreement, the Vendors have undertaken to and covenanted with the Purchaser that forthwith upon Completion, they shall deposit with the Purchaser the certificate(s) of the Convertible Bonds and the Promissory Notes, and will only be released to the Vendors upon the payment in full of, the Shortfall Amount.

TERMS OF CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

First Bonds

HK$9,360,000 and HK$2,340,000

Second Bonds

HK$9,360,000 and HK$2,340,000

Interest

The Convertible Bonds will not bear any interest.

The Directors consider that a non-interest bearing term on the Convertible Bonds will be to the benefit of the Company. As such, the Purchaser negotiated with the Vendors on such basis and the non-interest bearing term was subsequently agreed by the Vendors.

Maturity

The Convertible Bonds have a fixed term of three years. Unless previously converted or cancelled pursuant to the terms of the Convertible Bonds, the Company shall redeem the outstanding principal amount of the Convertible Bonds on the Maturity Date.

Conversion

Provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder) represents 30% (or such other percentage as stated in the Takeovers Code in effect from time to time) or more of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares at any one time in compliance with the GEM Listing Rules (collectively, the "Conversion Restrictions"), the Bondholder may convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price during the Conversion Period.

Conversion Period

First Bonds

The First Bonds shall be convertible by the Bondholder from the date falling six months from the date of issue of the First Bonds up to the Maturity Date.

Second Bonds

The Second Bonds shall be convertible by the Bondholder from the date falling on the first anniversary from the date of issue of the Second Bonds up to the Maturity Date.

Mandatory conversion

At any time during the Conversion Period, if on any day the average of the closing prices per Share as quoted on the Stock Exchange for the preceding 20 consecutive trading days exceeds 120% of the Conversion Price, to the extent the Bondholder complies with the Conversion Restrictions, the Company may within three days after the such day by serving at least ten days' prior written notice on the Bondholder with the total amount proposed to be converted by the Bondholder specified therein and the Bondholder shall convert such amount of the Convertible Bonds to Conversion Shares.

Conversion Price

The Conversion Price is HK$0.25 per Conversion Share, representing a premium of 153% over the net assets value per Share of HK$0.099 as at 31 March 2012, subject to the adjustment. The events for the adjustments of the Conversion Price are as follows:

(a) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;

(b) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);

(c) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;

(d) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 80% of the market price;

(e) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 80% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80% of the market price; and

(f) an issue being made by the Company wholly for cash of Shares at a price per Share less than 80% of the market price.

The Conversion Price represents:

(i) the closing price of HK$0.25 per Share as quoted on the Stock Exchange on 22 February 2012, being the date of the Agreement; and

(ii) the average of the closing prices of approximately HK$0.25 per Share as quoted on the Stock Exchange for the last five trading days up to and including 22 February 2012, being the date of the Agreement.

The Conversion Price was determined by the Vendors and the Purchaser on an arm's length basis with reference, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions. The Directors (including the independent non-executive Directors) consider that the Conversion Price is fair and reasonable.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK$23,400,000 at the Conversion Price by the Bondholders, the Company will issue an aggregate of 93,600,000 new Shares, representing (i) approximately 7.63% of the existing issued share capital of the Company; and (ii) approximately 7.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares as at the Latest Practicable Date.

The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the then existing issued Shares.

Status of the Convertible Bonds

The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

Upon the payment in full of the Shortfall Amount and with the prior notification to the Company, the Convertible Bonds may be transferred or assigned by the Bondholder(s) to any party other than a connected person of the Company.

Voting rights

The Convertible Bonds do not confer any voting rights at any meetings of the Company.

Application for listing

No application will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

PROMISSORY NOTES

The terms of the Promissory Notes have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$4,160,000 and HK$1,040,000

Interest

The Promissory Notes do not carry any interest.

Maturity

A fixed term of 90 days from the date of issue of the Promissory Notes.

Early repayment

The Company could, at its option, repay each of the Promissory Notes in whole or in part in multiples of HK$1,000,000 by giving a prior written notice to the Vendors, commencing on the date of the Promissory Notes up to the date immediately prior to the maturity date of the Promissory Notes. There will not be any premium or discount to the payment obligations under the Promissory Notes for any early repayment.

Assignment

The Promissory Notes may not be transferred or assigned by the holders of the Promissory Notes.

CONDITIONS

Completion shall be conditional upon:

(i) the Purchaser being reasonably satisfied with the results of the due diligence review to be conducted under the Agreement;

(ii) all necessary consents, licences and approvals required to be obtained on the part of the Vendors and the Target Company in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(iii) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(iv) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds, the Promissory Notes and the Option Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Bonds and the Option Conversion Shares upon the exercise of the conversion rights attached to the Option Convertible Bonds and the exercise of each of the Options in accordance with the terms of the Agreement;

(v) warranties given by the Vendors under the Agreement remaining true and accurate in all respects;

(vi) warranties given by the Purchaser under the Agreement remaining true and accurate in all respects; and

(vii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares and the Option Conversion Shares.

The Purchaser may waive conditions (i) and (v) above and the Vendors may waive condition (vi) above. Conditions (ii), (iii), (iv) and (vii) are incapable of being waived. If the conditions have not been fulfilled (or waived by the Purchaser or the Vendors as the case may be) on or before 4:00 p.m. on 30 September 2012, or such later date as the Vendors and the Purchaser may agree, the Agreement shall cease and determine and neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

COMPLETION

Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfillment (or waiver) of the conditions or such other date as may be agreed between the Vendors and the Purchaser.

CALL OPTIONS

Upon Completion, each of the Vendors shall enter into an option deed with the Purchaser, pursuant to which each of the Vendors has granted a right for the Purchaser to call upon the sale of 400,000 Target Shares and 100,000 Target Shares. The 500,000 Target Shares exercisable under the Options together represent 25% of the issued share capital of the Target Company as at the Latest Practicable Date.

The Options granted by each of the Vendors can only be exercised once in relation to the entire number of the Target Shares forming the subject matters of such Options. The exercise of the Options granted by the Vendors are not inter-conditional upon each other.

Option premium and exercise price

No option premium is payable upon the grant of the Options. The Options are exercisable from 1 July 2013 to 3 July 2013. The exercise price for the 400,000 Target Shares payable by the Purchaser to the First Vendor shall be calculated as follows:

$$A = B \times 20\% \times 6.5$$

where

A is the option exercise price payable by the Purchaser to the First Vendor, provided that the option exercise price shall not exceed HK$66,933,333.33. If the option exercise price exceeds HK$66,933,333.33, the option exercise price shall be equivalent to HK$66,933,333.33.

B is the audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group for the financial year ending 31 March 2013.

The exercise price for the 100,000 Target Shares payable by the Purchaser to the Second Vendor shall be calculated as follows:

$$C = D \times 5\% \times 6.5$$

where

C is the option exercise price payable by the Purchaser to the Second Vendor, provided that the option exercise price shall not exceed HK$16,733,333.33. If the option exercise price exceeds HK$16,733,333.33, the option exercise price shall be equivalent to HK$16,733,333.33.

D is the audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group for the financial year ending 31 March 2013.

The exercise price for the Options shall be satisfied by the Purchaser in the following manner:

(a) as to 40% of the exercise price be paid by the Purchaser to each of the Vendors in cash at completion of each exercise of the Options; and

(b) as to 60% of the exercise price be paid by the Purchaser to each of the Vendors at completion of each exercise of the Options by procuring the Company to issue to each of the Vendors the Option Convertible Bonds.

The exercise price for the Options was determined with reference to a price earnings ratio of 6.5. The price earnings ratio of 6.5 was determined with reference to other available market comparables in the similar industry of the Target Group. The exercise price for the Options was arrived at after arm's length negotiations between the parties to the Agreement. The Directors consider that the terms and conditions of the Options to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Terms of Option Convertible Bonds

The terms of the Option Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

The maximum principal amount of the Option Convertible Bonds will be HK$50,200,000. The principal amount of the Option Convertible Bonds to be issued may not reach the maximum principal amount of the Option Convertible Bonds.

Interest

The Option Convertible Bonds will not bear any interest.

The Directors consider that a non-interest bearing term on the Option Convertible Bonds will be to the benefit of the Company. As such, the Purchaser negotiated with the Vendors on such basis and the non-interest bearing term was subsequently agreed by the Vendors.

Maturity

The Option Convertible Bonds have a fixed term of three years. Unless previously converted or cancelled pursuant to the terms of the Option Convertible Bonds, the Company shall redeem the outstanding principal amount of the Option Convertible Bonds on the Option Maturity Date.

Conversion

Provided that the Conversion Restrictions have been complied with, the Bondholder may convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Option Convertible Bonds into Option Conversion Shares at the Option Conversion Price during the Option Conversion Period.

Option Conversion Period

The Option Convertible Bonds shall be convertible by the Bondholder from the date of issue of the Option Convertible Bonds up to the Option Maturity Date.

Mandatory conversion

At any time during the Option Conversion Period, if on any day the average of the closing prices per Share as quoted on the Stock Exchange for the preceding 20 consecutive trading days exceeds 120% of the Option Conversion Price, to the extent the Bondholder complies with the Conversion Restrictions, the Company may within three days after the such day by serving at least ten days' prior written notice on the Bondholder with the total amount proposed to be converted by the Bondholder specified therein and the Bondholder shall convert such amount of the Option Convertible Bonds to Option Conversion Shares.

Option Conversion Price

The Option Conversion Price is HK$0.25 per Option Conversion Share, representing a premium of 153% over the net assets value per Share of HK$0.099 as at 31 March 2012, subject to the adjustment. The events for the adjustments of the Option Conversion Price are as follows:

(a) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;

(b) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);

(c) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;

(d) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 80% of the market price;

(e) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 80% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80% of the market price; and

(f) an issue being made by the Company wholly for cash of Shares at a price per Share less than 80% of the market price.

The Option Conversion Price represents:

(i) the closing price of HK$0.25 per Share as quoted on the Stock Exchange on 22 February 2012, being the date of the Agreement; and

(ii) the average of the closing prices of approximately HK$0.25 per Share as quoted on the Stock Exchange for the last five trading days up to and including 22 February 2012, being the date of the Agreement.

The Option Conversion Price was determined by the Vendors and the Purchaser on an arm's length basis with reference, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions. The Directors (including the independent non-executive Directors) consider that the Option Conversion Price is fair and reasonable.

Option Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the maximum principal amount of the Option Convertible Bonds in the aggregate principal amount of HK$50,200,000 at the Option Conversion Price by the Bondholders, the Company will issue an aggregate of 200,800,000 new Shares, representing (i) approximately 16.37% of the existing issued share capital of the Company; and (ii) approximately 14.07% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of the Option Conversion Shares as at the Latest Practicable Date.

The Option Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM.

Ranking

The Option Conversion Shares, when allotted and issued, will rank pari passu in all respects with the then existing issued Shares.

Status of the Option Convertible Bonds

The Option Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

With the prior notification to the Company, the Option Convertible Bonds may be transferred or assigned by the Bondholder(s) to any party other than a connected person of the Company.

Voting rights

The Option Convertible Bonds do not confer any voting rights at any meetings of the Company.

Application for listing

No application will be made by the Company for the listing of the Option Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Option Conversion Shares.

PROFIT GUARANTEE

Under the Agreement, the Vendors have irrevocably warranted and guaranteed to the Purchaser that the audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group will not be less than HK$8,000,000 for each of the three financial years ending 31 March 2013, 31 March 2014 and 31 March 2015 (the "**Profit Guarantee**"). If the actual audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group is less than HK$8,000,000, then the Vendors shall pay to the Purchaser in cash for the shortfall on a dollar to dollar basis. Should the Target Group record a loss in its audited financial statements for each of the three financial years ending 31 March 2013, 31 March 2014 and 31 March 2015, the Vendors shall pay HK$8,000,000 to the Purchaser for such financial year.

Based on (i) the representation of the Vendors; (ii) the management accounts of the Target Group provided by the Vendors; (iii) the preliminary due diligence exercise conducted by the Group; and (iv) contracts on hand and potential contracts for the coming months, the Board considers that the Profit Guarantee should be achievable.

The guaranteed profit of HK$8,000,000 was determined with reference to the unaudited consolidated net profit before taxation and extraordinary items of the Target Group of approximately HK$8,151,000 for the ten months ended 31 January 2012.

As the Purchaser shall acquire 75% of the issued share capital of the Target Company, the Vendors shall only pay HK$0.75 for every dollar of the shortfall of the guaranteed profit. Provided that the Company does not exercise the Options, the payment for the shortfall on a dollar to dollar basis by the Vendors represents a premium. In the event that the Company fully exercises the Options, the payment for the shortfall would not represent a premium. The Profit Guarantee will last for three financial years.

The Profit Guarantee is not the sole determining factor for the Group to enter into the Proposed Acquisition, among other factors, including but not limited to, the following:

(i) the Group is engaged in development, provision and sale of mobile internet communication telecommunications and related services and the sale and production of LCD and touchscreen panels; and

(ii) the Directors have been identifying further investment opportunities in order to diversify its existing business through horizontal integration and maximise the return of the Shareholders. As the electronic parts traded by the Target Group are used by the existing LCD and touchscreen panel production operations of the Group, the acquisition of the Target Group will ensure a stable and consistent supply of such electronic parts at a competitive price for the existing LCD and touch-screen panel production. Also, integrating with the professional product solutions for display modules and touch panel modules provided by the Target Group will enhance the competitiveness and bargaining power of the Group's LCD and touch-screen panel production and as a result has the ability to sell at a higher price and/or higher margins. The Directors consider that the Proposed Acquisition will generate good return to the Group.

The profit guarantee arrangement was arrived at after the arm's length negotiation between the Vendors and the Purchaser and was on normal commercial terms, the Board considers that the compensation ratio is reasonable in view of (i) the potential benefits to be brought about to the Group by the Proposed Acquisition as mentioned in the section headed "Reason for the Proposed Acquisition"; and (ii) the sales channels and networks of the Target Group to be brought to the Group by the Proposed Acquisition.

In light of the above and having taken into account that the Purchaser may exercise the Options to acquire a further 25% of the issued share capital of the Target Company, the Directors (including the independent non-executive Directors) consider that such terms of the Profit Guarantee (as well as the arrangements in the event of a shortfall and the compensation ratio) is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

CURRENT ASSETS RECOVERABILITY GUARANTEE

Under the Agreement, the Vendors had irrevocably warranted and guaranteed to the Purchaser that the entire amount of the Net Current Assets (which comprises of inventories, trade debtors and bills receivable, other debtors, deposits, amount due from directors and amount due from a related company) will be recoverable in full by the Target Group before the date falling 90 days after the Completion Date. If the Net Current Assets is not recovered in full by the Target Group before the date falling 90 days after the Completion Date, then the Vendors shall pay to the Purchaser in cash for the Shortfall Amount on a dollar to dollar basis on the date falling 90 days after the Completion Date.

If the Shortfall Amount is less than or equal to HK$5,200,000, the Vendors shall satisfy the payment of the Shortfall Amount by offsetting such amount against the principal amount of the Promissory Notes.

If the Shortfall Amount is more than HK$5,200,000, the Vendors shall satisfy the payment of the Shortfall Amount by:

(a) offsetting HK$5,200,000 of the Shortfall Amount against the principal amount of the Promissory Notes; and

(b) offsetting the amount exceeding HK$5,200,000 against the principal amount of the Convertible Bonds.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Group is principally engaged in trading of electronic parts and components in relation to display modules and touch panel modules. Also, the Target Group provides professional solution with engineering services to meet individual customer needs.

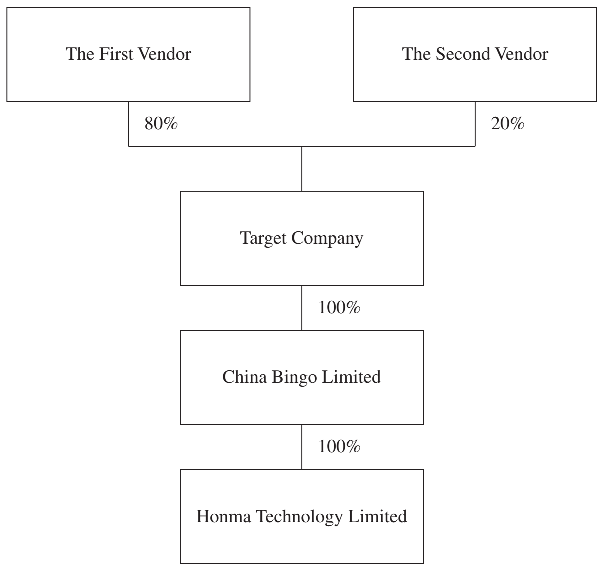
History of the Target Group

Year	Milestone
2001	The Target Group was incorporated and commenced trading of consumer products such as calendar, toy and electronic dictionary. It also employed a software engineer team of 30 staff in Shenzhen for product development and customer services purposes.
2003	The Target Group commenced sourcing of LCD drivers/integrated circuits ("**ICs**") from one of the major Taiwan suppliers.
2004	The Target Group achieved substantial development in the trading of ICs to customers in the PRC.
2006	The Target Group shifted its business focus to the sales and marketing of small-sized LCD panels which was sourced from the other major Taiwan supplier.
2010	The Target Group extended its business focus to the sales and marketing of middle-sized LCD panels in Hong Kong to PRC customers. The Target Group achieved to become one of a few suppliers to major branded electronic product producers in the PRC.

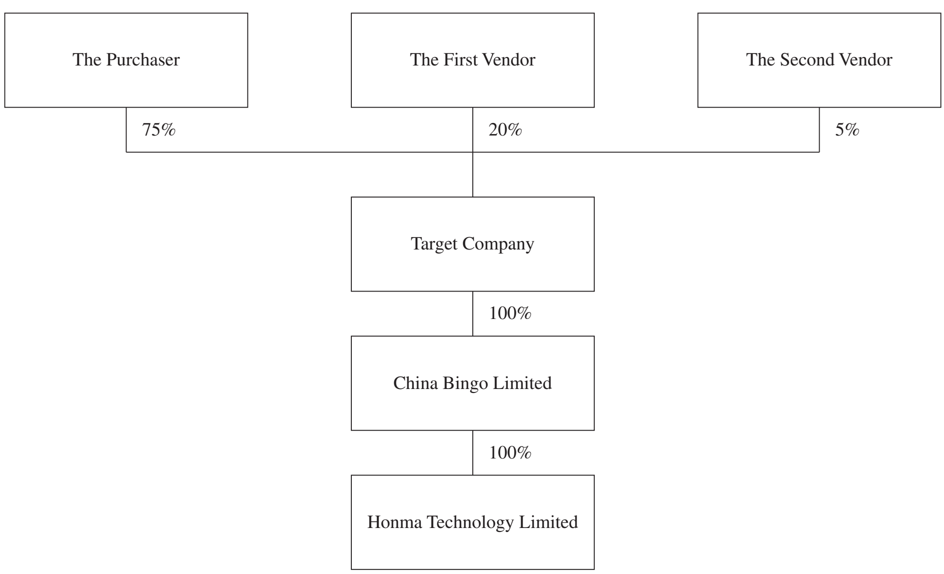
Group structure

The following charts show the group structure of the Target Group as at the Latest Practicable Date and immediately after Completion:

As at the Latest Practicable Date



Immediately after Completion



Upon Completion, the Company will hold 75% of the issued share capital of the Target Company and the Target Company will become a subsidiary of the Company.

Competitive Strengths

The Target Group attributes its success to:

(i) it has an established trading history over the past ten years. Leveraging on its good reputation in the industry, suppliers and customers are more willing to trade with it as compared to any other new comers to the industry;

(ii) it adopts a focused business strategy in providing agency services for a limited number of major products from a limited number of important suppliers;

(iii) the reliability of its services in terms of timing of delivery and quality of the trading products has built up the Target Group's reputation in the industry;

(iv) understanding of customers' needs resulting from the long-established business relationship with its customers;

(v) experienced management and sales personnel with strategic market view is the key to the quality of the supply chain of the Target Group; and

(vi) the competitive sales price set by the Target Group.

Overview of business model

Description of business

The Target Group is principally engaged in the trading of small to middle-sized LCD panels together with the corresponding drivers/ICs, which accounting for approximately 96.2% of its sales for 2011.

The Target Group is capable of designing and developing customised software programming imbedded in the corresponding drivers/ICs to meet the specific needs of its customers. For these customised projects, the Target Group will discuss with its customers in depth, evaluate the possibilities of any projected difficulties in production, design and development of the software(s)/program(s) to be integrated into the ICs. Then, the Target Group would send the code to the IC design house for masking on the chip. At the same time, the Target Group has to design the LCD pattern, circuit diagram design and printed circuit board design. Both software and hardware engineering services are required and in-house quality control testing will be conducted before masking to prevent any fatal error.

Suppliers

The Target Group mainly sources its products from two suppliers which are situated in Taiwan, with whom the Target Group has maintained approximately 11 years and 6 years of business relationship, respectively. These two major suppliers accounted for approximately 85.9% and 96.1% of the Target Group's overall purchases in 2010 and 2011, respectively. For the trading of LCD panels, it is general market practice that no credit term is granted by suppliers. For the trading of drivers/ICs, general credit term of up to 45 days is granted by suppliers. It is also the general market practice to be an agent of a particular product of a particular supplier. As long as an agency relationship has been endorsed by the supplier, the agent cannot become an agent of another supplier at the same time.

The Target Group sells small to middle-sized LCD panels together with the corresponding drivers/ICs in Hong Kong to over 40 customers, comprising listed companies in Hong Kong and the PRC, China state-owned entities, private enterprises with most of their production in China, which mainly concentrate on the manufacturing of mobile phones, smartphones and tablet computers. The Target Group maintains an average of 5 years of business relationship with its top 5 major customers. The top five major customers accounted for approximately 51.9% and 67.7% of the Target Group's overall sales in 2010 and 2011, respectively. Depending on the trading volume, previous credit history, length of relationship and market position, a maximum of 60 days credit period is granted to its key customers.

Although the contracts for the purchases of LCD panels together with the corresponding drivers/ICs and the onward sales contracts are entered into in Hong Kong, the products will be shipped directly from the suppliers to the designated ports of the customers. The Target Group only acts as the trading agent to both the suppliers and customers and thus materially eliminates the warehousing and other shipping handling expenses.

Sales and marketing

The Target Group has engaged two sales offices in Hong Kong and Shenzhen, the PRC respectively and maintained a sales team comprising of 15 persons as at the Latest Practicable Date. The Target Group principally sources its customers through referral by its existing customers and direct marketing of its sales team.

Other operating expenses

The major operating costs of the Target Group are wages, management fee, interest, bank charges, shipment and freight costs, which in aggregate accounts for approximately 2.5% of the turnover of the Target Group.

Competition landscape

The Target Group primarily sells LCD panels and LCD drivers/ICs. The Target Group faces competitions from different brands of manufacturers. Competitions for the Target Group's sale of LCD drivers/ICs come from brands of Hong Kong and Taiwan while competitions for the Target Group's sale of LCD panels come from brands of Taiwan and China.

These kinds of competitions have been in existence for years as there are always established producers of LCD panels and LCD drivers/ICs in the market. In general, when choosing for a supplier of electronic parts and components, customers will not only focus on the pricing, but also on the quality, short delivery time, after sales and supporting services. On the supplier's end, it is very important to understand where the markets of the electronic products will go and what kind of the customers will place orders. Effective communications between the Target Group and its customers are essential because the Target Group will be able to plan and prepare for the changes in the trends and developments of the electronic products market, such as the changes of mobile phones from a dot-matrix display era to multi-colour display era, and that from a multi-media era to the integration of multi-tasking and touch-screen smartphone era. The Target Group has played a vital role in understanding and communicating with what its customers need and thus it has maintained years of business relationships with each of its top five customers.

Strategic development plans

Leveraging on the increasing demand of LCD panels and corresponding drivers/ICs, the Target Group plans to further tap in the small and medium size LCD panels market by strengthening its sales team and thus customer bases in the future.

Further, the Target Group would increase its marketing efforts in marketing different variety of LCD panels and diversify its customer bases in different electronic product field so as to reduce its business risks of over reliance on a particular product type and customer type.

On the other hand, since the Target Group is principally engaged in the trading of small to middle-sized LCD panels together with the corresponding drivers/ICs, there would be a synergy-effect as the successful acquisition of the Target Group would provide a good support to the Group's existing LCD and touch-screen panel productions.

Senior management of the Target Company

Mr. Chan Wan Kim, Eric, the chairman and one of the founders of the Target Group. Mr. Chan has more than 18 years' experience in the electronic industry field. Before founding the Target Group in 2001, Mr. Chan had gained extensive experience in trading of electronic components in Hong Kong and Taiwan. Mr. Chan is responsible for the overall strategic planning and maintaining both customers' and suppliers' relationship.

Mr. Wong Chun Wai, Danny, one of the founders and directors of the Target Group. Mr. Wong has more than 13 years experience in the electronic industry field. Before joining the Target Group in 2001, Mr. Wong worked in a Hong Kong toys company and acted as software engineer in 1999. During the first year of his tenure, Mr. Wong boosted up the semi-conductor and LCD business of the company. Further he managed to streamline the operation and to reduce great portion of total production costs. He developed supplier relationship with renowned Taiwanese producers. He led a research and design team for a popular product, Robot Pet: Tekno. Mr. Wong obtained a bachelor degree in Art of Computing from The Hong Kong Polytechnic University and holds a master degree in business administration from The University of Northern Iowa. Mr. Wong is responsible for overseeing the day-to-day trading operation and also supervising the accounting function of the Target Group.

Employees

As at the Latest Practicable Date, the Target Group has a total of 29 full time employees in Hong Kong and the PRC, who are remunerated at market level with benefits such as medical and retirement benefit. A breakdown of the employees by function is set out below:

Department	**Number**
Sales	15
Engineering	3
Accounting and human resources	4
Maintenance	3
Transportation	4
Total	29

Property

As at the Latest Practicable Date, the Target Group has its own property, which is used as its own office. The property is situated in Sheung Shui, New Territories, details of which are set out under note 14 to the Target Group's financial statements in Appendix II to this circular.

RISK FACTORS IN RELATION TO THE TARGET GROUP'S BUSINESS AND THE PROPOSED ACQUISITION

Reliance on single product – LCD panels and related components

Although the LCD panel is currently the key components of the mobile phones, smartphones and tablet computers, the business of the Target Group will be significantly affect if there emerges any new display products to replace the application of LCD panel in mobile phones, smartphones and tablet computers and if the Target Group is unable to tap into the market of the new display products.

In order to mitigate such risks, the Company proposes that market technical research would be conducted regularly to explore the most updated technology trend.

Reliance on growth of mobile phones, smartphones and tablet computers

The Target Group's business relied on the continued growth of the mobile phones, smartphones and tablet computers. Although there is a general trend in the continued growth of these electronic devices in Hong Kong and PRC, there is no assurance that such increasing trend will last long enough for a meaningful development of the Target Group's business.

In order to mitigate such risks, consumer market research would be conducted regularly to explore the latest user market trend.

Reliance on key suppliers

Currently the Target Group relied on two principal suppliers in Taiwan to supply the LCD panel and corresponding components. Any failure, delay, cessation or disruption by these two suppliers to perform its obligation under the sourcing agreement will adversely affect the Target Group's operation. The Target Group may not be able to secure alternative suppliers to support its trading business in a timely manner.

In order to mitigate such risks, the Target Group would source more reputable suppliers in different countries and maintain good business relationship with these suppliers. Public relationship skills training would also be provided to staff in the Target Group to facilitate effective communicate with these suppliers and enable the Target Group to monitor the overseas agents market.

Reliance on key management

The Target Group's operation is, to a significant extent, dependent on the expertise, experience and business relationship of the directors. There may be an adverse impact on the Target Group's operation should any of the said personnel ceases to be involved in the business of the Target Group.

In order to mitigate such risks, the Group has been participated in the industry of information technology for a long period of time. The Group's management team would monitor the business development and performance of the latest LCD technology and end product sales by the Target Group on a regular basis.

INDUSTRY OVERVIEW

Recovery in Asia Pacific

According to a recent report on the regional economic outlook published by the International Monetary Fund (the "**IMF**") published in April 2012, the recovery in Asia from the recent financial crisis has matured as both exports and domestic demand have fueled rapid economic growth, which reached 8.3% in 2010. Export has benefited from the global investment cycle as well as strong final demand from emerging economies in both Asia and other regions. Domestic demand has also been robust, reflecting still expansionary fiscal policies as well as growing private demand. Private demand has been broad based across both investment and consumption. Investment is being driven by the need in many Asian countries to overcome capacity constraints and to build infrastructure. Consumption is being propelled by rising employment, wages, and productivity. These supported favorable prospects with growth in the Asia Pacific region projected to average nearly 7% in the next two years. Growth is expected to be 9.5% and 4.8% for the PRC and Hong Kong respectively for the same period.

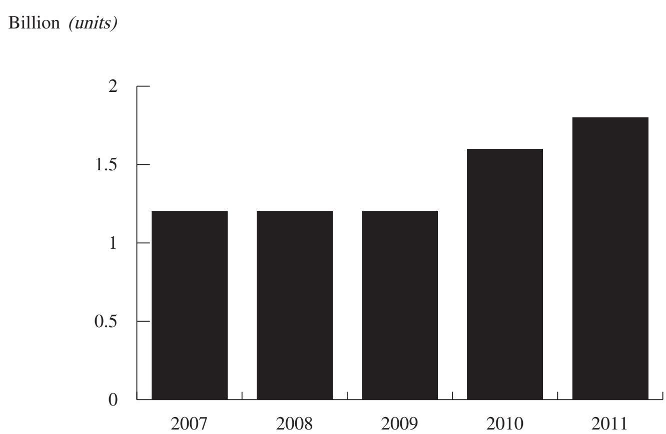
IMF is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Display modules and touch panel modules

Display modules and touch panel modules are widely used in electronic devices nowadays such as television, computer monitors, mobile phones, gaming devices and other display units. They can be further classified into different technology types such as light emitting diode display (LED), LCD, thin-film transistor display (TFT) and so on. Among the many different types of display modules, the Target Group mainly trades small to medium-sized LCD panel together with the corresponding drivers and ICs for the application of mobile phones, smartphones and tablet computers. Over 95% of the Target Group's customers are manufacturers of mobile phones, smartphones and tablet computers.

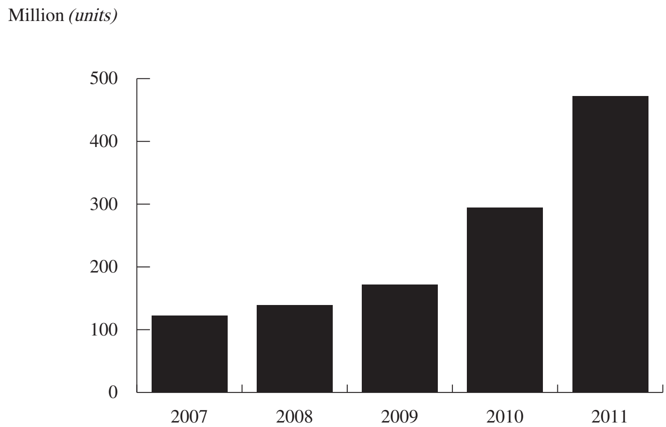
From the data shown below, we can see that the worldwide sales of mobile phones has increased significantly after the financial turmoil in 2008 and 2009 while the worldwide smartphone sales has increased exponentially in the last two years owing to the wider commercialisation of those popular devices such as smartTV, etc. Although it is still in a lower basis, the sales of tablet computers are catching up the trend vigorously. According to a research report (ResearchInChina), China has accounted for 67% of the mobile phone production of the world. Accordingly, the Target Group believes that it will definitely be benefited from this upward trend of the industry.

Worldwide mobile phone sales (units)



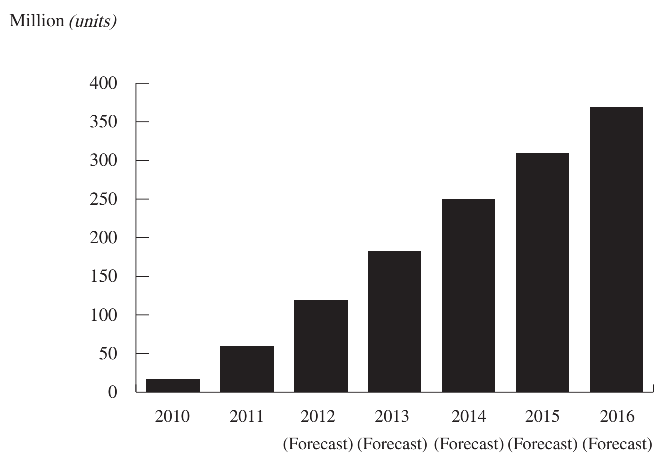
Source: Gartner Research

Worldwide smartphone sales (units)

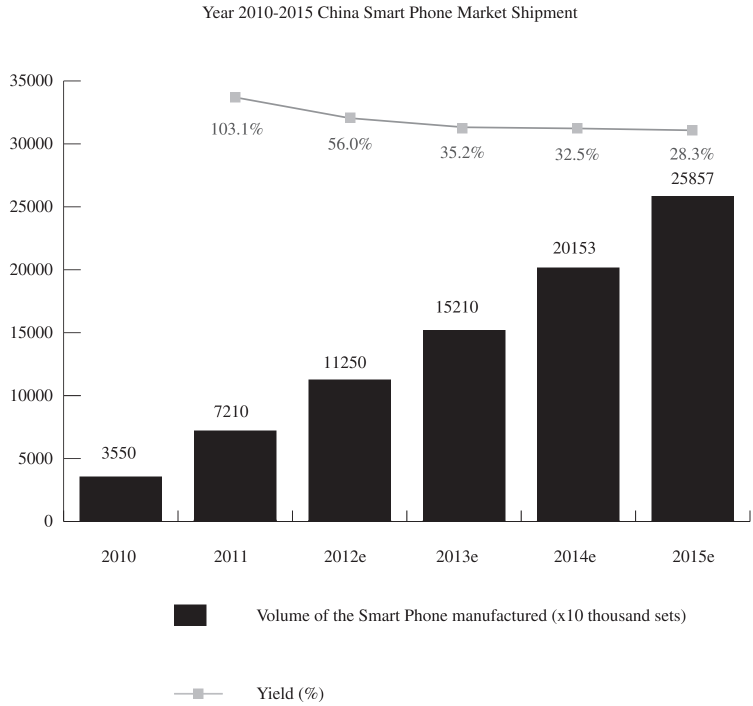


Source: Gartner Research

Worldwide tablet computer sales (units)



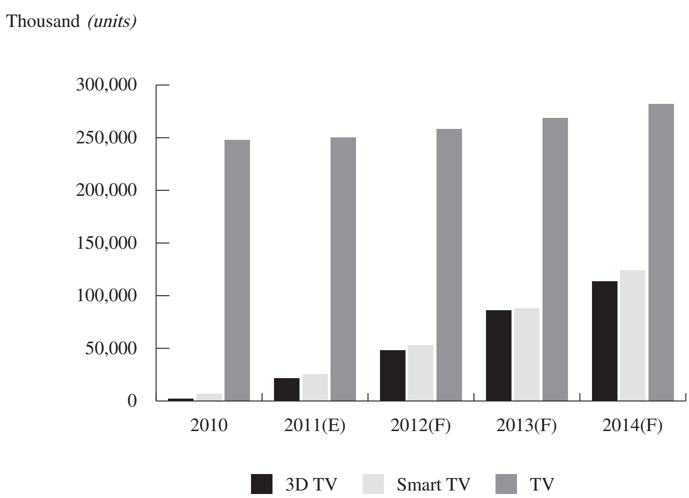
Source: Gartner Research



Remark: The volume of the smart Phone in China means the number of Smart Phone being manufactured in China market by all the Smart Phone China brandnames, excluding those without brandname.

Source: iResearch based on the public informations, interviews with factories and companies and iResearch's statistic forecasting model. Just for reference.

The smartphone and smartTV applications will take a substantial role in the PRC in coming years.



Source institute : Topology Research Institute

The graph above demonstrates a 109.9% growth for SmartTV from 2011 to 2012.

BUSINESS DEVELOPMENT OF THE TARGET GROUP

The Target Group focuses on the mass market in medium to small size LCD panels and LCD driver IC where the unit sales price is relatively stable. The latest innovative products include the touch panel driver IC and screen for motor vehicles. Such items possess huge market potential in PRC and overseas market. The Target Group intends to become one of the top supplying agents in the PRC, whereas the Target Group is positioned as one of the top five agents in terms of turnover among the known major and listed players in the industry for the years 2010 and 2011.

The turnover figures of the top five agents for the years 2010 and 2011 are set out below:

Stock code:	**Company name**	**2011**	**2010**
		HK$'000	*HK$'000*
TW.3702 *(Note 1)*	WPG Holdings Limited	1,512,717	1,478,779
TW.6229 *(Note 1)*	V-TAC TECHNOLOGY CO., LTD.	136,717	230,713
TW.3268 *(Note 1)*	Higher Way Electronic Co Ltd	344,308	486,009
HK.1213 *(Note 2)*	Mobicon Group Ltd.	588,628	739,832
–	The Target Group	368,655	363,297

Notes:

(1) The turnover figures were calculated as at the year-end 31 December 2010 and 31 December 2011.

(2) The turnover figures were calculated as at the year-end 31 March 2010 and 31 March 2011.

According to the research of Gartner, the annual volume of smart phone globally in 2012, 2013 and 2014 are about 688, 880 and 1000 million sets. In terms of volume the China manufacturers will have 137, 185 and 220 million sets in year 2012, 2013 and 2014. There are various dimension and resolution. For example in year 2011 the popular LCD is 3.0" & 3.2" WQVGA. In year 2012 the popular LCD is shifting to larger LCD 3.5" HVGA and 4.0" WVGA. It is owing to the user-friendly and advanced chipset can drive for higher resolution.

Such mentioned products are in standard specification given by the smartphone, GPS unit and tablet PC. The requirements from the customers are almost similar to each other in the latest market. This prevents for long stock turnover period.

The Target Group will normally enter into the market of new products after 6 to 12 months of the first launch of a new product to avoid the plunge in the price shortly after its first launch. The Target Group maintains the stable and prudent policy in sales credit and stock controls.

Serving the customers in the rapid changing technology industry, the Target Group keeps a close working relationship with the suppliers with focus on the research and development, the latest ultimate user needs, as well as the frontier innovation. The Target Group also provides a cushion server for the imbalance supply from the producers and demand for the customers. The feed up of updating market demand information to the producers secure the Target Group's position as the agency.

DEVELOPMENT PLANS

Product Differentiation

The Target Group acts mainly for the agent for the LCD from CPT and the driver IC from Sitronix Technology Corporation. Both Taiwanese producers rely on the product design work to meet the ultimate user needs, which are customised fit, economical and innovative. This will largely reduce the product startup cost and the production cost due to economies of scale.

The Target Group will avoid the direct competition with the high quality units from the Japanese and Korean producers which aims at upper end product market and less quantity demand.

With the solid understanding in the LCD market, the Target Group will supply to the market in the PRC with a variety of acceptable standard products at reasonable price.

Market Positioning

The Target Group remains to focus on the mass market need with an affordable unit price to fit for the LCD market in the PRC. Since the Target Group possesses professional product solutions on the technology of IPS, G6 production and touch on cells. This enables a greater flexibility to compete the price in an advantageous position.

Trading and Financial Prospect of the Enlarged Group

The Target Group will remain to focus on supplying LCD components for four major products in the coming years, namely smart phone, touch on cell, tablet PC and automotive LCD display.

For the smart phone market, the Gartner Research forecasts the global unit sales reaching 688 million in 2012 and 1,200 million units in 2016. The market share in the PRC will take up 137 million in 2012 and 290 million in 2016. The application of LCD display with size ranges from 2.8 inch to 5.3 inch. Most items require the LCD driver IC.

For the tablet PC, the Gartner Research forecasts the unit sales reaching 119 million in 2012 and 369 million units in 2016. The market share in the PRC will take up 25.6% in 2012 and 38% in 2016. The application of tablet PC will provide better adoption to the youth and the elderly users, besides the ordinary users in the PRC.

In respect of the automotive market, the global automotive production reaches 75 million units in 2011 and by forecast 95 million in 2015. The car production in the PRC attained 18 million units and with estimation increases to 30 million units in 2015 by China Association of Automobile Manufacturers（中國汽車工業協會）. Each vehicle requires one to four sets of LCD and driver IC. The market size is about 40 million sets per annum. The Target Group will follow up the market need closely.

Further the Target Group eyes on the latest development of the integrated touch on cell LCD. This latest technology will provide the light weight, thinness, the efficient production with lower cost over the conventional products.

The Target Group, with strong foundation in the LCD supplying business, will capture the market growth and opportunities in the above-mentioned products in the PRC.

There is no ready and available information on changes in the industry segment, developments within the segment and their effect on the results of that segment. The Target Group does not foresee any material change in the LCD market in short term.

Since Hong Kong seems to be slowly recovering from the worldwide financial crisis, the Group has been increasing its investment in human resources by strengthening key business in key markets as well as exploring new business.

Flourished and popular, the mobile entertainment market is getting increasingly competitive particularly when large corporations creating new divisions to enter this market in style. The Group will continue to explore new opportunities and diversify its dependence on mobile service provisioning both in premium services and advertising model associated with existing channels, mobile operators business and mobile application. For example, in servicing we expand content aggregation business to include intellectual property rights management for our partners. In some new markets such as Philippines, the Group will act as a master content aggregator on behalf of the local operators and define business to maximise revenue whilst minimise resources allocation. The Group shall also expand its business relationships with WiFi service providers and handset/tablet manufacturers as there are increasingly more devices which support WiFi connection.

The Group is working closely with mobile operators to strengthen our sports channel as well as the new football services. Other content services, such as entertainment, lifestyle & leisure, dining, movie, cartoon, games, fortune telling, etc. will be our focuses as well especially with Asian contents for Chinese communities. To support this, the Group will sign up with more content partners and technology providers including established brands and leading gaming companies to target youth lifestyle services and applications such as dating services, mobile blogging, and mobile comics.

Overall, the uptake of 3.5G services into 4G technologies will bring a shift in the dynamics of the market in Asia, especially in Greater China market. The market is likely to move to a more advanced internet and multimedia-based content, we plan to make use of our advantages and experience to provide a variety of rich-media content with operators and new potential platform on 4G iPhone across the Asian markets.

In the PRC real estate market, the financial crisis has hit the sentiment hard; the entailed effect might last for a while after worldwide central banks are required to take moves to assist. The PRC government on the outlook of the country plus other regional reasons have had the PRC government to push and alter various policies, which will also affect the outcome of the development project; however residential need is a basic requirement for the large population especially for the newly weds and younger generation moving up the social ladder plus the wish of returning to birthplace and family reunion. In view of these we remain optimistic to the development, nonetheless we will exercise caution during our execution of the plan.

On the LCD and touch-screen panels front, the acquisition of 33.33% interests in a manufacturing plant of LCD and touch-screen panels, we aim to broaden the Group's businesses. With future possible opportunity to increase the stake in the plant, our plant is currently in partnership with a touch-screen manufacturer with solid sales to top tier "touch-screen tablets" manufacturers in the PRC.

Touch-screen panels are used in many applications and most notably the latest hit is on mobile phones and tablets. Divided in several pricing categories and technical cost being driven down, there are now cheaper versions of the same technology providing consumers devices with the interface. For the high-end mobile products, the sales is evident through the revenue of those larger technology cooperations. At the other end, the low end products, such as the US$100 device categories they also have their own marketability, the mass market especially in emerging countries. Recent researches compiled from various sources show that this low category is predicted to have a world sales up to 500 million units per year.

The touch-screen panels are applied in various electronic applicants due to the user-friendly controllability and interface, the trend can easily be predicted as some of their applications have already slowly emerged to those consumers. Within these areas the applications of the technology, for example the heavy industrial for direct machinery controls, medical for cleanliness and easy control and entertainment/media mediums like televisions or computer screens for better users experience, have thrived immensely as it greatly improved the operational side of these industries. It is therefore only natural for the technology to be integrated furthermore. Through the increasing awareness of the ability and potential of the touch-screen panel, it can only be predicted that this technology will be evermore applied.

On 22 February 2012 and as supplemented by the supplemental agreement dated 15 March 2012, the Group has entered into an agreement to acquire a 75% interest of the Target Group that engages in trading of electronic parts and components in relation to display modules and touch panel modules whereas it also provides professional solution with engineering services to meet individual customer needs.

In order to diversify the Group's existing business through horizontal integration and maximise the return of the shareholders, the Group has been identifying further investment opportunities. As the electronic parts traded by the Target Group are used by the existing LCD and touch-screen panel production operations of the Group, the acquisition of the Target Group will ensure a stable and consistent supply of such electronic parts at a competitive price for the existing LCD and touch-screen panel production. Also, integrating with the professional product solutions for display modules and touch panel modules provided by the Target Group will enhance the competitiveness and bargaining power of the Group's LCD and touch-screen panel production and as a result has the ability to sell at a higher price and/or higher margins.

Product Pricing

Since the product price is highly elastic in China, the Target Group maintains the product differentiation policy and customer loyalty as to avoid the direct severe competition with the low price/quality producers.

The Target Group keeps the pricing strategy to provide the premium products at a reasonable price to maintain the stable market share. The Target Group views the major development in limited consumer products, including smartphone and tablet PC which requires the medium to small size LCD panel. The Target Group will share the market information and growth with the suppliers to enhance the earning eventually.

With certain flexible pricing tactics on different products from time to time, including promotion, discount and credit, the Target Group will secure the customers in long term.

Scale of Operation

The Target Group will follow a stable growth in business in line with the market condition. The Target Group has increased five staff in each of the year of 2013 and 2014. The Target Group will strengthen the business promotion by means of:

1. Getting along with the suppliers for customer presentation and product introduction as giving the detailed product specification. The customers will get the product information and strength directly;

2. Giving the latest and useful market information for the customers to further develop and enhance their own new product;

3. Sharing the view and technology with the client research team to ensure the end product fitting for the current LCD users; and

4. With the market oriented strategy, the Target Group will accordingly expand the supply, production, distribution and after sales service capacity.

Liquidity, financial resources and capital structure

The Target Group continued to finance its operations from internal cash flows and banking facilities. As at 31 March 2012, the Target Group's cash and cash equivalents were at HK$6 million (2011: HK$4 million). As at 31 March 2012, the Target Group's available and undrawn bank loan and trade finance facilities were HK$32.9 million (2011: HK$52.0 million).

In view of the tight credit market, the Target Group had used part of its internally generated operating cash flows to pay down debts to protect itself from a credit squeeze. All outstanding bank debts were borrowed on floating-rate basis. The maturity profile of outstanding bank debts as at 31 March 2012 was as follows:

Duration	2012	2011
	HK$'000	*HK$'000*
Within one year	51,279	32,776
In the second year	705	894
In the third to fifth years, inclusive	568	1,273
After five years	279	281

Compared to 2011, the Target Group's inventory turnover from 5 days to 9 days while trade receivables turnover 16 days to 19 days.

Trade payables turnover was 26 days while it was 30 days for the year ended 31 March 2012.

The Target Group's gearing ratio, representing the ratio of total bank debts to total assets, was at 0.61% as compared to 0.53% in 2011. Current ratio was 1.01% versus 0.99% last year.

Integration with the Existing Business

The Target Company will provide synergetic impact and economic scale to the Enlarged Group in terms of product variety, sales opportunity and volume. The customer will obtain full product service in a professional manner. This will give comfort to the rapid demand customers in the LCD panel market. The Enlarged Group will be able to secure the customer with the fair price and reliable service.

The Enlarged Group will keep on its product diversification and reduce its dependence certain products or services.

Mitigation of Adverse Impacts and Risks

The Company will make assessment of the likelihood and the adverse impacts of such risks to the Group and the Company's proposal will mitigate such risks timely.

The Company notes the general increase in the demand of LCD and driver IC in the coming years. The Target Group remains prudence in the business development without excessive expansion. The expansion of sales offices will proceed only after further market survey and revenue analysis had been conducted.

In the event the Target Group experiences tough market condition next year, the Vendor will make good to the profit shortfall of the guarantee amount HK$8,000,000. The Company will not obtain a loss position derived from the Target Group.

Directors and senior management appoint to the Target Group

The Group has identified a suitable candidate as senior management who will be responsible to manage the operation of the Target Group. As the parties to the Agreement have yet to complete the Proposed Acquisition and the Group may not appoint such senior management if the Proposed Acquisition fails to materialise, the Group will make a further announcement as and when appropriate in compliance with the GEM Listing Rules.

REGULATORY OVERVIEW

The Target Group's trading business is mainly carried out in Hong Kong. Although the suppliers are mainly situated in Taiwan and the customers are mainly situated in China, goods are technically changed hands in Hong Kong while the customers will deal with the custom clearance themselves.

As at the Latest Practicable Date, there is no existing laws or regulations in Hong Kong that specifically defines or regulates the Target Group's business in the trading of electronic components.

Other government policies such as those on tariff may have indirect minor impact on the Target Group's trading business. However, as the Target Group's quotation is normally free-on-board in Hong Kong, it is the PRC customers to deal with the problem of tariff fluctuation.

Litigation

Based on the best information, knowledge and belief of the Directors, as at the Latest Practicable Date, the companies comprising the Target Group were not involved in any litigation, arbitration or claim of material importance, and the Directors are not aware of any pending or threatened litigation, arbitration or claim against any member of the Target Group.

FINANCIAL INFORMATION OF THE TARGET GROUP

According to the audited consolidated financial statements of the Target Company for the year ended 31 March 2010, which was prepared in accordance with Hong Kong Financial Reporting Standards, the turnover of the Target Group was approximately HK$288,613,000 and the net profit before and after taxation and extraordinary items of the Target Group was approximately HK$787,000 and approximately HK$645,000 respectively.

According to the audited consolidated financial statements of the Target Company for the year ended 31 March 2011, which was prepared in accordance with Hong Kong Financial Reporting Standards, the turnover of the Target Group was approximately HK$363,297,000 and the net profit before and after taxation and extraordinary items of the Target Group was approximately HK$1,617,000 and approximately HK$1,280,000 respectively.

According to the audited consolidated financial statements of the Target Company for the year ended 31 March 2012, which was prepared in accordance with Hong Kong Financial Reporting Standards, the turnover of the Target Group was approximately HK$368,655,000 and the net profit before and after taxation and extraordinary items of the Target Group was approximately HK$2,648,000 and approximately HK$2,171,000 respectively. The net asset value of the Target Group was approximately HK$2,671,000 as at 31 March 2012.

EFFECTS ON THE GROUP

Financial and liquidity impacts

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming that Completion had taken place on 31 March 2012, the total assets would increase by approximately HK$120,371,000 to approximately HK$291,192,000 as at 31 March 2012. The total liabilities would increase by approximately HK$107,834,000 to approximately HK$161,760,000 as at 31 March 2012. The equity attributable to the owners of the Company would increase by approximately HK$11,598,000 to approximately HK$110,187,000 as at 31 March 2012. The Group had an audited net loss of approximately HK$26,862,000 for the year ended 31 March 2012. Based on the unaudited pro forma consolidated income statement of the Enlarged Group set out in Appendix III to this circular assuming the Completion had taken place at the commencement of the period being reported on (i.e. 1 April 2011), the Enlarged Group would have a net loss of approximately HK$26,082,000 for the year ended 31 March 2012. The net current assets would decrease from approximately HK$47,718,000 to approximately HK$43,338,000.

In response to the development trends in its different business environment, the Group will initiate an external funding plan that will integrate its different business units and give it a better credit position. This will also improve the Group's funding cost structure. The Group believes that such commitment will enable different sectors of the Group to expand and grow and this will be beneficial to the future development of the Group.

Operational performance impacts

Upon Completion, the Target Group, as an integral part of the Group, believes that certain operational activities should be carried out in different stages. Therefore, the Target Group will maintain its current business model by supplying its product to the existing customers. It is expected that after the transitional period, the Target Group would be able to maintain its business model as well as conducting joint operational activities with other members of the Group at a later stage. The Enlarged Group will continue to develop in a diversified manner.

REASON FOR THE PROPOSED ACQUISITION

The Group is engaged in development, provision and sale of mobile internet communication telecommunications and related services and the sale and production of liquid crystal display and touchscreen panels.

The Directors have been identifying further investment opportunities in order to diversify its existing business through horizontal integration and maximise the return of the Shareholders. As the electronic parts traded by the Target Group are used by the existing liquid crystal display and touch-screen panel production operations of the Group, the acquisition of the Target Group will ensure a stable and consistent supply of such electronic parts at a competitive price for the existing liquid crystal display and touch-screen panel production. Also, integrating with the professional product solutions for display modules and touch panel modules provided by the Target Group will enhance the competitiveness and bargaining power of the Group's liquid crystal display and touch-screen panel production so that the Group has the ability to sell at a higher price and/or higher margins. The Directors consider that the Proposed Acquisition will generate good return to the Group.

As at the Latest Practicable Date, the Company has no intention to enter into any arrangement or negotiation to dispose or terminate any of the existing business segments.

Based on the above, the Board is of the view that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECTS OF THE PROPOSED ACQUISITION ON SHAREHOLDING STRUCTURE

Set out below is a summary of the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) after Completion and assuming the conversion of the Convertible Bonds in full and none of the Option Convertible Bonds having been converted; and (iii) after Completion and assuming the conversion of the Convertible Bonds and the Option Convertible Bonds in full.

	As at the Latest Practicable Date		**After Completion and assuming the conversion of the Convertible Bonds in full and none of the Option Convertible Bonds having been converted** *(Note)*		**After Completion and assuming the conversion of the Convertible Bonds and the Option Convertible Bonds in full** *(Note)*	
	Number of Shares	*Approximate percentage*	*Number of Shares*	*Approximate percentage*	*Number of Shares*	*Approximate percentage*
Shareholders						
China Oil Resources Group Limited and parties acting in concert with it						
China Oil Resources Group Limited	355,571,722	28.99%	355,571,722	26.94%	355,571,722	23.38%
The First Vendor	–	–	74,880,000	5.67%	235,520,000	15.49%
The Second Vendor	–	–	18,720,000	1.42%	58,880,000	3.87%
Sub-total	355,571,722	28.99%	449,171,722	34.03%	649,971,722	42.74%
Vodatel Information Limited	155,419,392	12.67%	155,419,392	11.77%	155,419,392	10.22%
Sub-total	510,991,114	41.66%	604,591,114	45.80%	805,391,114	52.96%
Public Shareholders	715,419,604	58.34%	715,419,604	54.20%	715,419,604	47.04%
Total	1,226,410,718	100%	1,320,010,718	100%	1,520,810,718	100%

Note:

For illustration purposes only. China Oil Resources Group Limited, the First Vendor and the Second Vendor are deemed to be acting in concert with each other, and pursuant to the terms of the Convertible Bonds and the Option Convertible Bonds, any conversion of the Convertible Bonds or the Option Convertible Bonds will not trigger a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the conversion rights. A group of person acting in concert, holding 30% or more of the voting rights of company can only acquire further voting rights within a band of 2% above the greater of 30% or its lowest percentage holding of voting rights in the previous 12 month period without incurring an obligation to make a general offer.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios applicable to the Company exceeds 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules.

The EGM will be convened and held to seek approval from the Shareholders for the Proposed Acquisition and the exercise of each of the Options and the transactions contemplated thereunder. To the best of the knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting in the EGM to approve the Proposed Acquisition and the exercise of each of the Options according to the GEM Listing Rules.

EGM

The EGM will be held at Suite 1006, 10/F., Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 10 September 2012 at 11:00 a.m. to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder including, but not limited to, the issue of the Convertible Bonds and the Promissory Notes to the Vendors and their respective nominee(s).

A notice convening the EGM is set out on pages 184 to 186 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment meeting thereof if you so wish.

All the resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

RECOMMENDATION

The Directors recommend that the Shareholders vote in favor of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board of
Mobile Telecom Network (Holdings) Limited
Siu King Nin, Peter
Executive Director

THREE-YEAR FINANCIAL INFORMATION

The financial information of the Group for (i) the year ended 31 March 2012 is disclosed in the annual report of the Company for the year ended 31 March 2012 published on 29 June 2012, from pages 40 to 117; (ii) the year ended 31 March 2011 is disclosed in the annual report of the Company for the year ended 31 March 2011 published on 30 June 2011, from pages 37 to 105; and (iii) the year ended 31 March 2010 is disclosed in the annual report of the Company for the year ended 31 March 2010 published on 29 June 2010, from pages 37 to 103. All of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.mtelnet.com).

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
Certified Public Accountants
29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

23 August 2012

The Board of Directors
Mobile Telecom Network (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of ETC Technology Limited (the "Target Company") and its subsidiaries (hereafter collectively referred to as the "Target Group") for each of the three years ended 31 March 2010, 2011 and 2012 (the "Relevant Periods") for inclusion in the circular dated 23 August 2012 issued by Mobile Telecom Network (Holdings) Limited (the "Company") in connection with the proposed acquisition of 75% of equity interest in the Target Company (the "Circular").

The Target Company was incorporated on 23 March 2001 in the Hong Kong Special Administrative Region ("Hong Kong") and engaged in the trading of electronic parts and components. All the companies of the Target Group have adopted 31 March as its financial year ended date.

As at 31 March 2012, the Target Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Paid-up share capital	Percentage of equity attributable to the Target Company	Principal activities
China Bingo Limited ("China Bingo")	The British Virgin Islands, 2 January 2009	US$1	100% direct	Investment holding
Honma Technology Limited ("Honma")	Hong Kong, 19 March 2009	HK$10,000	100% indirect	Trading of electronic parts and components

As at the date of this report, the above subsidiaries have been in the progress of applying for deregistration. Adjustments have been put through to recognise the assets at their recoverable amounts and to provide for further liabilities which might arise as identified by the directors of the Target Group as China Bingo and Honma do not continue as a going concern.

The financial position of China Bingo and Honma has been reflected in the consolidated financial statements for the year ended 31 March 2012. There are net liabilities of HK$5,000 as at 31 March 2012.

The statutory financial statements of the Target Company and Honma for each of the two years ended 31 March 2010 and 2011 have been prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities ("HKFRSs for PE") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Chan & Wat certified public accountants registered in Hong Kong, in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA.

No audited financial statements of China Bingo have been prepared since incorporation as there is no statutory audit requirement in the country of its incorporation.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements (the "Underlying Financial Statements") of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and we have carried out independent audit on the Underlying Financial Statements in accordance with HKSA and examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the Underlying Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Company and of the Target Group as at 31 March 2010, 2011 and 2012 and of the Target Group's results and cash flows for the Relevant Periods.

FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		
		2010	**2011**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*6*	288,613	363,297	368,655
Cost of goods sold		(278,477)	(348,839)	(353,306)
Gross profit		10,136	14,458	15,349
Other income	*8*	251	352	609
Selling and distribution costs		(1,556)	(2,457)	(2,810)
Administrative expenses		(7,177)	(9,527)	(8,998)
Profit from operations	*9*	1,654	2,826	4,150
Finance costs	*10*	(867)	(1,209)	(1,502)
Profit before tax		787	1,617	2,648
Income tax expense	*11*	(142)	(337)	(477)
Profit and total comprehensive income for the year		645	1,280	2,171
Attributable to:				
Owners of the Target Company	*12*	645	1,280	2,171

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 March		
		2010	**2011**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*14*	1,784	2,005	2,035
Available-for-sale financial assets – structured deposits	*21*	4,000	1,000	–
		5,784	3,005	2,035
Current assets				
Inventories	*16*	2,394	7,783	10,015
Trade and bills receivables	*17*	20,126	24,442	31,213
Prepayments, deposits and other receivables		2,609	6,330	14,350
Due from directors	*18*	4,784	3,823	6,618
Due from related companies	*19*	391	607	26
Financial assets at fair value through profit or loss	*20*	1,095	–	–
Tax recoverable		8	–	–
Available-for-sale financial assets – structured deposits	*21*	–	3,000	1,000
Pledged bank deposits	*22*	5,579	13,306	14,821
Bank and cash balances	*22*	5,368	4,443	6,017
		42,354	63,734	84,060
Total assets		48,138	66,739	86,095
Capital and reserves				
Share capital	*23*	2,000	2,000	2,000
(Accumulated losses)/retained profits		(1,180)	100	671
Equity attributable to owners of the Target Company		820	2,100	2,671

		At 31 March		
		2010	2011	2012
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade payables	*25*	22,662	28,240	29,153
Deposit received, accruals and other payables		1,964	922	1,208
Due to a related company	*19*	4	–	–
Current tax liabilities		23	253	232
Bank borrowings	*26*	22,665	35,224	52,831
		47,318	64,639	83,424
Total liabilities		47,318	64,639	83,424
Total equity and liabilities		48,138	66,739	86,095
Net current (liabilities)/assets		(4,964)	(905)	636
Total assets less current liabilities		820	2,100	2,671

C. STATEMENTS OF FINANCIAL POSITION

		At 31 March		
		2010	2011	2012
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*14*	1,783	2,004	2,034
Investments in subsidiaries	*15*	–	–	–
Available-for-sale financial assets – structured deposits	*21*	4,000	1,000	–
		5,783	3,004	2,034
Current assets				
Inventories	*16*	2,394	7,773	10,015
Trade and bills receivables	*17*	17,938	24,442	31,213
Prepayments, deposits and other receivables		1,660	6,327	14,347
Due from directors	*18*	4,492	3,823	6,618
Due from related companies	*19*	391	607	26
Due from subsidiaries	*15*	3,411	36	–
Financial assets at fair value through profit or loss	*20*	1,095	–	–
Tax recoverable		8	–	–
Available-for-sale financial assets – structured deposits	*21*	–	3,000	1,000
Pledged bank deposits	*22*	5,579	13,306	14,821
Bank and cash balances	*22*	5,184	4,428	6,009
		42,152	63,742	84,049
Total assets		47,935	66,746	86,083
Capital and reserves				
Share capital	*23*	2,000	2,000	2,000
(Accumulated losses)/retained profits	*24*	(1,268)	144	676
Total equity		732	2,144	2,676

		At 31 March		
		2010	**2011**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade payables	*25*	22,662	28,240	29,153
Deposit received, accruals and other payables		1,876	890	1,191
Due to a subsidiary	*15*	–	17	–
Current tax liabilities		–	231	232
Bank borrowings	*26*	22,665	35,224	52,831
		47,203	64,602	83,407
Total liabilities		47,203	64,602	83,407
Total equity and liabilities		47,935	66,746	86,083
Net current (liabilities)/assets		(5,051)	(860)	642
Total assets less current liabilities		732	2,144	2,676

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	(Accumulated losses)/retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2009	2,000	(1,825)	175
Total comprehensive income for the year	–	645	645
Changes in equity for the year	–	645	645
At 31 March 2010 and 1 April 2010	2,000	(1,180)	820
Total comprehensive income for the year	–	1,280	1,280
Changes in equity for the year	–	1,280	1,280
At 31 March 2011 and 1 April 2011	2,000	100	2,100
Total comprehensive income for the year	–	2,171	2,171
Dividend paid *(Note 13)*	–	(1,600)	(1,600)
Changes in equity for the year	–	571	571
At 31 March 2012	2,000	671	2,671

E. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operations	1,654	2,826	4,150
Adjustments for:			
Depreciation	98	194	278
Interest income	(42)	(18)	(55)
Loss on disposal of property, plant and equipment	4	–	–
Bad debt written off	40	2	316
Impairment on other receivables	62	346	302
Allowance for inventories	52	201	29
Operating profit before working capital changes	1,868	3,551	5,020
Decrease/(increase) in inventories	1,786	(5,590)	(2,261)
Increase in trade and bills receivables	(5,360)	(4,318)	(7,087)
Increase in prepayment, deposits and other receivables	(1,401)	(4,067)	(8,322)
(Increase)/decrease in financial assets at fair value through profit or loss	(1,095)	1,095	–
Increase in trade payables	4,713	5,578	913
Increase/(decrease) in deposit received, accruals and other payables	331	(1,042)	286
Decrease/(increase) in current accounts with related companies	968	(220)	581
(Increase)/decrease in due from directors	(398)	961	(4,395)
Cash generated from/(used in) operations	1,412	(4,052)	(15,265)
Interests paid	(867)	(1,209)	(1,502)
Income taxes paid	(41)	(99)	(498)
Net cash generated from/(used in) operating activities	504	(5,360)	(17,265)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged bank deposits	1,509	(7,727)	(1,515)
Purchases of property, plant and equipment	(43)	(415)	(308)
Proceeds from disposals of property, plant and equipment	15	–	–
Redemption of available-for-sale financial assets – structured deposits	8	–	3,000
Interest received	42	18	55
Net cash generated from/(used in) investing activities	1,531	(8,124)	1,232

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings	(8,097)	(7,445)	(4,774)
Bank borrowings raised	8,973	20,004	22,381
Net cash generated from financing activities	876	12,559	17,607
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,911	(925)	1,574
CASH AND CASH EQUIVALENTS AT 1 APRIL	2,457	5,368	4,443
CASH AND CASH EQUIVALENTS AT 31 MARCH	5,368	4,443	6,017
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	5,368	4,443	6,017

F. NOTES TO FINANCIAL INFORMATION

1. General information

The Target Company was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance on 23 March 2001. The address of its registered office is Unit 618, 6/F., Block A, Cambridge Plaza, 188 San Wan Road, Sheung Shui, New Territories, Hong Kong.

2. Adoption of new and revised HKFRSs

Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and accounting principles generally accepted in Hong Kong. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of the financial assets at fair value through profit or loss and available-for-sales financial assets which are carried at their fair values.

For the purpose of preparing and presenting Financial Information for the Relevant Periods, the Target Group has adopted all the applicable HKFRSs which are effective for its accounting period beginning on or after 1 April 2011.

The Target Group has not applied the new HKFRSs that have been issued but are not yet effective. The Target Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Target Group to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

3. Significant accounting policies

(a) Consolidation

The Financial Information includes the financial statements of the Target Company and its subsidiaries made up to 31 March. A subsidiary is an entity over which the Target Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. It is de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

In the Target Company's statements of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Target Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Financial Information is presented in Hong Kong dollars (“HK$”), which is the Target Company’s functional and presentation currency.

(ii) Transactions and balances in each entity’s financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold properties	2%
Computers	20%
Plant and machineries	30%
Furniture and equipment	20%
Motor vehicles	30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in profit or loss.

(d) Operating leases

Leases that do not substantially transfer to the Target Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(e) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first out basis. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Target Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Group transfers substantially all the risks and rewards of ownership of the assets; or the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(l) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– The amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– The amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

(ii) Pension obligations

The Target Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Target Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) 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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Target 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

(q) Related parties

A related party is a person or entity that is related to the Target Group.

(A) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(B) An entity is related to the Target Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(r) Impairment of assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its assets except inventories investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(t) Events after the reporting period

Events after the reporting period that provide additional information about the Target Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Critical judgements and key estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Target Group have made the following judgements that have the most significant effect on the amounts recognised in the Financial Information (apart from those involving estimations, which are dealt with below).

Split of land and building elements

The Target Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Target Group determines the estimated useful lives, residual values and related depreciation charges for the Target Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment loss on receivables

The Target Group makes impairment loss on receivables based on assessments of the recoverability of the receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss on receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and impairment loss on receivables in the year in which such estimate has been changed.

(c) Allowance for inventories and net realisable value of inventories

Allowance for inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve market environment. The Target Group will reassess the estimates by the end of each reporting period.

5. Financial risk management

The Target Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Foreign currency risk

The Target Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollars ("US$") and Renminbi ("RMB"). US$ is pegged to HK$ and the risk of movement of exchange rate between US$ and HK$ is insignificant.

At 31 March 2010, 2011 and 2012, if RMB had weakened 2% against HK$ with all other variables held constant, consolidated income after tax for the respective period would have been HK$1,000, HK$9,000 and HK$261,000 lower, arising mainly as a result of the foreign exchange loss on pledged bank deposits, bank balance and other receivables denominated in RMB.

The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the bank and cash balances including pledged bank deposits, available-for-sale financial assets – structured deposits, financial assets at fair value through profit or loss, trade and bills receivables, other receivables and amounts due from directors and related companies included in the consolidated statements of financial position represents the Target Group's maximum exposure to credit risk in relation to the Target Group's financial assets.

The percentage of trade and bills receivables due from the Target Group's largest customer and due from the Target Group's three largest customers in aggregate to the Target Group's total trade and bills receivables are as follows:–

	At 31 March		
	2010	**2011**	**2012**
	%	*%*	*%*
Due from the Target Group's largest customer	19	16	23
Due from the Target Group's three largest customers	36	35	29

The Target Group has policies in place to ensure trade and bills receivables and other exposure to credit risk are managed through the application of credit approvals, credit limits and monitoring process. The Target Group's senior management performs on-going credit evaluation and regularly reviews the recoverable amount of each individual trade debt to ensure that adequate impairment losses are recognised for irrecoverable debts. The amount due from related companies and directors are closely monitored by management.

The credit risk on bank and cash balances, pledged bank deposits, available-for-sale financial assets-structured deposits and financial assets at fair value through profit or loss are limited because the counterparties are well-established banks in Hong Kong and the People's Republic of China (the "PRC").

(c) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserve of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Target Group's bank borrowings and other financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Target Group can be required to pay.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

The Target Company has entered into a guarantee agreement with a bank providing unlimited guarantee with respect to a mortgage loan granted by the bank to a related party of the Target Company since 2011, of which HK$2,975,000 and HK$2,869,000 have been utilised as at 31 March 2011 and 2012 respectively. Under the guarantee agreement, the Target Company would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. As at 31 March 2011 and 2012, no provision for the Target Company's obligation under the guarantee agreement has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

The maturity analysis of the Target Group's financial liabilities is as follows:

	On demand or less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Beyond 2 years *HK$'000*
At 31 March 2010			
Bank borrowings	22,665	–	–
Trade payables	22,662	–	–
Accruals	1,020	–	–
Due to a related company	4	–	–
	46,351	–	–
At 31 March 2011			
Bank borrowings	35,224	–	–
Trade payables	28,240	–	–
Accruals	687	–	–
	64,151	–	–
Financial guarantee issued	2,975	–	–
At 31 March 2012			
Bank borrowings	52,831	–	–
Trade payables	29,153	–	–
Accruals	618	–	–
	82,602	–	–
Financial guarantee issued	2,869	–	–

The following table summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained above. Taking into account the Target Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	On demand or less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Beyond 2 years *HK$'000*
At 31 March 2010			
Bank borrowings	18,843	1,856	2,612
At 31 March 2011			
Bank borrowings	33,083	979	1,633
At 31 March 2012			
Bank borrowings	51,693	753	881

(d) Interest rate risk

The Target Group's exposure to interest-rate risk arises from its pledged bank deposits, bank deposits and bank borrowings. These deposits and bank borrowings bear interests at variable rates varied with the then prevailing market condition and expose the Target Group to cash flow interest rate risk.

At 31 March 2010, 2011 and 2012, if the interest rate had been 100 basis points lower, with all other variables held constant, the impact on consolidated profit after tax is summarised in the following table. The sensitivity analysis includes outstanding bank deposits, pledged bank deposits, bank borrowings and adjusts the respective interest rates at the year end of 100 basis points. A positive number indicates an increase in profit. If the interest rate had been 100 basis points higher, with all other variables held constant, there would be an equal and opposite impact on profit after tax, and the balances below would be negative.

	At 31 March		
	2010 *HK$'000*	**2011** *HK$'000*	**2012** *HK$'000*
Profit after tax *(note)*	160	209	317

note: This is mainly a result of the decrease in interest expenses on bank borrowings at year end.

(e) Categories of financial instruments

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	36,580	47,353	60,695
Financial assets at fair value through profit or loss	1,095	–	–
Available for sale financial assets – structured deposits	4,000	4,000	1,000
Financial liabilities			
Financial liabilities at amortised cost	46,351	64,151	82,602

(f) Fair values

The carrying amounts of the Target Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 March 2010:

Description	**Fair value measurement using:**			**Total**
	Level 1	**Level 2**	**Level 3**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss				
FX linked deposit	–	1,095	–	1,095
Available-for-sale financial assets – structured deposits	–	–	4,000	4,000
Total	–	1,095	4,000	5,095

Disclosures of level in fair value hierarchy at 31 March 2011:

Description	**Fair value measurement using:**			**Total**
	Level 1	**Level 2**	**Level 3**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets – structured deposits	–	–	4,000	4,000
Total	–	–	4,000	4,000

Disclosures of level in fair value hierarchy at 31 March 2012:

Description	**Fair value measurement using:**			**Total**
	Level 1	**Level 2**	**Level 3**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets – structured deposits	–	–	1,000	1,000
Total	–	–	1,000	1,000

Reconciliation of assets measured at fair value based on level 3:

	Available-for-sale financial assets		
	2010	**2011**	**2012**
	HK\$'000	*HK\$'000*	*HK\$'000*
At beginning	–	4,000	4,000
Purchase	4,000	–	–
Settlement	–	–	(3,000)
At end of year	4,000	4,000	1,000

During the Relevant Periods, there were no transfers of fair value measurements between level 2 and level 3.

6. Turnover

The Target Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the Relevant Periods.

7. Segment information

For the Relevant Periods, the Target Group has one single reportable segment which was managed as a single strategic business unit that engaged in the sales of electronic parts and components. Information reported to the Target Group's chief operation decision maker, for the purpose of resource allocation and assessment performance is focused on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

Geographical information:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Hong Kong	70,394	73,644	102,076
The PRC (excluding Hong Kong)	218,216	289,651	265,587
Others	3	2	992
	288,613	363,297	368,655

In presenting the geographical information, revenue is based on the location of the customers. Over 90% of the Target Group's non-current assets are located in Hong Kong.

Revenue from major customers:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Customer a	45,408	39,557	–
Customer b	41,058	87,840	47,497
Customer c	–	58,322	60,234
Customer d	–	–	47,318

8. Other income

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Interest income	42	18	55
Interest income on structured deposits	–	–	295
Realised gain on financial assets at fair value through profit or loss	109	204	78
Management fee income	50	90	120
Rental income	33	36	60
Sundry income	17	4	1
	251	352	609

9. Profit from operations

The Target Group's profit from operations is stated after charging/(crediting) the following:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Auditors' remuneration	114	117	97
Cost of inventories sold	277,625	347,238	352,570
Depreciation	98	194	278
Directors' emoluments			
– Fees	–	–	–
– Salaries and allowance	636	771	1,318
– Retirement benefit scheme contribution	24	24	24
Loss on disposal of property, plant and equipment, net	4	–	–
Bad debts written off	40	2	316
Other receivable written off	62	346	302
Allowance for inventories (included in cost of goods sold)	52	201	29
Operating lease charges for land and buildings	104	114	90
Net exchange loss/(gain)	1	(3)	29
Research and development expenditure	199	600	20
Staff costs including directors' remunerations			
– Salaries, bonus and allowances	2,321	2,898	3,100
– Retirement benefits scheme contributions	59	61	69
	2,380	2,959	3,169

10. Finance costs

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank borrowings			
– Wholly repayable within five years	843	1,188	1,483
– Not wholly repayable within five years	24	21	19
Total finance costs	867	1,209	1,502

11. Income tax expense

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Provision for the year	142	327	477
Under provision in prior year	–	10	–
	142	337	477

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits. No provision for income tax in other jurisdiction has been made as the Target Group has no assessable profit subject to overseas income tax during the Relevant Periods.

The reconciliation between the income tax expenses and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	787	1,617	2,648
Tax at applicable tax rate of 16.5%	130	267	437
Tax effect of expenses that are not deductible	5	2	1
Tax effect of income that is not taxable	–	–	–
Tax effect of tax losses not recognised	–	19	3
Tax effect of temporary difference not recognised	8	(22)	(1)
Tax effect of offshore profits not taxable	(6)	–	–
Under provision in prior year	–	10	–
Over provision in current year	5	61	37
Income tax expense	142	337	477

12. Profit for the year attributable to owners of the Target Company

The profit for the year attributable to owners of the Target Company included a profit of approximately HK$557,000, HK$1,412,000 and HK$2,132,000 respectively which have been dealt with in the financial statements of the Target Company for the years ended 31 March 2010, 2011 and 2012 respectively.

13. Dividends

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Interim of:			
HK$0.8 per ordinary share paid	–	–	1,600

14. Property, plant and equipment

Target Group

	Leasehold properties	Computers	Furniture and equipment	Plant and machineries	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 April 2009	1,777	225	86	15	119	2,222
Additions	–	10	33	–	–	43
Disposals	–	(21)	(10)	–	–	(31)
At 31 March 2010	1,777	214	109	15	119	2,234
Additions	–	23	–	–	392	415
At 31 March 2011	1,777	237	109	15	511	2,649
Additions	–	3	5	–	300	308
At 31 March 2012	1,777	240	114	15	811	2,957
Accumulated depreciation						
At 1 April 2009	36	170	72	15	71	364
Charge for the year	35	18	9	–	36	98
Disposals	–	(10)	(2)	–	–	(12)
At 31 March 2010	71	178	79	15	107	450
Charge for the year	36	19	9	–	130	194
At 31 March 2011	107	197	88	15	237	644
Charge for the year	35	17	8	–	218	278
At 31 March 2012	142	214	96	15	455	922
Carrying amount						
At 31 March 2010	1,706	36	30	–	12	1,784
At 31 March 2011	1,670	40	21	–	274	2,005
At 31 March 2012	1,635	26	18	–	356	2,035

The Target Group's properties are situated in Hong Kong under medium lease term.

The carrying amounts of the Target Group's property, plant and equipment amounted to approximately HK$1,706,000, HK$1,670,000 and HK$1,635,000 were pledged as security for the Target Group's mortgage loan *(note 26)* as at 31 March 2010, 2011 and 2012 respectively.

Target Company

	Leasehold properties *HK$'000*	Computers *HK$'000*	Furniture and equipment *HK$'000*	Plant and machineries *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2009	1,777	225	86	15	119	2,222
Additions	–	8	33	–	–	41
Disposals	–	(21)	(10)	–	–	(31)
At 31 March 2010	1,777	212	109	15	119	2,232
Additions	–	23	–	–	392	415
At 31 March 2011	1,777	235	109	15	511	2,647
Additions	–	3	5	–	300	308
At 31 March 2012	1,777	238	114	15	811	2,955
Accumulated depreciation						
At 1 April 2009	36	170	72	15	71	364
Charge for the year	35	17	9	–	36	97
Disposals	–	(10)	(2)	–	–	(12)
At 31 March 2010	71	177	79	15	107	449
Charge for the year	36	19	9	–	130	194
At 31 March 2011	107	196	88	15	237	643
Charge for the year	35	17	8	–	218	278
At 31 March 2012	142	213	96	15	455	921
Carrying amount						
At 31 March 2010	1,706	35	30	–	12	1,783
At 31 March 2011	1,670	39	21	–	274	2,004
At 31 March 2012	1,635	25	18	–	356	2,034

The Target Company's properties are situated in Hong Kong under medium lease term.

The carrying amounts of the Target Company's property, plant and equipment amounted to approximately HK$1,706,000, HK$1,670,000 and HK$1,635,000 were pledged as security for the Target Company's mortgage loan *(note 26)* as at 31 March 2010, 2011 and 2012 respectively.

15. Investments in subsidiaries – Target Company

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments, at cost	–	–	–

The amounts due from/(to) subsidiaries are unsecured, interest-free and has no fixed repayment terms.

Due to the keen market competition, the directors of the Target Group decided to centralise the resources in Target Company. On 20 February 2012, the Target Company passed a written resolution by sole member to authorise the struck off of China Bingo. On 1 March 2012, a written resolution has been passed on the shareholder's meeting of China Bingo to deregister Honma.

The deregistration of China Bingo and Honma are still in progress up to the date of this Accountants' Report.

16. Inventories

Target Group

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Finished goods	2,394	7,783	10,015

Target Company

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Finished goods	2,394	7,773	10,015

17. Trade and bills receivables

Target Group

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	12,463	20,336	17,121
Bills receivables	7,663	4,106	14,092
	20,126	24,442	31,213

Target Company

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	10,275	20,336	17,121
Bills receivables	7,663	4,106	14,092
	17,938	24,442	31,213

The general credit terms of the Target Group granted to its trade customers are 30-90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Target Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management. An ageing analysis of trade receivables, based on the date of invoices, is as follows:

Target Group

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Current to 90 days	11,256	17,881	15,835
91 to 180 days	546	104	996
181 to 365 days	642	1,690	191
Over 1 year	19	661	99
	12,463	20,336	17,121

Target Company

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Current to 90 days	9,068	17,881	15,835
91 to 180 days	546	104	996
181 to 365 days	642	1,690	191
Over 1 year	19	661	99
	10,275	20,336	17,121

For Target Group, as of 31 March 2010, 2011 and 2012, trade receivables of approximately HK$3,600,000, HK$2,956,000 and HK$2,114,000 respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Target Group

		At 31 March	
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Up to 3 months	2,958	525	1,569
3 to 6 months	–	766	255
Over 6 months	642	1,665	290
	3,600	2,956	2,114

For Target Company, as of 31 March 2010, 2011 and 2012, trade receivables of approximately HK$2,367,000, HK$2,956,000 and HK$2,114,000 respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Target Company

		At 31 March	
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Up to 3 months	1,725	525	1,569
3 to 6 months	–	766	255
Over 6 months	642	1,665	290
	2,367	2,956	2,114

The carrying amount of the trade receivables of the Target Group and the Target Company are dominated in the following currencies:

Target Group

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
HK$	419	343	–
US$	12,044	19,993	17,121
	12,463	20,336	17,121

Target Company

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
HK$	419	343	–
US$	9,856	19,993	17,121
	10,275	20,336	17,121

18. Due from directors

The amounts due from directors are unsecured, interest free and have no fixed terms of repayment.

All amounts are denominated in HK$.

Details of the amounts due from directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Target Group

(i) Mr. Chan Wan Kim ("Mr. Chan")

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of year	3,828	4,216	3,190
Balance at the end of year	4,216	3,190	6,388
Maximum amount outstanding during the year	4,216	4,216	7,668

(ii) Mr. Wong Chun Wai ("Mr. Wong")

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of year	558	568	633
Balance at the end of year	568	633	230
Maximum amount outstanding during the year	1,016	665	633

Target Company

(i) Mr. Chan

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of year	3,828	3,924	3,190
Balance at the end of year	3,924	3,190	6,388
Maximum amount outstanding during the year	3,924	3,924	7,668

(ii) Mr. Wong

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of year	558	568	633
Balance at the end of year	568	633	230
Maximum amount outstanding during the year	1,016	665	633

19. Due from/(to) related companies – Target Group and Target Company

The amounts due from/(to) related companies are unsecured, interest free and repayable on demand. All amounts are denominated in HK$.

Details of the amounts due from related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

(i) Name: EBE Enterprise Company Limited
Name of director having beneficial interest: Mr. Wong

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of year	1,355	391	536
Balance at the end of year	391	536	–
Maximum amount outstanding during the year	1,917	575	536

(ii) Name: Lee Shing Mining Company Limited
Name of director having beneficial interest: Mr. Chan

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of year	–	–	26
Balance at the end of year	–	26	26
Maximum amount outstanding during the year	–	26	26

(iii) Name: Sky Shine (China) Limited
Name of director having beneficial interest: Mr. Chan

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of year	–	–	45
Balance at the end of year	–	45	–
Maximum amount outstanding during the year	–	45	45

20. Financial assets at fair value through profit or loss – Target Group and Target Company

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
FX linked deposit	1,095	–	–

The above financial assets are classified as held for trading.

The FX linked deposit has maturity period of one year and is denominated in US$. The fair value is determined by reference to the spot rate of Australian Dollars (AUD) and US$ as at reporting date and the spot rate stated in the contract.

21. Available-for-sale financial assets – structured deposits – Target Group and Target Company

The structured deposits represented the currency-linked deposits where the amounts recoverable at maturity are linked to the exchange rates of a basket of foreign currencies (such as RMB and Indonesia Rupiah) on the maturity dates.

The structured deposits consisted of principal protected financial products issued by banks in Hong Kong. They are not quoted in active market and are not insured or guaranteed by any governmental agency or deposit protection schemes. Therefore, the Target Group is exposed to general credit risk of the banks. All structured deposits are denominated in HK$.

The fair values of the structured deposits are determined with reference to index value changes as at each reporting date to the terms on the contracts.

The structured deposits were pledged to secure the Target Group's bank loans *(note 26)*.

The Target Group classified the structured deposits as current assets if the maturities are less than one year from the reporting date. For deposits with maturities over 1 year, the deposits are classified as non-current assets.

22. Pledged bank deposits and bank and cash balances

The pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Target Company *(note 26)*.

The carrying amount of the pledged bank deposits of the Target Group and the Target Company are dominated in the following currencies:

Target Group and Target Company

		At 31 March	
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
HK$	5,579	10,542	–
RMB *(note)*	–	–	14,821
US$	–	2,764	–
	5,579	13,306	14,821

The carrying amount of the bank and cash balances of the Target Group and the Target Company are dominated in the following currencies:

Target Group

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
HK$	1,829	733	493
RMB *(note)*	96	72	332
US$	3,443	3,638	5,192
	5,368	4,443	6,017

Target Company

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
HK$	1,671	726	493
RMB *(note)*	92	64	324
US$	3,421	3,638	5,192
	5,184	4,428	6,009

Note: Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. Share capital

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Authorised, issued and fully paid:			
2,000,000 ordinary shares of HK$1 each	2,000	2,000	2,000

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Target Group currently does not have any specific policies and processes for managing capital.

24. (Accumulated losses)/retained profits – Target Company

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of year	(1,825)	(1,268)	144
Dividend paid	–	–	(1,600)
Profit for the year	557	1,412	2,132
At end of year	(1,268)	144	676

25. Trade payables – Target Group and Target Company

The aging analysis of trade payables, based on the date of invoices, is as follows:

	A 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Current to 30 days	17,352	16,360	21,239
31 to 90 days	5,306	11,879	7,814
Over 90 days	4	1	100
	22,662	28,240	29,153

The carrying amount of the Target Group's trade payables are denominated in the following currencies:

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
RMB	92	–	–
US$	22,570	28,240	29,153
	22,662	28,240	29,153

26. Bank borrowings – Target Group and Target Company

The analysis of the carrying amount of bank borrowings is as follow:–

	At 31 March		
	2010	**2011**	**2012**
Current liabilities	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans subject to a repayable on demand clause	4,148	2,448	1,552
Secured bank loans on demand or within one year	1,697	1,700	896
Bank invoice loans	16,820	31,076	50,383
	22,665	35,224	52,831

The interest bearing bank borrowings, including the bank borrowings repayable on demand, are carried at amortised cost.

The borrowings are repayable as follows based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
On demand or within one year	18,517	32,776	51,279
In the second year	1,700	894	705
In the third to fifth years, inclusive	2,059	1,273	568
After five years	389	281	279
	22,665	35,224	52,831
Less: Amount due for settlement within 12 months	(18,517)	(32,776)	(51,279)
Amount due for settlement after 12 months	4,148	2,448	1,552

The carrying amounts of the borrowings are denominated in the following currencies:

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
HK$	5,845	4,148	2,448
US$	16,820	31,076	50,383
	22,665	35,224	52,831

The ranges of interest rates paid were as follows:

	At 31 March		
	2010	**2011**	**2012**
Bank loans	2.5% to 6.25%	2.5% to 6.25%	2.5% to 6.25%
Bank invoice loans	4.5% to 5.0%	3.1% to 4.6%	2.9% to 3.2%

All bank borrowings are arranged at floating rates, thus exposing the Target Group and the Target Company to cash flow interest rate risk.

At 31 March 2010, 2011 and 2012, the above bank borrowings are secured by the following:

(a) legal charge over leasehold properties of the Target Group *(note 14)*;

(b) legal charge over properties owned by the directors and related persons of the Target Group;

(c) personal guarantees with unlimited amount given by a former director, directors and related persons of the Target Group;

(d) corporate guarantees executed by a subsidiary;

(e) guarantee executed by the Hong Kong Special Administrative Region Government in respect of Special Loan Guarantee Scheme;

(f) charged structured deposits of the Target Group *(note 21)*;

(g) charged bank deposits of the Target Group *(note 22)*; and

(h) subordination of loans by the directors of the Target Group

During the Relevant Periods, the Target Group breached certain covenant clauses in a banking facility agreement in relation to the balances of the amounts due from related parties/directors/shareholders. As a result, bank loans of HK$13,080,000, HK$24,267,000 and HK$40,819,000 as at 31 March 2010, 2011 and 2012 respectively, are subject to an early repayment option by the bank. The bank has not requested for the early repayment of the bank loan.

27. Contingent liabilities

As mentioned in Note 5(c), the Target Company has entered into a guarantee agreement with a bank providing unlimited guarantee with respect to a mortgage loan granted by the bank to a related party of the Target Company since 2011, of which HK$2,975,000 and HK$2,869,000 have been utilised as at 31 March 2011 and 2012 respectively. Under the guarantee agreement, the Target Company would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. As at 31 March 2011 and 2012, no provision for the Target Company's obligation under the guarantee agreement has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

Except for the above, the Target Group and the Target Company did not have any significant contingent liabilities as at 31 March 2010, 2011 and 2012.

28. Notes to the statement of cash flows

Interim dividend of HK$1,600,000 (2010: Nil and 2011: Nil) during the year ended 31 March 2012 was settled by crediting the same amount to the amounts due from directors.

29. Operating lease commitments

The Target Group as lessee

The Target Group leases one office premise under operating lease arrangements. The lease term for the office premise is one year. Rentals are fixed over the lease term and do not include contingent rentals.

Total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	55	57	59
In the second to fifth years, inclusive	–	–	–
	55	57	59

30. Related party transactions

(a) Save as disclosed elsewhere in this report, the Target Group has the following material related party transactions during the Relevant Periods:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Consultancy fee paid to a related company *(note (i))*	–	200	20
Sales to a related company *(note (i))*	3	–	–
Subcontracting charge paid to a related company *(note (i))*	–	1,297	–
Rental expenses paid to a related company *(note (i))*	20	31	–
Rental income from related companies *(note (ii))*	33	36	48
Management fee income from a related company *(note (ii))*	50	90	120

Note i: Mr. Wong has control in this related company.

Note ii: Mr. Chan has control in these related companies.

(b) The above transactions were entered into with the related parties on terms mutually agreed by individual parties. In the opinion of the directors of the Target Group, these related party transactions were conducted under normal commercial terms and in the ordinary and usual course of the Target Group's business.

(c) During the Relevant Periods, the key management personnel compensation paid by the Target Group was disclosed in note 9 to the Financial Information.

31. Subsequent financial statements

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 March 2011.

32. Event after the reporting date

On 13 April 2012, the Target Group filed applications for deregistration of Honma.

On 4 May 2012, the deregistration of Honma has been publicised in the Gazette Notice. Pursuant to Section 291AA (7) of the Companies Ordinance, unless an objection to the deregistration of Honma is received by the Registrar of Companies within 3 months after the date of publication of the Gazette Notice. The Registrar of Companies may deregister Honma and dissolve it. Another notice will be published in the Gazette declaring Honma to be deregistered and dissolved.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Proposed Acquisition.

The unaudited pro forma consolidated income statement and consolidated statement of cash flows of the Enlarged Group are prepared based on the audited consolidated income statement and consolidated statement of cash flows of the Group for the year ended 31 March 2012 as extracted from the published annual report of the Company for the year ended 31 March 2012 and the audited consolidated income statement and consolidated statement of cash flows of the Target Group for the year ended 31 March 2012 as extracted from the accountants' report of the Target Group set out in Appendix II to this circular and after making pro forma adjustments relating to the Proposed Acquisition that are attributable to the transaction, as if the Proposed Acquisition had been completed on 1 April 2011.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 March 2012 is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2012 as extracted from the published annual report of the Company for the year ended 31 March 2012 and the audited consolidated statement of financial position of the Target Group as at 31 March 2012 as extracted from the accountants' report of the Target Group set out in Appendix II to this circular and after making pro forma adjustments relating to the Proposed Acquisition that are attributable to the transaction, as if the Proposed Acquisition had been completed on 31 March 2012.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Proposed Acquisition actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the financial information of the Group published on 29 June 2012, the financial information of the Target Group as set out in Appendix II and other financial information included elsewhere in this circular.

According to the Agreement, upon completion, each of the Vendors shall enter into an option deed with the Purchaser, pursuant to which each of the Vendors has granted a right for the Purchaser to call upon the sale of 400,000 Target Shares and 100,000 Target Shares. The 500,000 Target Shares exercisable under the Options together represent 25% of the issued share capital of the Target Company. Therefore, two sets of pro forma financial information have been prepared for the two scenarios: (1) where the Company does not exercise the Options; and (2) where the Company exercises the Options.

SCENARIO 1 – WHERE THE COMPANY DOES NOT EXERCISE THE OPTIONS

1.1 UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

	The Group	Target Group	Sub-total	Pro forma adjustments	Note	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Turnover	31,602	368,655	400,257			400,257
Other income	3,224	609	3,833			3,833
Changes in inventories of finished goods	–	(352,570)	(352,570)			(352,570)
Telecom operators and content providers costs	(9,465)	–	(9,465)			(9,465)
Employment costs	(23,183)	(3,169)	(26,352)			(26,352)
Research and development expenses	(1,633)	(20)	(1,653)			(1,653)
Depreciation and amortisation	(544)	(278)	(822)	(28)	*(7)*	(850)
Commission	–	(696)	(696)			(696)
Transportation expenses	–	(2,810)	(2,810)			(2,810)
Other operating expenses	(14,237)	(5,571)	(19,808)			(19,808)
(Loss)/profit from operations	(14,236)	4,150	(10,086)			(10,114)
Finance costs	(1,860)	(1,502)	(3,362)	(1,368)	*(8)*	(4,730)
Impairment loss on investments in an associate and amount due from an associate	(5,556)	–	(5,556)			(5,556)
Share of losses of associates	(5,210)	–	(5,210)			(5,210)
(Loss)/profit before tax	(26,862)	2,648	(24,214)			(25,610)
Income tax expense	–	(477)	(477)	5	*(7)*	(472)
(Loss)/profit for the year	(26,862)	2,171	(24,691)			(26,082)
Loss for the year attributable to:						
Owners of the Company	(26,662)	2,171	(24,491)	(1,928)	*(9)*	(26,419)
Non-controlling interests	(200)	–	(200)	537	*(9)*	337
	(26,862)	2,171	(24,691)			(26,082)

1.2 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group	Target Group	Sub-total	Pro forma adjustments	*Note*	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Non-current assets						
Property, plant and equipment	2,080	2,035	4,115	1,300	*(2)*	5,415
Investment property	30,000	–	30,000			30,000
Goodwill	–	–	–	32,792	*(2)*	32,792
Intangible assets	194	–	194			194
Investments in associates	45,749	–	45,749			45,749
	78,023	2,035	80,058			114,150
Current assets						
Inventories	–	10,015	10,015			10,015
Trade, bills and other receivables, prepayment and deposits	8,569	45,563	54,132	26	*(6)*	54,158
Due from associates	2,204	–	2,204			2,204
Properties under development	59,986	–	59,986			59,986
Due from directors	–	6,618	6,618	(6,618)	*(6)*	–
Due from directors of subsidiaries	–	–	–	6,618	*(6)*	6,618
Due from related companies	–	26	26	(26)	*(6)*	–
Available-for-sale financial assets – structured deposits	–	1,000	1,000			1,000
Derivative financial assets	1,210	–	1,210	8,955	*(2)*	10,165
Put Options of convertible bonds	12,032	–	12,032			12,032
Mandatory conversion options	–	–	–	1,629	*(3)*	1,629
Pledged bank deposits	–	14,821	14,821			14,821
Bank and cash balances	8,797	6,017	14,814	(10,400)	*(2)*	4,414
	92,798	84,060	176,858			177,042
Current liabilities						
Trade and other payables, deposits received and accruals	11,541	30,361	41,902			41,902
Due to an associate	4,297	–	4,297			4,297
Call Option of convertible bonds	466	–	466			466
Liability component of convertible bonds	28,494	–	28,494			28,494
Finance lease payables	269	–	269			269
Promissory notes	–	–	–	5,200	*(4)*	5,200
Bank borrowings	–	52,831	52,831			52,831
Current tax liabilities	13	232	245			245
	45,080	83,424	128,504			133,704
Net current assets	47,718	636	48,354			43,338
Total assets less current liabilities	125,741	2,671	128,412			157,488

	The Group HK$'000	Target Group HK$'000	Sub-total HK$'000	Pro forma adjustments HK$'000	Note	The Enlarged Group HK$'000
Non-current Liabilities						
Liability component of convertible bonds	8,090	–	8,090	18,995	(3)	27,085
Deferred tax liabilities	–	–	–	215	(2)	215
Finance lease payables	756	–	756			756
	8,846	–	8,846			28,056
NET ASSETS	116,895	2,671	119,566			129,432
Capital and reserves						
Share capital	91,946	2,000	93,946	(2,000)	(5)	91,946
Reserves	6,643	671	7,314	11,598	(3)	18,241
				(671)	(5)	
Equity attributable to owners of the Company	98,589	2,671	101,260			110,187
Non-controlling interests	18,306	–	18,306	939	(2)	19,245
TOTAL EQUITY	116,895	2,671	119,566			129,432

1.3 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group	Target Group	Sub-total	Pro forma adjustments	*Note*	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax	(26,862)	2,648	(24,214)	(28)	*(7)*	(25,610)
				(1,368)	*(8)*	
Adjustments for:						
Bad debt written off	–	316	316			316
Other receivables written off	–	302	302			302
Allowance for impairment of bad and doubtful debts	250	–	250			250
Allowance for inventories	–	29	29			29
Amortisation of intangible asset	6	–	6			6
Depreciation of property, plant and equipment	538	278	816	28	*(7)*	844
Fair value loss on investment property	143	–	143			143
Fair value gains on Put Options and Call Option of convertible bonds	(2,839)	–	(2,839)			(2,839)
Fair value losses on derivative financial assets	300	–	300			300
Finance costs	1,860	1,502	3,362	1,368	*(8)*	4,730
Impairment loss on investment in an associate and amount due from an associate	5,556	–	5,556			5,556
Interest income	(56)	(55)	(111)			(111)
Loss on deregistration of a subsidiary	34	–	34			34
Property, plant and equipment written off	8	–	8			8
Reversal of allowance for impairment of bad and doubtful debts	(316)	–	(316)			(316)
Share-based payments	1,267	–	1,267			1,267
Share of losses of associates	5,210	–	5,210			5,210
Operating (loss)/profit before working capital changes	(14,901)	5,020	(9,881)			(9,881)
Increase in inventories	–	(2,261)	(2,261)			(2,261)
Increase in trade, bills and other receivables, prepayment and deposits	(2,411)	(15,409)	(17,820)	581	*(6)*	(17,239)
Increase in trade and other payables, deposits received and accruals	1,628	1,199	2,827			2,827
Decrease in current accounts with related companies	–	581	581	(581)	*(6)*	–
Increase in due from directors	–	(4,395)	(4,395)	4,395	*(6)*	–
Increase in due from directors of subsidiaries	–	–	–	(4,395)	*(6)*	(4,395)
Cash used in operations	(15,684)	(15,265)	(30,949)			(30,949)
Interests paid	–	(1,502)	(1,502)			(1,502)
Income taxes paid	–	(498)	(498)			(498)
Net cash used in operating activities	(15,684)	(17,265)	(32,949)			(32,949)

	The Group HK$'000	Target Group HK$'000	Sub-total HK$'000	Pro forma adjustments HK$'000	Note	The Enlarged Group HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Net increase in amounts due from/to associates	4,951	–	4,951			4,951
Increase in pledged bank deposits	–	(1,515)	(1,515)			(1,515)
Purchase of property, plant and equipment	(758)	(308)	(1,066)			(1,066)
Purchase of investment property	(30,143)	–	(30,143)			(30,143)
Purchase of intangible assets	(200)	–	(200)			(200)
Acquisition of subsidiaries and associates	(30,410)	–	(30,410)	(5,957)	*(10)*	(36,367)
Loan granted to an associate	(1,071)	–	(1,071)			(1,071)
Loan repaid by an associate	250	–	250			250
Redemption of available-for-sale financial assets – structured deposits	–	3,000	3,000			3,000
Interest received	15	55	70			70
Net cash (used in)/generated from investing activities	(57,366)	1,232	(56,134)			(62,091)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from non-controlling interests	490	–	490			490
Net proceeds from issue of shares	56,662	–	56,662			56,662
Repayment of bank borrowings	–	(4,774)	(4,774)			(4,774)
Repayment of finance lease payables	(88)	–	(88)			(88)
Bank borrowings raised	–	22,381	22,381			22,381
Finance lease charge paid	(9)	–	(9)			(9)
Net cash generated from financing activities	57,055	17,607	74,662			74,662
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(15,995)	1,574	(14,421)			(20,378)
Effect of foreign exchange rate changes	(91)	–	(91)			(91)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,883	–	24,883			24,883
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,797	1,574	10,371			4,414

1.4 NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Pursuant to the terms of the Agreement, the aggregate consideration for the Proposed Acquisition is HK$39,000,000 which would be satisfied by the Company as follows:

(i) as to HK$10,400,000 by cash at Completion;

(ii) as to HK$23,400,000 by way of issuance of 3-year Convertible Bonds at Completion; and

(iii) as to HK$5,200,000 by way of issuance of 90-day Promissory Notes at Completion.

Under the Agreement, the Vendors have irrevocably warranted and guaranteed to the Purchaser that the audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group will not be less than HK$8,000,000 for each of the three financial years ending 31 March 2013, 31 March 2014 and 31 March 2015. If the actual audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group is less than HK$8,000,000, then the Vendors shall pay to the Purchaser in cash for the shortfall on a dollar to dollar basis.

The Vendors have also irrevocably warranted and guaranteed to the Purchaser that the entire amount of the Net Current Assets will be recoverable in full by the Target Group before the date falling 90 days after the Completion Date. If the Net Current Assets is not recoverable in full by the Target Group, then the Vendors shall pay to the Purchaser in cash for the Shortfall Amount on a dollar to dollar basis on the date falling 90 days after the Completion Date.

For the purpose of preparing the unaudited pro forma financial information of the Enlarged Group, it is assumed that there is no adjustment on the aggregate consideration at 1 April 2011 or 31 March 2012 in respect of the (i) Profit Guarantee after taking into consideration the representation of the Vendors, the latest management accounts of the Target Group, the preliminary due diligence exercise conducted by the Group, and contracts on hand and potential contracts for the coming months; and (ii) Net Current Assets recoverability guarantee after taking into consideration the subsequent settlement, representation of the directors of the Target Company and that there has not been a significant change in credit quality. The effect of the adjustments in respect of the Profit Guarantee and the Net Current Assets recoverability guarantee will be re-assessed upon the Completion of the Proposed Acquisition and the Profit Guarantee will be re-measured at fair value through profit or loss at the end of each reporting period until its expiry.

(2) In accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations", the Group will apply the purchase method to account for the acquisition of the equity interest of the Target Group. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of acquisition. The fair values of the identifiable assets, liabilities and contingent liabilities of the Target Group will be re-assessed at the Completion date of the Proposed Acquisition.

The adjustments reflect:

– the fair value adjustment of the assets and liabilities of the Target Group over their carrying value as at 31 March 2012 and the corresponding deferred tax liabilities. The values of the leasehold properties are increased by HK$1,300,000. Deferred tax liability on the fair value adjustment, calculated at the income tax rate of 16.5%, amounts to HK$215,000;

– the arising of goodwill of approximately HK$32,792,000 from the Proposed Acquisition. The goodwill represents the excess of the consideration of the Proposed Acquisition over the Group's share of the fair value of the identifiable net assets of the Target Group;

– the settlement of the cash consideration;

– the non-controlling interests in the Target Group; and

– the fair value of the Options.

The calculation of goodwill is as follows:

	HK$'000
Carrying amount of identifiable assets and liabilities of the Target Group	2,671
Fair value adjustment on leasehold properties	1,300
Deferred tax liability arising from fair value adjustment on leasehold properties	(215)
Fair value of identifiable assets and liabilities of the Target Group	3,756
Non-controlling interests *(Note (i))*	(939)
	2,817
Goodwill	32,792
Adjusted consideration *(Note (ii))*	35,609

Notes: (i) It is calculated based on the proportionate share of fair value of identifiable assets and liabilities of the Target Group attributable to non-controlling shareholders.

(ii)

	HK$'000
Fair value of the consideration:	
– cash consideration	10,400
– issue of Convertible Bonds *(Note 3)*	28,964
– issue of Promissory Notes	5,200
	44,564
Adjustments for:	
Fair value of the Options	(8,955)
	35,609

The valuation of the fair value of the leasehold properties was carried out by Goldrich Planners & Surveyors Limited, an independent qualified professional valuer not connected to the Group. The valuation is used as a reference for the purpose of this pro forma financial information only.

The fair value of the identifiable assets (including the leasehold properties) and liabilities of the Target Group, and consequently deferred tax liability, goodwill and non-controlling interests, will be re-assessed at the Completion date of the Proposed Acquisition and therefore subject to change.

The fair value of the Options of HK$8,955,000 was valued by Savills Valuation and Professional Services Limited ("Savills"), a firm of independent qualified valuers not connected to the Group based on the binomial option pricing model. On Completion, the fair value of the Options will have to be re-assessed as of the date of the Completion.

The Directors have assessed whether there is any impairment on the goodwill as at 1 April 2011 and 31 March 2012 in accordance with Hong Kong Accounting Standard ("HKAS") 36 "Impairment of Assets" issued by the Hong Kong Institute of Certified Public Accountants. An impairment test involves the determination of the recoverable amount of the cash generating unit to which the goodwill has been allocated, being the higher of the cash generating unit's fair value less costs to sell and its value in use. The recoverable amount of the cash generating unit to which the goodwill has been allocated is determined based on value in use calculation. The Directors concluded that there is no impairment in respect of the goodwill as at 1 April 2011 and 31 March 2012.

The Directors will adopt consistent accounting policies and principal assumptions to assess the impairment of goodwill in subsequent reporting periods in accordance with the requirement of HKAS 36.

(3) This adjustment reflects the issue of Convertible Bonds which contain the following components:

	HK$'000
Liability component of the Convertible Bonds	18,995
Equity component of the Convertible Bonds	11,598
Mandatory conversion options of the bondholders	(1,629)
	28,964

The fair value of the liability component of the Convertible Bonds was determined based on the present value of all the cash flows for the liability component discounted at an effective interest rate of 7.2% which is based on the credit rating of the Company and bond yield of comparable companies with similar credit rating.

The fair value of the equity component and the mandatory conversion options component were determined using the binomial option pricing model basis.

The fair value assessment of the liability component, the equity component and the mandatory conversion options component of the Convertible Bonds was performed by Savills.

On Completion, the fair value of the three components will have to be re-assessed as of the date of the Completion.

(4) This adjustment reflects the Promissory Notes of HK$5,200,000 as part of the consideration for the Proposed Acquisition. For the purpose of this unaudited pro forma consolidated statement of financial position, the principal amount of the Promissory Notes is assumed to be the fair value of the Promissory Note as at 31 March 2012.

(5) This adjustment reflects the elimination of share capital and pre-acquisition reserves of the Target Group.

(6) This adjustment reflects the reclassification of accounts under the Enlarged Group.

(7) For the purpose of preparing the unaudited pro forma consolidated income statement, the amount of fair value increase of the Target Group's leasehold properties at 1 April 2011 is assumed to be approximately HK$1,300,000. Depreciation is provided to write off the assumed fair value of the leasehold properties using the straight-line method over the remaining useful life of 47 years, resulting in a depreciation charge of approximately HK$28,000 recognised in profit or loss. The amount of approximately HK$5,000 represents the reversal of deferred taxation relating to depreciation of the leasehold properties. This adjustment will have a continuing effect on the Enlarged Group in the subsequent financial years.

(8) This adjustment reflects the imputed interest expenses on the Convertible Bonds based on an effective interest rate of 7.2% per annum. The interest expenses will have a continuing effect on the Enlarged Group in the subsequent financial years.

(9) This adjustment reflects the re-allocation of profit attributable to the non-controlling interests of the Target Group for the year ended 31 March 2012 and the calculation is as follows:

	Owners of the Company *HK$'000*	**Non-controlling interests** *HK$'000*
Re-allocation of profit for the year ended 31 March 2012 of the Target Group (HK$2,171,000 x 25%)	(543)	543
Proforma adjustments for:		
– Additional depreciation charged of HK$28,000 on the fair value adjustment of the leasehold properties *(Note 7)*	(21)	(7)
– Reversal of deferred taxation of HK$5,000 relating to depreciation of the leasehold properties *(Note 7)*	4	1
– Imputed interest expenses on the Convertible Bonds of HK$1,368,000	(1,368)	–
	(1,928)	537

(10) This adjustment reflects the cash outflow for the Proposed Acquisition and cash and cash equivalents assumed to be acquired at 1 April 2011 which have been summarised below:

	HK$'000
Cash consideration for the Proposed Acquisition	10,400
Less: Cash and cash equivalents acquired	(4,443)
	5,957

SCENARIO 2 – WHERE THE COMPANY EXERCISES THE OPTIONS

2.1 UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

	The Group	**Target Group**	**Sub-total**	**Pro forma adjustments**	*Note*	**The Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Turnover	31,602	368,655	400,257			400,257
Other income	3,224	609	3,833			3,833
Changes in inventories of finished goods	–	(352,570)	(352,570)			(352,570)
Telecom operators and content providers costs	(9,465)	–	(9,465)			(9,465)
Employment costs	(23,183)	(3,169)	(26,352)			(26,352)
Research and development expenses	(1,633)	(20)	(1,653)			(1,653)
Depreciation and amortisation	(544)	(278)	(822)	(28)	*(7)*	(850)
Commission	–	(696)	(696)			(696)
Transportation expenses	–	(2,810)	(2,810)			(2,810)
Other operating expenses	(14,237)	(5,571)	(19,808)			(19,808)
(Loss)/profit from operations	(14,236)	4,150	(10,086)			(10,114)
Finance costs	(1,860)	(1,502)	(3,362)	(1,824)	*(8)*	(5,186)
Impairment loss on investments in an associate and amount due from an associate	(5,556)	–	(5,556)			(5,556)
Share of losses of associates	(5,210)	–	(5,210)			(5,210)
(Loss)/profit before tax	(26,862)	2,648	(24,214)			(26,066)
Income tax expense	–	(477)	(477)	5	*(7)*	(472)
(Loss)/profit for the year	(26,862)	2,171	(24,691)			(26,538)
Loss for the year attributable to:						
Owners of the Company	(26,662)	2,171	(24,491)	(1,847)	*(7)&(8)*	(26,338)
Non-controlling interests	(200)	–	(200)			(200)
	(26,862)	2,171	(24,691)			(26,538)

2.2 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group	Target Group	Sub-total	Pro forma adjustments	*Note*	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Non-current assets						
Property, plant and equipment	2,080	2,035	4,115	1,300	*(2)*	5,415
Investment property	30,000	–	30,000			30,000
Goodwill	–	–	–	55,068	*(2)*	55,068
Intangible assets	194	–	194			194
Investments in associates	45,749	–	45,749			45,749
	78,023	2,035	80,058			136,426
Current assets						
Inventories	–	10,015	10,015			10,015
Trade, bills and other receivables, prepayment and deposits	8,569	45,563	54,132	26	*(6)*	54,158
Due from associates	2,204	–	2,204			2,204
Properties under development	59,986	–	59,986			59,986
Due from directors	–	6,618	6,618	(6,618)	*(6)*	–
Due from directors of subsidiaries	–	–	–	6,618	*(6)*	6,618
Due from related companies	–	26	26	(26)	*(6)*	–
Available-for-sale financial assets – structured deposits	–	1,000	1,000			1,000
Derivative financial assets	1,210	–	1,210			1,210
Put Options of convertible bonds	12,032	–	12,032			12,032
Mandatory conversion options	–	–	–	2,767	*(3)*	2,767
Pledged bank deposits	–	14,821	14,821			14,821
Bank and cash balances	8,797	6,017	14,814	(10,400)	*(2)*	–
				(4,414)	*(2)*	
	92,798	84,060	176,858			164,811
Current liabilities						
Trade and other payables, deposits received and accruals	11,541	30,361	41,902	786	*(2)*	42,688
Due to an associate	4,297	–	4,297			4,297
Call Option of convertible bonds	466	–	466			466
Liability component of convertible bonds	28,494	–	28,494			28,494
Finance lease payables	269	–	269			269
Promissory notes	–	–	–	5,200	*(4)*	5,200
Bank borrowings	–	52,831	52,831			52,831
Current tax liabilities	13	232	245			245
	45,080	83,424	128,504			134,490
Net current assets	47,718	636	48,354			30,321
Total assets less current liabilities	125,741	2,671	128,412			166,747

	The Group	Target Group	Sub-total	Pro forma adjustments	Note	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Non-current Liabilities						
Liability component of convertible bonds	8,090	–	8,090	25,327	*(3)*	33,417
Deferred tax liabilities	–	–	–	215	*(2)*	215
Finance lease payables	756	–	756			756
	8,846	–	8,846			34,388
NET ASSETS	116,895	2,671	119,566			132,359
Capital and reserves						
Share capital	91,946	2,000	93,946	(2,000)	*(5)*	91,946
Reserves	6,643	671	7,314	15,464	*(3)*	22,107
				(671)	*(5)*	
Equity attributable to owners of the Company	98,589	2,671	101,260			114,053
Non-controlling interests	18,306	–	18,306			18,306
TOTAL EQUITY	116,895	2,671	119,566			132,359

2.3 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group HK$'000	Target Group HK$'000	Sub-total HK$'000	Pro forma adjustments HK$'000	Note	The Enlarged Group HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax	(26,862)	2,648	(24,214)	(28)	(7)	(26,066)
				(1,824)	(8)	
Adjustments for:						
Bad debt written off	–	316	316			316
Other receivables written off	–	302	302			302
Allowance for impairment of bad and doubtful debts	250	250	250			250
Allowance for inventories	–	29	29			29
Amortisation of intangible asset	6	–	6			6
Depreciation of property, plant and equipment	538	278	816	28	(7)	844
Fair value loss on investment property	143	–	143			143
Fair value gains on Put Options and Call Option of convertible bonds	(2,839)	–	(2,839)			(2,839)
Fair value losses on derivative financial assets	300	–	300			300
Finance costs	1,860	1,502	3,362	1,824	(8)	5,186
Impairment loss on investment in an associate and amount due from an associate	5,556	–	5,556			5,556
Interest income	(56)	(55)	(111)			(111)
Loss on deregistration of a subsidiary	34	–	34			34
Property, plant and equipment written off	8	–	8			8
Reversal of allowance for impairment of bad and doubtful debts	(316)	–	(316)			(316)
Share-based payments	1,267	–	1,267			1,267
Share of losses of associates	5,210	–	5,210			5,210
Operating (loss)/profit before working capital changes	(14,901)	5,020	(9,881)			(9,881)
Increase in inventories	–	(2,261)	(2,261)			(2,261)
Increase in trade, bills and other receivables, prepayment and deposits	(2,411)	(15,409)	(17,820)	581	(6)	(17,239)
Increase in trade and other payables, deposits received and accruals	1,628	1,199	2,827			2,827
Decrease in current accounts with related companies	–	581	581	(581)	(6)	–
Increase in due from directors	–	(4,395)	(4,395)	4,395	(6)	–
Increase in due from directors of subsidiaries	–	–	–	(4,395)	(6)	(4,395)
Cash used in operations	(15,684)	(15,265)	(30,949)			(30,949)
Interests paid	–	(1,502)	(1,502)			(1,502)
Income taxes paid	–	(498)	(498)			(498)
Net cash used in operating activities	(15,684)	(17,265)	(32,949)			(32,949)

	The Group *HK$'000*	Target Group *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Note*	The Enlarged Group *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Net increase in amounts due from/to associates	4,951	–	4,951			4,951
Increase in pledged bank deposits	–	(1,515)	(1,515)			(1,515)
Purchase of property, plant and equipment	(758)	(308)	(1,066)			(1,066)
Purchase of investment property	(30,143)	–	(30,143)			(30,143)
Purchase of intangible assets	(200)	–	(200)			(200)
Acquisition of subsidiaries and associates	(30,410)	–	(30,410)	(10,371)	*(9)*	(40,781)
Loan granted to an associate	(1,071)	–	(1,071)			(1,071)
Loan repaid by an associate	250	–	250			250
Redemption of available-for-sale financial assets – structured deposits	–	3,000	3,000			3,000
Interest received	15	55	70			70
Net cash (used in)/generated from investing activities	(57,366)	1,232	(56,134)			(66,505)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from non-controlling interests	490	–	490			490
Net proceeds from issue of shares	56,662	–	56,662			56,662
Repayment of bank borrowings	–	(4,774)	(4,774)			(4,774)
Repayment of finance lease payables	(88)	–	(88)			(88)
Bank borrowings raised	–	22,381	22,381			22,381
Finance lease charge paid	(9)	–	(9)			(9)
Net cash generated from financing activities	57,055	17,607	74,662			74,662
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(15,995)	1,574	(14,421)			(24,792)
Effect of foreign exchange rate changes	(91)	–	(91)			(91)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,883	–	24,883			24,883
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,797	1,574	10,371			–

2.4 NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Pursuant to the terms of the Agreement, the aggregate consideration for the Proposed Acquisition is HK$39,000,000 which would be satisfied by the Company as follows:

(i) as to HK$10,400,000 by cash at Completion;

(ii) as to HK$23,400,000 by way of issuance of 3-year Convertible Bonds at Completion; and

(iii) as to HK$5,200,000 by way of issuance of 90-day Promissory Notes at Completion.

Under the Agreement, the Vendors have irrevocably warranted and guaranteed to the Purchaser that the audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group will not be less than HK$8,000,000 for each of the three financial years ending 31 March 2013, 31 March 2014 and 31 March 2015. If the actual audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group is less than HK$8,000,000, then the Vendors shall pay to the Purchaser in cash for the shortfall on a dollar to dollar basis.

The Vendors have also irrevocably warranted and guaranteed to the Purchaser that the entire amount of the Net Current Assets will be recoverable in full by the Target Group before the date falling 90 days after the Completion Date. If the Net Current Assets is not recoverable in full by the Target Group, then the Vendors shall pay to the Purchaser in cash for the Shortfall Amount on a dollar to dollar basis on the date falling 90 days after the Completion Date.

For the purpose of preparing the unaudited pro forma financial information of the Enlarged Group, it is assumed that there is no adjustment on the aggregate consideration at 1 April 2011 or 31 March 2012 in respect of the (i) Profit Guarantee after taking into consideration the representation of the Vendors, the latest management accounts of the Target Group, the preliminary due diligence exercise conducted by the Group, and contracts on hand and potential contracts for the coming months; and (ii) Net Current Assets recoverability guarantee after taking into consideration the subsequent settlement, representation of the directors of the Target Company and that there has not been a significant change in credit quality. The effect of the adjustments in respect of the Profit Guarantee and the Net Current Assets recoverability guarantee will be re-assessed upon the Completion of the Proposed Acquisition and the Profit Guarantee will be re-measured at fair value through profit or loss at the end of each reporting period until its expiry.

Pursuant to the Option Deeds, the exercise price payable for the exercise of the Options, which would be satisfied by the Company as to 40% by cash and as to 60% by way of 3-year Option Convertible Bonds, shall be calculated as follows:

Option exercise price payble = Audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group for the year ended 31 March 2013 X 25% X 6.5

For the purpose of preparing the unaudited pro forma financial information of the Enlarged Group, the option exercise price payable is determined with reference to the guaranteed profits of the Target Group for the year ending 31 March 2013 multiplied by 25% multiplied by 6.5.

(2) In accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations", the Group will apply the purchase method to account for the acquisition of the equity interest of the Target Group. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of acquisition. The fair values of the identifiable assets, liabilities and contingent liabilities of the Target Group will be re-assessed at the Completion date of the Proposed Acquisition.

The adjustments reflect:

– the fair value adjustment of the assets and liabilities of the Target Group over their carrying value as at 31 March 2012 and the corresponding deferred tax liabilities. The values of the leasehold properties are increased by HK$1,300,000. Deferred tax liability on the fair value adjustment, calculated at the income tax rate of 16.5%, amounts to HK$215,000;

– the arising of goodwill of approximately HK$55,068,000 from the Proposed Acquisition and the exercise of the Options. The goodwill represents the excess of the sum of the consideration of the Proposed Acquisition and the exercise price payable for the exercise of the Options over the Group's share of the fair value of the identifiable net assets of the Target Group;

– the settlement of the cash consideration of HK$10,400,000 for the Proposed Acquisition; and

– the settlement of the cash consideration of HK$5,200,000 for the exercise of the Options, of which HK$4,414,000 to be paid by cash and the outstanding balance of HK$786,000 has been included in trade and other payables as an liability.

The calculation of goodwill is as follows:

	HK$'000
Carrying amount of identifiable assets and liabilities of the Target Group	2,671
Fair value adjustment on leasehold properties	1,300
Deferred tax liability arising from fair value adjustment on leasehold properties	(215)
Fair value of identifiable assets and liabilities of the Target Group	3,756
Goodwill	55,068
Adjusted consideration *(Note (i))*	58,824

Notes: (i)

	HK$'000
Fair value of the consideration:	
– cash consideration	10,400
– issue of Convertible Bonds *(Note 3)*	28,964
– issue of Promissory Notes	5,200
	44,564
Fair value of the option exercise price payable:	
– cash consideration	5,200
– issue of Option Convertible Bonds *(Note 3)*	9,060
	58,824

The valuation of the fair value of the leasehold properties was carried out by Goldrich Planners & Surveyors Limited, an independent qualified professional valuer not connected to the Group. The valuation is used as a reference for the purpose of this pro forma financial information only.

The fair value of the identifiable assets (including the leasehold properties) and liabilities of the Target Group, and consequently deferred tax liability and goodwill, will be re-assessed at the Completion date of the Proposed Acquisition and therefore subject to change.

The Directors have assessed whether there is any impairment on the goodwill as at 1 April 2011 and 31 March 2012 in accordance with Hong Kong Accounting Standard ("HKAS") 36 "Impairment of Assets" issued by the Hong Kong Institute of Certified Public Accountants. An impairment test involves the determination of the recoverable amount of the cash generating unit to which the goodwill has been allocated, being the higher of the cash generating unit's fair value less costs to sell and its value in use. The recoverable amount of the cash generating unit to which the goodwill has been allocated is determined based on value in use calculation. The Directors concluded that there is no impairment in respect of the goodwill as at 1 April 2011 and 31 March 2012.

The Directors will adopt consistent accounting policies and principal assumptions to assess the impairment of goodwill in subsequent reporting periods in accordance with the requirement of HKAS 36.

(3) This adjustment reflects the issue of Convertible Bonds and Option Convertible Bonds which contain the following components:

	Convertible Bonds	**Option Convertible Bonds**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Liability component	18,995	6,332	25,327
Equity component	11,598	3,866	15,464
Mandatory conversion options of the bondholders	(1,629)	(1,138)	(2,767)
	28,964	9,060	38,024

The fair value of the liability component of the Convertible Bonds and Option Convertible Bonds was determined based on the present value of all the cash flows for the liability component discounted at an effective interest rate of 7.2% which is based on the credit rating of the Company and bond yield of comparable companies with similar credit rating.

The fair value of the equity component and the mandatory conversion options component were determined using the binomial option pricing model basis.

The fair value assessment of the liability component, the equity component and the mandatory conversion options component of the Convertible Bonds and Option Convertible Bonds was performed by Savills.

On Completion, the fair value of the three components of each convertible bonds will have to be re-assessed as of the date of the Completion.

(4) This adjustment reflects the Promissory Notes of HK$5,200,000 as part of the consideration for the Proposed Acquisition. For the purpose of this unaudited pro forma consolidated statement of financial position, the principal amount of the Promissory Notes is assumed to be the fair value of the Promissory Note as at 31 March 2012 .

(5) This adjustment reflects the elimination of share capital and pre-acquisition reserves of the Target Group.

(6) This adjustment reflects the reclassification of accounts under the Enlarged Group.

(7) For the purpose of preparing the unaudited pro forma consolidated income statement, the amount of fair value increase of the Target Group's leasehold properties at 1 April 2011 is assumed to be approximately HK$1,300,000. Depreciation is provided to write off the assumed fair value of the leasehold properties using the straight-line method over the remaining useful life of 47 years, resulting in a depreciation charge of approximately HK$28,000 recognised in profit or loss. The amount of approximately HK$5,000 represents the reversal of deferred taxation relating to depreciation of the leasehold properties. This adjustment will have a continuing effect on the Enlarged Group in the subsequent financial years.

(8) This adjustment reflects the imputed interest expenses on the Convertible Bonds and Option Convertible Bonds based on an effective interest rate of 7.2% per annum. The interest expenses will have a continuing effect on the Enlarged Group in the subsequent financial years.

(9) This adjustment reflects the cash outflow for the Proposed Acquisition and the exercise of the Options and cash and cash equivalents assumed to be acquired at 1 April 2011 which have been summarised below:

	HK$'000
Cash consideration for the Proposed Acquisition	10,400
Cash consideration for the exercise of the Options	4,414
Less: Cash and cash equivalents acquired	(4,443)
	10,371

B. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE EXERCISE OF THE OPTIONS

Upon Completion and the exercise of the Options, Target Company will become a wholly-owned subsidiary of the Company and the Target Group's results will be consolidated into the Group's consolidated financial statements. The unaudited pro forma consolidated financial information of the Enlarged Group illustrating the financial impact of the Proposed Acquisition and the exercise of the Options on the results, assets and liabilities of the Group is set out in Appendix III to this circular.

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III scenario 1 to this circular and assuming Completion had taken place on 31 March 2012, as a result of Completion, (i) the total assets would be increased by approximately 70.5% from approximately HK$170,821,000 to approximately HK$291,192,000; (ii) the total liabilities would be increased by approximately 200.0% from approximately HK$53,926,000 to approximately HK$161,760,000; and (iii) the net assets attributable to the owners of the Company would be increased by approximately 11.8% from approximately HK$98,589,000 to approximately HK$110,187,000.

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III scenario 2 to this circular and assuming Completion and the exercise of the Options had taken place on 31 March 2012, as a result of Completion and the exercise of the Options, (i) the total assets would be increased by approximately 76.3% from approximately HK$170,821,000 to approximately HK$301,237,000; (ii) the total liabilities would be increased by approximately 213.2% from approximately HK$53,926,000 to approximately HK$168,878,000; and (iii) the net assets attributable to the owners of the Company would be increased by approximately 15.7% from approximately HK$98,589,000 to approximately HK$114,053,000.

Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in Appendix III to this circular scenario 1 and assuming Completion had taken place on 1 April 2011, as a result of Completion, (i) the total revenue would be increased by approximately 1,166.6% from approximately HK$31,602,000 to approximately HK$400,257,000; and (ii) the net loss attributable to the owners of the Company would be decreased by approximately 0.9% from approximately HK$26,662,000 to approximately HK$26,419,000.

Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in Appendix III to this circular scenario 2 and assuming Completion and the exercise of the Options had taken place on 1 April 2011, as a result of Completion and the exercise of the Options, (i) the total revenue would be increased by approximately 1,166.6% from approximately HK$31,602,000 to approximately HK$400,257,000; and (ii) the net loss attributable to the owners of the Company would be decreased by approximately 1.2% from approximately HK$26,662,000 to approximately HK$26,338,000.

Since the values of the assets and liabilities of the Enlarged Group may be different on (i) the Completion Date and (ii) the date of Completion and the exercise of the Options from their respective values used in the preparation of the unaudited pro forma financial information of the Enlarged Group, the actual amounts of the assets and liabilities of the Enlarged Group to be recorded in the financial statements of the Group may be different from the estimated amounts shown in the unaudited pro forma financial information of the Enlarged Group.

C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Audit • Tax • Advisory

RSM Nelson Wheeler
Certified Public Accountants
29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

23 August 2012

The Board of Directors
Mobile Telecom Network (Holdings) Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Mobile Telecom Network (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the 75% of the issued share capital of ETC Technology Limited (the "Target Company") might have affected the financial information of the Group presented, for inclusion in Appendix III to the circular of the Company dated 23 August 2012 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 105 and page 106 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibilities solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 March 2012 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2012 or any future periods.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

1. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

Borrowings

As at the close of business on 30 June 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

	Note	Guaranteed HK$'000	Unguaranteed HK$'000	Total HK$'000
Secured				
Bank borrowings	*1*	15,743	–	15,743
Obligations under finance lease	*2*	–	959	959
Bank invoice loan	*3*	60,199	–	60,199
Mortgage loan	*3*	678	–	678
		76,620	959	77,579
Unsecured				
Call option of convertible bonds	*4*	–	554	554
Liability component of convertible bonds	*4*	–	31,449	31,449
		–	32,003	32,003
		76,620	32,962	109,582

Notes:

1. The Enlarged Group's bank borrowings were secured by the following:

   (a) joint and several guarantees from the Target Company's directors for HK$3,000,000 and personal guarantee given by one of the Company's directors for unlimited amount;

(b) the investment property with fair value as at 31 March 2012 of approximately HK$30,000,000, together with the assignment of the rental proceeds; and

(c) guarantee executed by the Hong Kong Special Administrative Region Government in respect of Special Loan Guarantee Scheme amounted to approximately HK$980,000.

2. The obligations under finance lease was secured by the charges over the leased asset with carrying value of approximately HK$1,057,000.

3. The bank invoice loan and the mortgage loan were secured by the following:

(a) personal guarantee with unlimited amount executed by the Target Company's directors and related persons of the Target Company;

(b) the leasehold properties of the Enlarged Group with a carrying amount of approximately HK$1,528,000;

(c) legal charge on the properties located in Hong Kong and owned by one of the Target Company's directors and spouse of the directors;

(d) charges over bank deposits of the Enlarged Group of approximately HK$15,914,000;

(e) subordination of loans of the Target Company's directors; and

(f) guarantee executed by the Hong Kong Special Administrative Region Government in respect of Special Loan Guarantee Scheme amounted to approximately HK$4,500,000.

4. On 3 June 2011, the Company issued a convertible bond ("CB1") with a principal amount of HK$33,000,000. The CB1 bears zero coupon interest and has a maturity period of three years from the issue date to 2 June 2014. Any CB1 not converted will be redeemed on 2 June 2014 at 100% of their principal amount.

CB1 contains four components, a put option, a call option, a liability component and an equity component. As at 30 June 2012, the carrying value of the liability component was approximately HK$28,973,000 and the fair value of the call option was approximately HK$554,000.

On 24 October 2011, the Company issued another convertible bond ("CB2") with a principal amount of HK$10,000,000. The CB2 bears zero coupon interest and has a maturity period of three years from the issue date to 23 October 2014. Any CB2 not converted will be redeemed on 23 October 2014 at 100% of their principal amount.

Up to 30 June 2012, the CB2 with principal amount of HK$7,000,000 had been converted at a conversion price of HK$0.145 into 48,275,862 ordinary shares. The outstanding principal amount of the CB2 as at 30 June 2012 was HK$3,000,000.

CB2 contains three components, a put option, a liability component and an equity component. As at 30 June 2012, the carrying value of the liability component was approximately HK$2,476,000.

Contingent liabilities

As at 30 June 2012, the Enlarged Group had issued a corporate guarantee of unlimited amount to a bank to secure banking facilities granted to a related party of the Target Company.

Save as aforesaid, the Enlarged Group had no other contingent liabilities as at 30 June 2012.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 30 June 2012, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other contingent liabilities.

2. WORKING CAPITAL

The Directors after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements for the next 12 months from the date of this circular.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS

Set out below is the management discussion and analysis of (i) the Group for the three years ended 31 March 2010, 2011 and 2012; (ii) the Target Group for the three years ended 31 March 2010, 2011, and 2012.

For the year ended 31 March 2010

In respect of the Group

Business review

Financial Performance

The Group turned to loss for the financial year ended 31 March 2010 ("**Year 2010**") mainly due to the relatively weak performance in provision of mobile value added services amid the global economic recession during Year 2010. Despite preventive measures taken by the Group to moderate the effect, the Group's turnover decreased to HK$18,134,000 for Year 2010 compared to that of HK$20,321,000 of previous year, representing a decline of 10.8%. As such, the Group recorded a loss of HK$679,000 as compared to a profit of HK$748,000 of previous year.

Notwithstanding, the Group has managed to retain its gross profit margin at 46.2% which slightly dropped from 47.4% recorded in previous year.

Segmental Information

Among the various markets in the Asia Pacific region, Hong Kong/Macau is the main revenue contributor to the Group, accounting for 94.0% (2009: 92.9%) of the Group's turnover, while Singapore, Taiwan and Australia generated approximately 2.5%, 1.5% and 1.0% respectively (2009: 2.4%, 1.2% and 1.0% respectively).

Products and Services

The Group has upgraded its MobileSurf platform for supporting operators to create seamless mobile data services including the necessary analytical tools and integration modules. The Group leverage its long experience in mobile services provisioning with diverse operator requirements and user interests into a MobileSurf platform that comprises the best of class operations for next generation mobile services to mobile network operators focusing on mobile data services.

New services offerings expanded in different categories with well-brands international companies. These categories included sports, fortune, entertainment, movie, lifestyle, cartoon, etc. Some of the more unique services include the followings:

Hong Kong, September 2009 – the Company has revamped its mobile movie channel with all major mobile operators including CSL Hong Kong, 3HK, SmarTone-Vodafone and China Mobile Hong Kong. The new service shall provide the interactive gaming for movie ticket redemption. The Group believes the interactive gaming with premium prize redemption shall create more traction and stickiness from the movie fans into its channel. In addition, the movie channel has been extending into the mobile applications in various platforms and launching with handset application stores.

Hong Kong, October 2009 – the Company cooperates with Research In Motion and National Geographic to deploy the mobile application for all latest Blackberry handsets including storm, curve and bold devices. The National Geographic Mobile provides video clips, instant news, TV listing, NatGeo club, and downloadable content and now available in Australia market.

Singapore, November 2009 – the Company introduces one of the leading online browser games portal – Big Points with a world-class selection of the browser game titles in Asia market and now available at SingTel – GXCredits Gamig Portal in Singapore market.

Hong Kong, March 2010 – The National Geographic mobile application has been extending into a relationship with PCCW Mobile with using their BlackBerry smartphones to keep them entertained and informed whiles they are on the go.

Sales and Marketing Activities

The Group has been extending more proprietary applications into the interactive features on its MobileSurf platform for smart phones. One of the key focus is the Group shall extend its game download platform into the mobile application stores with mobile operators. This mobile application stores shall provide more applications for a full range of handsets and platforms including JAVA, Symbian, Widget, Windows Mobile, Android, etc. This extension allows the centralization of its GloDan network in Hong Kong as a major hub between network operators and content providers across Asia Pacific region. In respect of mobile application stores, the Group has benefited from its strength in content offerings in cooperation with handset manufacturers to develop mobile applications.

The mobile industry is in a transition from simple short message and entertainment to serious customer services and enterprise applications. The Group has recently embarked more significantly on mobile application development and in conjunction with mobile marketing. Mobile marketing applications in conjunction with the Group's value-added services for 2.5G & 3G become a unique advantage for the Group. In addition, the Group has formed several alliances with strategic media partners to leverage its expertise to explore the new media revenue.

The Group is also focusing on the various carefully selected customer segments in its markets. These segments include the youth community as well as sport fans community. The Group has developed tailor made products and services to such target segments and is rolling them out according to the roadmap agreed with local operators. Such product segment thinking enables the Group to roll out its services across the countries with high pace and healthy margins. The Group has expanded its focus in the PRC and worked with China Mobile (Guangdong) via MTel China in Guangzhou. The Group leverages its 3G experiences and plans to expand PRC footprints by acquiring and/or forming strategic partnerships with relevant companies in China. Such local companies with local know-how will allow the Group to develop completely new and user-friendly services for the PRC market. The Group will streamline its distribution channel to deliver third party content even further to the growing PRC market. The Group has been exploring the development potential in the markets of Jiangmen and Qingdao.

In addition, the Group will expand more professionals and operations in PRC team in order to support the operation and development in Hong Kong and overseas business. This move will let the Group further maximize the margin of its revenues with cost control and the potential of its service delivery engine that has been connected to the operators' infrastructure in Hong Kong and Macau for many years. To complete its connectivity with the major PRC provinces enables the Group to become the premier 3G services enabler in the PRC and regional markets.

The Group is now deploying more value-added services with other sales channels in Malaysia, Singapore, Indonesia, Sri Lanka, Pakistan, Taiwan and Vietnam. The Group believes that more mobile value added services ("MVAS") business can be extended to more operators in Asia Pacific and will be expanding operation through partnership and/or acquisition in those countries.

Prospect

Since Hong Kong is slowly recovering from the worldwide financial crisis, the Group has been increasing its investment in human resources on strengthening key business in existing key markets and exploring new business with mobile applications. The mobile entertainment market is getting increasingly competitive with major corporations creating new companies or divisions to enter this market in a major way. The Group will also explore new opportunities to diversify its main dependence on mobile service provisioning both in premium services and advertising model associated with existing channels with mobile operators business and mobile application with handsets' application stores business. The outsourcing business seems to be a growing trend in periods of economical crises and the Group will focus to expand more in this direction as more demands from various handset manufacturers.

The Group expands content aggregation business to include intellectual property rights management for its partners. For some of the new market such as Philippines, Vietnam, Sri Lanka, and Indonesia, the Group will plan to act as a master content aggregator on behalf of the local operators and define the solid business cases for them in order to maximize the revenue and minimize the resources allocation. In addition, the Group will also share its experience and strategy of its successful services with operators in new markets in order to achieve the mutual benefit between both parties. The Group has signed up with more content partners including established brands such as Star TV to distribute its programs in the region and the world's leading gaming companies. In addition, the Group shall extend more business relationships with WiFi service providers and handset manufacturers as more new handsets shall support the WiFi connection. In term of the content strategy, the Group is exploring the cross platform value added services with mobile operators and the Group shall extend some of the core value added services into the Web platform business as well as the mobile operators have extended their business strategies into the mobile broadband. In addition, the Group is extending several key value added services into the client applications and launching with handset manufacturers for pre-install application or handset vendors' application stores.

For the more advance 3G markets such as, Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media with interactive services to attract customers from different content types will be the focus of the near future. The Group continues to operate its 3G services in Malaysia and Singapore and planned to expand its offerings to more operators there. The Group will develop applications and create more interactive services with the 3G operators to bring 3G technologies to the business and the consumer markets. Once the market acceptance has adopted and increased more traffic in hit rates of individual service, the mobile advertising will be the next curve into the business and the Group shall also play a key role in this business with launching more than 100+ mobile value added services with the mobile operators in Asia market. In addition, the Group has formed and extended its focus into the mobile enterprise market which tackles into the vertical market with small and medium enterprises businesses. The Group believes it will be driven another new revenue stream on recurrent as well as the project based business.

In addition, the Group is working closely with mobile operators to strengthen its sports channel as well as the new football services riding on the World Cup. The Group believes the sports channel shall be one of its key value added services in mobile market and the Group is partnering with various media agencies to explore the mobile advertising into its sports channel. More other content services include entertainment, lifestyle & leisure, dining, movie, cartoon, games, fortune telling, etc. will be available as well. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers with longest track record to provide 3G related services to operators in Hong Kong and it is also expected to be introduced soon in Singapore, Taiwan, and Malaysia especially with Asian contents for Chinese communities in the region. In the advanced services, the Group shall deploy more interactive gaming services and video broadcasting services such as mobile TV in order to enhance the user behaviors on the mobile phone. The Group has signed up with more content partners including established brands and leading gaming companies. Its extensive experience in offering different types of mobile services totaling several hundreds further positions the Group to capture more business opportunities as they quickly emerge in the PRC market.

For the game business, the Group is focusing on its key partners and providing them with greater levels of innovation, support and attention; this has enabled the Group to significantly reduce overheads and generate more margin of business for the year.

For the existing markets, China, Hong Kong, Singapore and Taiwan continue to be the Group's major revenue markets. The Group shall continue to expand its outsourcing projects with operators in order to maintain steady revenue on a recurrent basis. Although the manpower cost is relatively high in Hong Kong, the Group benefits from further outsourcing of lower requirement projects to its associated company in the PRC. In addition, the Group believes its business model can be extended into other new markets such as Vietnam, Pakistan, Indonesia or any other new potential markets for business cooperation. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

Youth targeted lifestyle applications & services such as dating services, mobile blogging, and mobile comics are also gaining popularity in Hong Kong. Operators are expecting a high demand for Internet-based, interactive, multi-media mobile communication services such as chat, video, and interactive games in the near term. Although Hong Kong is still a small market, the Group is expected to achieve a high growth in the medium term. Two main drivers for the growth will be popularity of the mobile gaming and mobile blogging. In terms of internet strategy, the Group believes the trend to deliver the same communication services to end-user over both internet and mobile networks will determine the future access. The Group shall extend its force to explore with strategic partnerships to extend its services into internet platform as extension.

The uptake of 3G services into 3.5G technologies will also bring a shift in the dynamics of the market in Asia. As the market is likely to move to a more advanced internet and multimedia-based content, the Group plan to ride on its existing advantages and experience to provide a variety of rich-media content with operators and new potential platform on 3G iPhone across the Asian markets. The overall revenue in other markets is expected to achieve a higher growth in the upcoming quarters.

The Group believes the advertising and MVAS businesses are robust in recent years because of a strong local economy, growth in mobile users and a shift of advertising budgets from traditional media to online media. In order to grow its mobile user base and attract new advertisers, the Group expects to continue to invest in new and innovative services and services enhancement, expand the content and services on its network and distribution channels. The Group also expects to continue to invest in marketing initiatives both on-portal and off-portal business to increase the awareness of its brand to both users and advertisers.

The Group is focusing its business to serve various brands to mobilize their contents and brands from more traditional media platforms. The Group is cooperating with handset manufacturers for efficient service provisioning. The efforts include pre-load and prominently feature and the Group's services with optimized handsets, giving consumers quick and easy access to their internet contents and services. The devices will be available to consumers in Hong Kong and, afterwards will be extending into a number of markets across Asia.

The Group covers most of the telecom operators and portals in the Asia Pacific region. The Group continues to work steadily with partners in other regions such as Korea, Indonesia, Philippines, Sri Lanka, Pakistan, Thailand and Vietnam. The Group plans to develop its 2G & 3G services in terms of advances in technology, customer services, user experience and quality of services as its strongest differentiation from other competitors in the region.

Developments since the financial year-end

There have been several developments involving shareholdings in the Company since the financial year end of Year 2010. The controlling Shareholder, Silicon Asia Limited that is beneficially wholly owned by Dr. Chan Chung, entered a sale and purchase agreement dated 22 April 2010 to sell 177,785,861 Shares to China Oil Resources Group Limited, a direct wholly owned subsidiary of PetroAsian Energy Holdings Limited whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 850). This transaction has substantially altered the shareholding structure of the Company and, in accordance with the Takeovers Code, China Oil Resources Group Limited was required to make the mandatory conditional cash offer for all the issued Shares hold by other Shareholders at a price of HK$0.2 per Share in cash and a comparable cash offer for cancellation of all then outstanding share options. Further details of the mandatory conditional cash offer are set out in the composite offer and response document dated 3 June 2010 jointly published by the Company, China Oil Resources Group Limited and PetroAsian Energy Holdings Limited.

Liquidity and financial resources

The Group maintains a stable financial position. As at 31 March 2010, the Group had net current assets of approximately HK$17,853,000 (2009: HK$18,842,000), of which approximately HK$10,178,000 (2009: HK$19,781,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2010 mainly comprised approximately HK$11,941,000 (2009: HK$3,619,000) in trade receivables, other receivables, deposits and prepayments, and financial assets designated as at fair value through profit or loss, which increased by 230.0% when compared with previous financial year. Current liabilities of the Group decreased by 6.4% amounting to HK$4,266,000 (2009: HK$4,558,000).

The Group did not have any long-term liabilities as at 31 March 2010. The Group generally financed its operations with its internally generated cash flows. The Directors are confident that the Group's existing financial resources are sufficient to satisfy its commitments and working capital.

Gearing ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.16 as at 31 March 2010 (2009: 0.17).

Foreign exchange exposure

As at 31 March 2010, the Group had fixed deposits of approximately HK$4,800,000 (2009: Nil) in Pounds Sterling and premium deposits linked with foreign currencies of approximately HK$8,000,000 (2009: Nil) that were mainly linked to Australian Dollars and Pounds Sterling, being financial products with defined and limited risks and not belonging to any kind of accumulators. Further details of these premium deposits are set out in note 18 to the financial statements disclosed in the Company's annual report for the Year 2010.

Save for the above, the income and expenditure of the Group are mainly denominated in Hong Kong Dollars and thus the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk have been implemented.

The other information of foreign exchange and currency risks of the Group is set out in note 28 to the financial statements disclosed in the Company's annual report for the Year 2010.

Capital structure

There was no change in the capital structure of the Group as at 31 March 2010 as compared with that as at 31 March 2009.

Material investment, acquisition and disposal

The Group did not have any material investment, acquisition or disposal of subsidiaries or affiliate companies during the year ended 31 March 2010.

Charges on the Group's assets

As at 31 March 2010, the Group did not have any charges on the Group's assets.

Contingent liabilities

As at 31 March 2010, the Group did not have any contingent liabilities.

Employee information

As at 31 March 2010, the Group had a total of 27 employees in Hong Kong while its China associate employed 82 staff in China. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$7,356,000 for the Year 2010 (2009: HK$7,308,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

In respect of the Target Group

Business

For the year ended 31 March 2010, the Target Group has been principally engaged in trading of electronic parts and components in relation to display modules and touch panel modules; and it also provides professional solution with engineering services to meet individual customer needs.

The business of the Target Group mainly consists of the trading of small to middle-sized LCD Panels together with the corresponding drivers/integrated circuits (ICs). Out of the top five major customers of the Target Group, there are 2 listed companies, one listed in Shenzhen and one listed in Hong Kong. The Target Group has maintained an average of four years of business relationships with its top five customers; whereas sales to these top five customers have accounted for 54.8% of the turnover of the Target Group for the year ended 31 March 2010.

The Target Group mainly sources its products from two suppliers in Taiwan, with whom the Target Group has maintained business relationship with one of the suppliers over four years and with another over nine years.

These two major suppliers accounted for approximately 96.4% of the overall purchases of the Target Group for the year ended 31 March 2010.

Results

For the year ended 31 March 2010, the audited consolidated turnover of the Target Group was approximately HK$288,613,000, represented an increase of approximately 15.3% from the audited turnover of the Target Company of the previous year of approximately HK$250,273,000. Such increase was mainly due to the new business of the trading of middle-sized LCD Panels being started in December 2010.

The Target Group recorded an audited consolidated profit after tax of approximately HK$645,000 for the year ended 31 March 2010 as compared to an audited loss after tax of the Target Company of the previous year of approximately HK$415,000. Such improvement was mainly due to the increase of turnover.

The total shareholders' equity and the net asset value of the Target Group amounted to approximately HK$820,000 as at 31 March 2010.

Financial resources and liquidity

The Target Group relied principally on banking facilities from major banks established in Hong Kong. The current ratio (calculated by current assets divided by current liabilities) on 31 March 2010 was 0.8951 times.

Material investments, acquisitions and disposals

As at 31 March 2010, the Target Group was not holding any material investment. During the year ended 31 March 2010, the Target Group did not have any material acquisitions or disposals.

Charge of assets

As at 31 March 2010, the Target Group has the following charges over its assets:

Bank borrowings are secured on (i) pledged bank deposits of approximately HK$5,579,000 (ii) leasehold properties with carrying amounts of approximately HK$1,706,000.

Contingent liabilities

The Target Group did not have any contingent liabilities as at 31 March 2010.

Capital commitments

The Target Group had no contractual capital expenditure commitments as at 31 March 2010.

Employee remuneration

As at 31 March 2010, the Target Group employed a total of approximately 20 employees in Hong Kong and the PRC. All employees are remunerated based on industry practice and in accordance with the prevailing employment law. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses.

Foreign currency risk

As at 31 March 2010, the management considers that the Target Group is not exposed to significant foreign currency risks as majority of its operations and businesses are transacted and denominated in HK$ and US$.

Gearing ratio

As at 31 March 2010, the Target Group had outstanding loans and borrowings of approximately HK$22,665,000.

Gearing ratio (calculated by non-current liabilities divided by total equity) as at 31 March 2010 was zero.

For the year ended 31 March 2011

In respect of the Group

Business review

Financial Performance

The Group recorded an audited loss of approximately HK$5.16 million for the financial year ended 31 March 2011 ("**Year 2011**"). The Group has a turnover of approximately HK$24.43 million for the year compared to that of HK$18.13 million of previous year. The increase in the revenue was mainly attributable to its diversification into the apps development business. However, apps development is labour intensive; thus, the Group recorded a bigger loss as compared to HK$0.68 million for the previous year as a result of higher employment and running costs and the costs of a general offer. Notwithstanding, the Group has managed to improve its gross profit margin at 57.1%, compared to 46.2% recorded in the previous year.

Segmental Information

Among the various markets in the Asia Pacific region, Hong Kong/Macau is the main revenue contributor to the Group, accounting for 91.3% (2010: 94.0%) of the Group's turnover, while the PRC, Singapore, Taiwan and Australia generated approximately 3.1%, 2.6%, 0.5% and 0.4% respectively (2010: 0.0%, 2.5%, 1.5% and 1.0% respectively).

Products and Services

Due to the market permeation by the iPhone and other smartphones, the Group has been refining MVAS to emphasis on application developments and mobile advertising. The Group is also exploring new business to complement the mobile business.

To diversify its business focus, the Group formed several new companies during the year to expand into other areas of opportunities. One related area is a new company focusing in Facebook games and application developments. Another company is being formed to explore real estate opportunities in Mainland China. The Group believes it will be benefited from the enhancement and diversification of business focuses from these new companies.

The Group has been selected by China Telecom GD China to offer new sport and game VAS services in Guangdong province of the PRC. For the mobile application business in the PRC, the Group is in partnership with GZ Daily（廣州日報）, one of the most popular local newspapers in the Guangdong province and offers a full extension to iPhone users. This iPhone application brings the latest & top breaking news on politics, current affairs, finance, entertainment, and sports information in the PRC.

The Group had also developed multiple services for the World Cup event and were deployed in 9 major mobile operators including 3 Hong Kong, PCCW Mobile Hong Kong, China Mobile Hong Kong, CTM Macau, 3 Macau, SingTel Singapore, Vietnamobile Vietnam, Dialog Sri Lanka and Taiwan mobile Taiwan.

All the Group's sports services, delivered into Indonesia, Taiwan, Singapore, Sri Lanka, etc., fully utilise its unique GloDan network connections. The Group have coordinated the rights from branded content owners to distribute relevant content via the regional mobile operators' networks.

The Group are participating in the operating of all the movie channels with all six mobile operators in Hong Kong, the Group has partnered with Nokia Hong Kong, Samsung Hong Kong, Microsoft Hong Kong to extend its Movie VAS services into mobile applications with their respective handset platform. The movie mobile application is very popular among smart phone users and connects the major cinema lines with their mobile ticketing services.

In the mobile application business, the Group has been appointed by consumer brands, device manufacturers, and mobile operators to design and create mobile applications on popular mobile platforms including iPhone, Android, Nokia, Microsoft, Blackberry, and Samsung Bada. Leveraging the Group's 10 years of mobile application development experience, the Group is vowed to deliver both a great experience for users and profit for partners. One of the Group's highlights in mobile application is with one of its consumer clients – Citibank Hong Kong, whom launched its mobile application, in June 2010, and has successfully deployed on five major handset platforms including Apple App Store, Nokia Ovi Store, Microsoft Marketplace, Android Market, and Samsung App store. This mobile application not only allows the users to discover the hottest offers instantly based on where the application user is, but also receives the latest promotional and reward information. In the 1st quarter of the Group's mobile application business, the Group has already deployed more than 10 different mobile applications for its clients, such as GZ Daily, Altira Macau, Metro Radio, Yahoo Hong Kong, GME Group, Hutchison 3HK, PCCW Mobile, etc.

In the other markets, the Group has also been able to offer a full range of multi-media services and business know-how to mobile operators throughout Southeast Asia. With its strong content portfolios and its large library of offerings in 3G services provisioning in Hong Kong and Macau, the Group has successfully extended and is continually expanding its services to the emerging markets including Malaysia, Pakistan, Singapore, Sri Lanka, Vietnam and Indonesia.

The Group believes the interactive gaming service is the evolution of deploying mobile content services that focuses on the interactive aspect and creates unique applications that simulate users' interests and enjoyment. Those interactive gaming services are mainly associated with key campaigns together with advertisers for sponsorship including movie distributors, sports brands, etc. The Group has formed a partnership with an advertising media company – Buspak to co-develop the new media campaign into the Webus platform with 100 WiFi buses in Hong Kong and also in recent mobile campaigns including VISA, Kit Kat, CNY etc.

The mobile entertainment segment is increasingly internet-bounded. The Group's Mobilesurf service platform for full entertainment service provisioning is relevant to this trend. Instead of a typical operator wall garden approach to content delivery, the launching of the iPhone brings internet content such as YouTube and Google Map mobile sites in a fashion that is similar to the Group's Mobilesurf service platform. The Group plan to further expand its Mobilesurf platform to deliver content via the internet and to look for iPhone, Widget type of client application opportunities in China. The Group has also partnered with Hutchison 3HK to launch four key value added services on 3G iPhone (sold by Hutchison 3HK) which has been tied into the handset launching since 11 July 2008. On the other hand, the Group was also involved to develop a wide range of widget applications with different handset manufacturers.

In addition, the Group has licensed its content management and delivery system to Hong Kong Jockey Club, of which the Group also provides facilitate and manage workflow needed to collaboratively publish various kinds of digital media and content feed, and dispatch into various types of media channel and/or to external parties.

Apart from diversifying for its value-added services, the Group is now deploying more resources into mobile application development. In order to strengthen the Group's ability to handle new business opportunities, the Group has employed more professional staffs to provide intensive and creative developments to its clients during Year 2011.

Sales and Marketing Activities

The mobile industry is in a transition from simple short message and entertainment to sophisticated customer services and enterprise applications. The Group has recently embarked more significantly on mobile application development and in conjunction with mobile marketing. Mobile marketing applications in smartphones allow much better user experience and thus more options for advertisers to carry out targeted promotions. In addition, the Group has formed several alliances with strategic media partners to leverage its expertise to explore into enhancing its media revenue.

The Group is also focusing on various carefully selected customer segments in its markets. These segments include the youth community as well as sport fans community. The Group has developed tailor-made products and services to such target segments and is rolling them out according to the roadmap agreed with local operators. Such product segment thinking enables the Group to roll out its services across different countries with high pace and healthy margins.

The Group is now deploying more value-added services with other sales channels in Malaysia, Singapore, Indonesia, Sri Lanka, Pakistan, Taiwan and Vietnam. The Group believes that more MVAS business can be extended to more operators in the Asia Pacific and will be expanding operations through partnership and/or acquisition in those countries.

Prospect

Since Hong Kong is recovering from the worldwide financial crisis, the Group has been increasing its investment in human resources on strengthening key business in existing key markets and exploring new business with mobile applications. The mobile entertainment market is getting increasingly competitive with major corporations creating new companies or divisions to enter this market in a major way. The Group will also explore new opportunities to diversify its main dependence on mobile service provisioning both in premium services and advertising model associated with existing channels with mobile operators business and mobile application with handsets' application stores business. The outsourcing business seems to be a growing trend in periods of economical crises and the Group will focus to expand more in this direction as more demands from various handset manufacturers.

The Group expands content aggregation business to include IP rights management for its partners. For some of the new markets such as Philippines, Vietnam, Sri Lanka, and Indonesia, the Group will plan to act as a master content aggregator on behalf of the local operators and define the solid business cases for them in order to maximise the revenue and minimise the resources allocation. In addition, the Group will also share its experience and strategy of its successful services with operators in new markets in order to achieve mutual benefit between both parties. The Group has signed up with more content partners including established brands such as Star TV, to distribute its programs in the region, and the world's leading gaming companies. In addition, the Group shall extend more business relationships with WiFi service providers and handset manufacturers as more new handsets shall support the WiFi connection. In terms of the content strategy, the Group is exploring the cross platform value added services with mobile operators and the Group shall extend some of the core value added services into the web platform business as well as the mobile operators have extended their business strategies into the mobile broadband. In addition, the Group is extending several key value added services into the client applications and launching with handset manufacturers for pre-install application or handset vendors' application stores.

For the more advanced 3G markets such as Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media with interactive services to attract customers from different content types will be the focus of the near future. The Group continues to operate its 3G services in Malaysia and Singapore and plans to expand its offerings to more operators there. The Group will develop applications and create more interactive services with the 3G operators to bring 3G technologies to the business and the consumer markets. Once the market acceptance has adopted and with increased traffic in hit rates of individual service, the mobile advertising will be the next curve into the business and the Group shall also play a key role in this business with the aim of launching 100+ mobile value added services with the mobile operators in the Asian markets. In addition, the Group has formed and extended its focus into the mobile enterprise market which tackles into the vertical market with SME businesses. The Group believes it will be driven by another new revenue stream both on the recurrent and project based businesses.

In addition, the Group is working closely with mobile operators to strengthen its sports channel as well as the new football services riding on the World Cup. The Group believes sports channel shall be one of its key value added services in the mobile market and the Group is partnering with various media agencies to explore the mobile advertising into its Sports Channel. Other content services, such as Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, etc. will be made available as well. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers with the longest track record to provide 3G related services to operators in Hong Kong and it is also expected such services to be introduced soon in Singapore, Taiwan, and Malaysia, especially with Asian contents for Chinese communities in the region. In the advanced services, the Group shall deploy more interactive gaming services and video broadcasting services such as mobile TV in order to enhance the user behavior on the mobile phone. In support of that, the Group has recently signed up with more content partners including established brands and leading gaming companies.

For the Games business, the Group is focusing on its key partners and providing them with greater levels of innovation, support and attention; this has enabled us to significantly reduce overheads and generate more margin of business for the year.

For the existing markets, China, Hong Kong, Singapore and Taiwan continue to be the Group's major revenue markets. The Group shall continue to expand its outscing projects with operators in order to maintain steady revenue on a recurrent basis. Although the manpower cost is relatively high in Hong Kong, the Group benefits from further outsourcing of lower requirement projects to its associated company in the PRC. In addition, the Group believes its business model can be extended into other new markets such as Vietnam, Pakistan, Indonesia or any other new potential markets for business cooperation. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

Youth targeted lifestyle applications & services such as dating services, mobile blogging, and mobile comics are also gaining popularity in Hong Kong. Mobile operators are expecting a high demand for internet-based, interactive, multi-media mobile communication services such as chat, video, and interactive games in the near term. Although Hong Kong is still a small market in terms of population, the Group is expected to achieve a high growth in the medium term. Two main growth drivers would be the popularity of the mobile gaming and mobile blogging. In terms of internet strategy, the Group believes the trend to deliver the same communication services to end-user over both internet and mobile networks will determine the future success. The Group shall extend its force to explore with strategic partnerships to extend its services into internet platform as extension. The uptake of 3G services into 3.5G technologies will also bring a shift in the dynamics of the market in Asia. As the market is likely to move to a more advanced internet and multimedia-based content, the Group plans to ride on its existing advantages and experience to provide a variety of rich-media content with operators and new potential platform on 3G iPhone across the Asian markets.

The Group believes that the advertising and MVAS businesses are robust in recent years because of a strong local economy, growth in mobile users and a shift of advertising budgets from traditional media to online media. In order to grow its mobile user base and attract new advertisers, the Group expects to continue to invest in new and innovative services and services enhancement, expand the content and services on its network and distribution channels. The Group also expects to continue to invest in marketing initiatives both on-portal and off-portal business to increase the awareness of its brand to both users and advertisers.

The Group is focusing its business to serve various brands to mobilise their contents and brands from more traditional media platforms. The Group is cooperating with handset manufacturers for efficient service provisioning. The efforts include pre-loading its applications on certain handsets, of which provide the uses with quick, optimised and easy access to internet contents and services. These devices will be made available to consumers in Hong Kong and, afterwards will be extending into a number of markets across Asia.

The Group covers most of the telecom operators and portals in the Asia Pacific region. The Group continues to work steadily with its partners in other regions such as Korea, Indonesia, Philippines, Sri Lanka, Pakistan, Thailand and Vietnam. The Group plans to develop its 2G & 3G services in terms of advances in technology, customer services, user experience and quality of services as its strongest differentiation from other competitors in the region.

Developments since the financial year-end

On 15 February 2011, Gold Continental Investment Limited ("**Gold Continental**"), a wholly owned subsidiary of the Company, Poon Sum and Poon Sau Tin, each being a connected person (hereinafter referred as the "**Best Team Vendors**"), entered into an agreement pursuant to which Gold Continental has agreed to purchase and the Best Team Vendors has agreed to sell the entire issued share of Best Team International Investment Limited ("**Best Team**") ("**Sales Share**"), for a total consideration of HK$65,000,000. Best Team is principally engaged in investment holding. Upon completion of the reorganisation, the subsidiary of Best Team shall hold equity interests in the two PRC property development project companies.

Gold Continental paid HK$9,500,000 to the Best Team Vendors in cash as the deposit and part payment of the consideration on the date of the agreement and shall pay another HK$20,500,000 to Best Team Vendors in cash at the date of completion of the Sales Share. The remaining of HK$35,000,000 is to be settled by issuance of HK$33,000,000 convertible bonds (the "**Best Team Convertible Bonds**") and HK$2,000,000 warrants (the "**Best Team Warrants**").

The acquisition was completed on 3 June 2011. As at the date of the annual report of the Group for the year ended 31 March 2011, the Company has not received any notice of the exercise of the conversion rights attached to the Best Team Convertible Bonds or subscription rights attached to the Best Team Warrants and no Shares were issued pursuant to the conversion of the Best Team Convertible Bonds and Best Team Warrants.

On 4 April 2011, the Company proposed to raise not less than approximately HK$58.86 million before expenses, by way of an open offer of not less than 588,567,428 new Shares and not more than 592,147,428 new Shares at the subscription price of HK$0.1 per new Share on the basis of one offer Share for every Share held on the record date and payable in full on acceptance (the "**Open Offer**"). Qualifying shareholders are not entitled to apply for excess offer shares not taken up in excess of their respective entitlements under the Open Offer; whereas the Open Offer will not be extended to the prohibited Shareholders.

Pursuant to the prospectus issued by the Company dated 25 May 2011, the Board intends to apply such proceeds from the Open Offer for existing and potential mobile telecommunications related businesses, if appropriate, the property development projects in China after acquiring Best Team and payment of the cash consideration for the proposed acquisition of 70% equity interests in 央廣迅龍(北京)通訊科技有限公司 (Yangguang Xunlong (Beijing) Communication Technology Company Limited) under the non-legally binding memorandum of understanding dated 28 February 2011 entered into between a wholly owned subsidiary of the Company and an independent third party. The Group will apply the remaining proceeds for general working capital.

On 14 June 2011, the Open Offer has become unconditional; and the share certificates for the new shares were allotted and despatched on 20 June 2011. On 20 June 2011 and as at the date of the annual report of the Group for the year ended 31 March 2011, the Company had 1,177,134,856 Shares in issue.

Liquidity and financial resources

The Group maintains a stable financial position. As at 31 March 2011, the Group had net current assets of approximately HK$22,740,000 (2010: HK$17,853,000), of which approximately HK$24,883,000 (2010: HK$10,178,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2011 mainly comprised approximately HK$4,438,000 (2010: HK$11,941,000) in trade receivables, other receivables, deposits and prepayments, and financial assets designated as at fair value through profit or loss, which decreased by 62.8% when compared with previous financial year. Current liabilities of the Group increased by 54.3% amounting to HK$6,581,000 (2010: HK$4,266,000). The Group did not have any long-term liabilities as at 31 March 2011.

The Group generally financed its operations with its internally generated cash flows. The Directors are confident that the Group's existing financial resources are sufficient to satisfy its commitments and working capital.

Gearing ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.16 as at 31 March 2011 (2010: 0.16).

Foreign exchange exposure

The income and expenditure of the Group are mainly denominated in Hong Kong Dollars and Renminbi, the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk have been implemented.

The other information of foreign exchange and currency risks of the Group is set out in note 29 to the financial statements disclosed in the annual report of the Group for the year ended 31 March 2011.

Capital structure

Pursuant to the placing agreement dated 4 November 2010, 90,000,000 new Shares of US$0.01 each were issued and allotted to Ever Champion Trading Limited in November 2010 at a price of HK$0.2 per Share. Details of which are set out in the Company's announcement dated 4 November 2010. 25,156,065 new Shares of US$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

Save as the above, there was no change in the capital structure of the Company during the year ended as at 31 March 2011.

Material investment, acquisition and disposal

The Group did not have any material investment, acquisition or disposal of subsidiaries or affiliate companies during the year ended 31 March 2011.

Charges on the Group's assets

As at 31 March 2011, the Group did not have any charges on the Group's assets.

Contingent liabilities

As at 31 March 2011, the Group did not have any contingent liabilities.

Employee information

As at 31 March 2011, the Group had a total of 60 employees in Hong Kong. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$13,995,000 for the year ended 31 March 2011 (2010: HK$7,356,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

In respect of the Target Group

Business

For the year ended 31 March 2011, the Target Group has been principally engaged in trading of electronic parts and components in relation to display modules and touch panel modules; and it also provides professional solution with engineering services to meet individual customer needs.

The business of the Target Group mainly consists of the trading of small to middle-sized LCD Panels together with the corresponding drivers/integrated circuits (ICs). Out of the top five major customers of the Target Group, there are two listed-companies, both listed in the PRC. The Target Group has maintained an average of five years of business relationships with its top five customers; whereas sales to these top five customers have accounted for 68.0% of the turnover of the Target Group for the year ended 31 March 2011.

The Target Group mainly sources its products from two suppliers in Taiwan, with whom the Target Group has maintained business relationship, with one of the suppliers over five years and with another over ten years.

These two major suppliers accounted for approximately 96.3% of the overall purchases of the Target Group for the year ended 31 March 2011.

Results

For the year ended 31 March 2011, the audited consolidated turnover of the Target Group was approximately HK$363,297,000, represented an increase of approximately 25.88% from the audited consolidated turnover of the Target Group for the previous year of approximately HK$288,613,000. Such increase was mainly due to the expansion of the trading of middle sized LCD Panels with corresponding ICs.

The Target Group recorded an audited consolidated profit after tax of approximately HK$1,280,000 for the year ended 31 March 2011, represented an increase of approximately 98.45% from the audited consolidated profit after tax of the Target Group of the previous year of approximately HK$645,000. Such increase was mainly due to the higher profit margin.

The total shareholders' equity and the net asset value of the Target Group amounted to approximately HK$2,100,000 as at 31 March 2011.

Financial resources and liquidity

The Target Group relied principally on banking facilities from major banks established in Hong Kong. The current ratio (calculated by current assets divided by current liabilities) on 31 March 2011 was 0.9860 times.

Material investments, acquisitions and disposals

As at 31 March 2011, the Target Group was not holding any material investment. During the year ended 31 March 2011, the Target Group did not have any material acquisitions or disposals.

Charge of assets

As at 31 March 2011, the Target Group has the following charges over its assets:

Bank borrowings are secured on (i) pledged bank deposits of approximately HK$13,306,000 (ii) leasehold properties with carrying amounts of approximately HK$1,670,000.

Contingent liabilities

The Target Company has entered into a guarantee agreement with a bank providing unlimited guarantee with respect to a mortgage loan granted by the bank to a related party of the Target Company since 2011, of which HK$2,975,000 has been utilised as at 31 March 2011.

Capital commitments

The Target Group had no contractual capital expenditure commitments as at 31 March 2011.

Employee remuneration

As at 31 March 2011, the Target Group employed a total of approximately 29 employees in Hong Kong and the PRC. All employees are remunerated based on industry practice and in accordance with the prevailing employment law. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses.

Foreign currency risk

As at 31 March 2011, the management considers that the Target Group is not exposed to significant foreign currency risks as majority of its operations and businesses are transacted and denominated in HK$ and US$.

Gearing ratio

As at 31 March 2011, the Target Group had outstanding loans and borrowings of approximately HK$35,224,000.

Gearing ratio (calculated by non-current liabilities divided by total equity) as at 31 March 2011 was zero.

For the year ended 31 March 2012

In respect of the Group

Business review

Financial Performance

The Group recorded an audited loss of approximately HK$26.86 million for the financial year ended 31 March 2012. The Group had a turnover of approximately HK$31.60 million for the year compared to that of HK$24.43 million last year. The increase in the revenue was attributable to our diversification into the apps development business. Unfortunately, apps development is labour intensive; resulting the Group to record a bigger loss as compared to HK$5.16 million for the last year. A combination of higher employment and operation costs. Other reasons are the one-off professional fees arising from the acquisition of new subsidiaries and associates, the charging of fair value of the share-based payments to the directors and employees of the Group arising from newly granted share options under the share option scheme of the Company, the charging of imputed interests on the issued convertible bonds and the impairment loss in respect of goodwill related to an associate.

Segment Information

As at 31 March 2011, the Group was mainly engaged in the mobile data solutions business and therefore its reporting format was geographically segmented comprising Hong Kong/Macau, PRC, Australia, Singapore, Taiwan and other countries. During the year ended 31 March 2012, the Group has diversified into other businesses such as property development in the PRC and property investment in Hong Kong through acquisition of new subsidiaries.

The diversification of business has resulted in a re-designation of the Group's reportable segments as compared with the reportable segments determined as in our last annual report. The Group's reportable segments for the year ended 31 March 2012 are as follows:

– Mobile data solution business

– Property development

– Property investment

For the purpose of assessing segment performance and allocating resources between segments, the Group's top management monitors the results, assets and liabilities attributable to each reportable segment.

Whereas all the Group's revenue for the year ended 31 March 2012 was contributed by the segment of mobile data solution business, this was mainly attributable to that the diversification of businesses were being taken place during the year, particularly in the property development segment, it is common that such progress of development of saleable units would span over a year. No comparables for segment information could be given as the Group only had one operating segment, namely mobile data solution business, for the year ended 31 March 2011.

Products and Services

The Group has been refining current MVAS, like Soccer Express utilising the unique GloDan (Global Data Network) network connections to emphasize on application developments and mobile advertising due to the market permeation by the iPhone and other smartphones. The Group is also expanding into businesses like Games and related entertainment application developments like Bearadise 2, Sooff, Mobilesurf service and movie mobile application connecting major cinema line ticketing services with six mobile operators in HK to complement the mobile business. Other areas are, application developments for consumer clients for example mobile banking application for China Construction Bank Asia; content management and delivery system to Hong Kong Jockey Club; and multi-media services and business know-how to mobile operators under our strong content portfolios and our large library of offerings in 3G services provisioning in Hong Kong and Macau.

To diversify our business focus, the Group has been exploring into other areas of business opportunities. Focus has been put into the exploration of opportunities, both in the PRC and Hong Kong. The former being part of a project to provide residential units to the PRC market to capitalise on the boom of the forever increasing living standard of the Mainland Chinese population; whilst the latter is to provide a residential leasing to local Hong Kong population which may be the beginning of property management.

Another major focus is the sale and production of LCD and touch-screen panels, the target is to provide the top tier market in the PRC and perhaps South East Asia with functional and relatively non-costly products but with a healthy margin during the capturing of the wider and popularized computer and related technology market.

We believe the Group will benefit from the enhancement and diversification of business focuses into these new areas.

Sales and Marketing Activities

The mobile industry has transformed to sophisticated customer requiring high quality services and enterprise applications. The Group therefore has embarked more significantly on mobile application development specifically in conjunction with mobile marketing for better user experience and enables us to target promotions to individuals. The Group has also formed several alliances with strategic media partners to leverage its expertise to explore and enhance our media revenue. Focused on carefully selected customer segments, namely the youth and sport fans community, tailor-made products and services have been developed with local operators to capture the more customers.

In the residential real estate development in the PRC the project is still in its juvenile stage and further planning is required. As for the residential leasing in Hong Kong, the property has been successfully let out and provided the company with asset foundations and stable return.

On the frontier of LCD and touch-screen panel business, the operation is slowly making break through after forming partnerships with chip manufacturers to provide them tailored services. The act provided a trusted name for the unit and it also results in an increase of new orders.

Prospect

Since Hong Kong seems to be slowly recovering from the worldwide financial crisis, the Group has been increasing its investment in human resources on strengthening key business in key markets and exploring new business.

Flourished and popular, the mobile entertainment market is getting increasingly competitive particularly when large corporations creating new divisions to enter this market in style. The Group will continue to explore new opportunities and diversify its dependence on mobile service provisioning both in premium services and advertising model associated with existing channels, mobile operators business and mobile application. For example, in servicing we expand content aggregation business to include intellectual property rights management for our partners. In some new markets such as Philippines, the Group will act as a master content aggregator on behalf of the local operators and define business to maximise revenue whilst minimise resources allocation. The Group shall also expand its business relationships with WiFi service providers and handset/tablet manufacturers as there are increasingly more devices which support WiFi connection.

The Group is working closely with mobile operators to strengthen our sports channel as well as the new football services. Other content services, such as entertainment, lifestyle & leisure, dining, movie, cartoon, games, fortune telling, etc. will be our focuses as well especially with Asian contents for Chinese communities. To support this, the Group is to sign up with more content partners and technology providers including established brands and leading gaming companies to target youth lifestyle applications & services such as dating services, mobile blogging, and mobile comics.

Overall, the uptake of 3.5G services into 4G technologies will bring a shift in the dynamics of the market in Asia, especially in Greater China market. The market is likely to move to a more advanced internet and multimedia-based content, we plan to make use of our advantages and experience to provide a variety of rich-media content with operators and new potential platform on 4G iPhone across the Asian markets.

In the PRC real estate market, the financial crisis has hit the sentiment hard; the entailed effect might last for a while after worldwide central banks are required to take moves to assist. The PRC government on the outlook of the country plus other regional reasons have had the PRC government to push and alter various policies, which will also affect the outcome of the development project; however residential need is a basic requirement for the large population especially for the newly weds and younger generation moving up the social ladder plus the wish of returning to birthplace and family reunion. In view of these we remain optimistic to the development, nonetheless we will exercise caution during our execution of the plan.

On the LCD and touch-screen panels front, the acquisition of 33.33% interests in a manufacturing plant of LCD and touch-screen panels, we aim to broaden the Group's businesses. With future possible opportunity to increase the stake in the plant, our plant is currently in partnership with a touch-screen manufacturer with solid sales to top tier "touch-screen tablets" manufacturers in the PRC.

Touch-screen panels are applied in various electronic applications and most notably the latest hit is on mobile phones and tablets. These are driven heavily first by Apple and now also Samsung, HTC and Blackberry. Divided in several pricing categories and technical cost being driven down, there are now cheaper versions of the same technology providing consumers devices with the interface. For the high-end mobile products, the sales is evident through the revenue of those larger technology cooperations like Apple. At the other end, the low end products, such as the US$100 device categories they also have their own marketability, the mass market especially in emerging countries. Recent researches compiled from various sources show that this low category is predicted to have a world sales up to 500 million units per year.

In other applied areas, touch-screen panels have found their use due to the user-friendly controllability and interface, the trend can easily be predicted as some of their applications have already slowly emerged to those consumers. Within these areas the applications of the technology, for example the heavy industrial for direct machinery controls, medical for cleanliness and easy control and entertainment/media mediums like televisions or computer screens for better users experience, have thrived immensely as it greatly improved the operational side of these industries. It is therefore only natural for the technology to be integrated furthermore. Through the increasing awareness of the ability and potential of the touch-screen panel, it can only be predicted that this technology will be evermore applied.

On 22 February 2012 and as supplemented by the supplemental agreement dated 15 March 2012, the Group has entered into an agreement to acquire a 75% interest of the Target Group that engages in trading of electronic parts and components in relation to display modules and touch panel modules whereas it also provides professional solution with engineering services to meet individual customer needs.

In order to diversify the Group's existing business through horizontal integration and maximise the return of the shareholders, the Group has been identifying further investment opportunities. As the electronic parts traded by the Target Group are used by the existing LCD and touch-screen panel production operations of the Group, the acquisition of the Target Group will ensure a stable and consistent supply of such electronic parts at a competitive price for the existing LCD and touch-screen panel production. Also, integrating with the professional product solutions for display modules and touch panel modules provided by the Target Group will enhance the competitiveness and bargaining power of the Group's LCD and touch-screen panel production and as a result has the ability to sell at a higher price and/or higher margins.

Liquidity and financial resources

For the year ended 31 March 2012, the Group financed its operations with internally generated cash flow and the net proceeds from open offer. As at 31 March 2012, the Group had net current assets of approximately HK$47,718,000 (2011: HK$23,708,000), of which approximately HK$8,797,000 (2011: HK$24,883,000) were bank and cash balances. The Group's other current assets recorded at 31 March 2012 mainly comprised approximately HK$8,569,000 (2011: HK$4,438,000) in trade and other receivables, which increased by 93.1% when compared with previous year, approximately HK$59,986,000 in properties under development (2011: HK$Nil) and approximately HK$12,032,000 in Put Options of convertible bonds (2011: HK$Nil). Current liabilities of the Group increased by 585.0% amounting to approximately HK$45,080,000 (2011: HK$6,581,000), including mainly trade and other payables in the amount of approximately HK$11,541,000 (2011: HK$6,568,000), amount due to an associate in the amount of approximately HK$4,297,000 (2011: HK$Nil) and liability component of convertible bonds in the amount of approximately HK$28,494,000 (2011: HK$Nil). The Group has no committed borrowing facilities throughout the year.

Gearing ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.46 as at 31 March 2012 (2011: 0.16).

Foreign exchange exposure

The income and expenditure of the Group are mainly denominated in Hong Kong and Renminbi, the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk have been implemented.

The other information of foreign exchange and currency risks of the Group has been set out in note 5 to the financial statements of the annual report of 2012 of the Company.

Capital structure

On 20 June 2011, 588,567,428 new shares of US$0.01 each were issued by way of open offer at a subscription price of HK$0.1 per share. Details were disclosed in the Company's announcement dated 4 April 2011, the circular dated 4 May 2011 and the prospectus dated 25 May 2011.

On 14 September 2011, 1,000,000 new shares of US$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

Save as disclosed above, there was no change in the capital structure of the Company during the year ended 31 March 2012.

Material investment, acquisitions and disposals

(a) On 3 June 2011, the Group completed the acquisition of the entire issued shares in Best Team International Investment Limited ("**Best Team**") from Mr. Poon Sum and Mr. Poon Sau Tin (both are connected persons of the Company) for a total consideration of HK$65,000,000. Best Team is an investment holding company and has 100% equity interest in a subsidiary established in the PRC which is engaged in investment holding, through which, indirectly holds 66.66% equity interest in a subsidiary and 25% equity interest in an associate, both were established in the PRC and are principally engaged in property development in the PRC. Convertible bonds in the principal amount of HK$33,000,000 and 100,000,000 warrants at issue price of HK$0.02 per warrant were issued by the Company to Mr. Poon Sum and Mr. Poon Sau Tin as part of the consideration. Details of the transaction were set out in the Company's announcement dated 15 February 2011 and the circular dated 29 April 2011.

(b) On 31 August 2011, the Group completed the acquisition of the entire issued shares in Star Global Industries Limited ("**Star Global**") and a shareholder loan amounting to HK$2,731,179 from an independent third party for a total cash consideration of HK$2,731,180. On the date of acquisition, Star Global is committed to purchase a residential property under a formal agreement entered into between Star Global and the vendor of the property for the sale and purchase of the property. The consideration for the sale and purchase of the property is HK$28,800,000. Completion of the formal agreement took place on 19 September 2011. Details of the transaction were set out in the Company's announcement dated 31 August 2011.

(c) On 24 October 2011, the Group completed the acquisition of 33.33% of the issued share capital of Jun Feng Enterprise (HK) Limited ("**Jun Feng**") for a total consideration of HK$20,000,000 which is comprised of a cash of HK$10,000,000 and convertible bonds with principal amounts of HK$10,000,000. Jun Feng and its subsidiaries are engaged in the sale and production of liquid crystal display and touch-screen panels. Details of the transaction were set out in the Company's announcement dated 28 September 2011.

Save as disclosed above, the Group did not have any material investments, acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2012.

Charges on the Group's assets

As at 31 March 2012, a leased motor vehicle was charged to secure the Group's finance lease payables.

Save as disclosed, the Group did not have charges on its assets.

Contingent liabilities

As at 31 March 2012, the Group did not have any contingent liabilities.

Employee information

As at 31 March 2012, the Group had a total of 80 employees in Hong Kong and the PRC. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$24,816,000 for the year ended 31 March 2012 (2011: HK$13,996,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

In respect of the Target Group

Business

For the year ended 31 March 2012, the Target Group has been principally engaged in trading of electronic parts and components in relation to display modules and touch panel modules; and it also provides professional solution with engineering services to meet individual customer needs.

The business of the Target Group mainly consists of the trading of small to middle-sized LCD Panels together with the corresponding drivers/integrated circuits (ICs). Out of the top five major customers of the Target Group, there are two listed-companies, both listed in the PRC. The Target Group has maintained an average of five years of business relationships with its top five customers; whereas sales to these top five customers have accounted for 63.2% of the turnover of the Target Group for the year ended 31 March 2012.

The Target Group mainly sources its products from two suppliers in Taiwan, with whom the Target Group has maintained the business relationship with one of the suppliers over six years and with another over 11 years respectively.

These two major suppliers accounted for approximately 95.0% of the overall purchases of the Target Group for the year ended 31 March 2012.

Results

For the year ended 31 March 2012, the audited consolidated turnover of the Target Group was approximately HK$368,655,000, represented an increase of approximately 1.47% from the audited consolidated turnover of the Target Group for the previous year of approximately HK$363,297,000.

The Target Group recorded an audited consolidated profit of approximately HK$2,171,000 for the year ended 31 March 2012, represented an increase of approximately 69.61% from the audited consolidated profit after tax of the Target Group for the previous year of approximately HK$1,280,000. Such increase was mainly due to the cut down of the administrative expenses.

The total shareholders' equity and the net asset value of the Target Group amounted to approximately HK$2,671,000 as at 31 March 2012.

Financial resources and liquidity

The Target Group relied principally on banking facilities from major banks established in Hong Kong. The current ratio (calculated by current assets divided by current liabilities) on 31 March 2012 was 1.0076 times.

Material investments, acquisitions and disposals

As at 31 March 2012, the Target Group was not holding any material investment. During the year ended 31 March 2012, the Target Group did not have any material acquisitions or disposals.

The deregistration of China Bingo and Honma

The Target Group decided that it was in its best interests to deregister China Bingo and Honma as the directors of the Target Company considered that the deregistration of China Bingo and Honma would allow resources to be centralised and focus would be put to the Target Company for operation-efficiency sake and better future business deployment.

The deregistration process of China Bingo commenced on 20 February 2012 and as at the Latest Practicable Date, it has not been completed due to the requirements of the deregistration procedures. The directors of the Target Company considered that the deregistration of China Bingo will not have any material impact on the financial position and operation of the Target Group as China Bingo is an investment holding company which has not brought in any income to the Target Group.

The deregistration process of Honma was commenced on 30 March 2012 and as at the Latest Practicable Date, it has not been completed due to the requirements of the deregistration procedures. The directors of the Target Company considered that the deregistration of Honma will not have any material impact on the financial position and operation of the Target Group as the Target Company had already taken up the business of Honma in 2011.

The assets and liabilities of China Bingo and Honma were immaterial to the Target Group as at 31 March 2012; whereas a summary of selected financial information of China Bingo and Honma is provided as follows:

	China Bingo			Honma		
	For the year ended 31 March 2010	**For the year ended 31 March 2011**	**For the year ended 31 March 2012**	**For the year ended 31 March 2010**	**For the year ended 31 March 2011**	**For the year ended 31 March 2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	–	–	–	34,107	2,819	–
Profit/(loss) before tax attributable to owner:	(22)	(14)	(8)	133	(117)	(18)
Profit/(loss) after tax attributable to owner:	(22)	(14)	(8)	110	(117)	(18)

Charge of assets

As at 31 March 2012, the Target Group has the following charges over its assets:

Bank borrowings are secured on (i) pledged bank deposits of approximately HK$14,821,000 and (ii) leasehold properties with carrying amounts of approximately HK$1,635,000.

In the event that all current liabilities as at 31 March 2012 had to be fully settled, the Target Group's current assets (including the pledged bank deposits) as at 31 March 2012 would be able to cover these current liabilities. The Target Group did not have any non-current liabilities and also had non-current assets of approximately HK$2.0 million as at 31 March 2012.

Should there be any inventories or receivables not being crystalised at their respective book values and, the current liabilities (at their respective book values) may not be fully settled (assuming that all current liabilities were required to be settled now), the directors of the Target Group may have to seek new loan facility externally or from the shareholders of the Target Group.

Contingent liabilities

The Target Company has entered into a guarantee agreement with a bank providing unlimited guarantee with respect to a mortgage loan granted by the bank to a related party of the Target Company since 2011, of which HK$2,869,000 have been utilised as at 31 March 2012.

Capital commitments

The Target Group had no contractual capital expenditure commitments as at 31 March 2012.

Employee remuneration

As at 31 March 2012, the Target Group employed a total of approximately 35 employees in Hong Kong and the PRC. All employees are remunerated based on industry practice and in accordance with the prevailing employment law. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses.

Foreign currency risk

As at 31 March 2012, the management considers that the Target Group is not exposed to significant foreign currency risks as majority of its operations and businesses are transacted and denominated in HK$ and US$.

Gearing ratio

As at 31 March 2012, the Target Group had outstanding loans and borrowings of approximately HK$52,831,000.

Gearing ratio (calculated by non-current liabilities divided by total equity) as at 31 March 2012 was zero.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. SHARE CAPITAL

Authorised capital:		*US$*
2,000,000,000	Shares	20,000,000
Issued and fully paid or credited as fully paid:		
1,226,410,718	Shares as at the Latest Practicable Date	12,264,107.18
93,600,000	Conversion Shares to be issued	936,000.00
200,800,000	Maximum Option Conversion Shares to be issued	2,008,000.00
1,520,810,718		15,208,107.18

All the Shares in issue, the Conversion Shares and the Option Conversion Shares (when allotted and fully paid) to be issued rank pari passu with each other in all respects including as regards to dividends and voting rights.

As at the Latest Practicable Date, save for the convertible bonds in the principal amount of HK$33,000,000 and 100,000,000 non-listed warrants issued to Mr. Poon Sum and Mr. Poon Sau Tin and the share options of the Company, there were no other convertible securities or exchangeable of the Company outstanding.

3. DISCLOSURE OF INTERESTS

Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives and their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares or underlying Shares

Name of Director	Capacity	Number of Shares or underlying Shares held	Approximate percentage
			(%)
Dr. Chan Chung	Beneficial owner	41,448,904	3.38
Mr. Chan Wai Kwong, Peter	Beneficial owner	3,216,072	0.26
Mr. Siu King Nin, Peter	Beneficial owner	3,000,000	0.24
Mr. Choi Ho Yan	Beneficial owner	3,000,000	0.24
Mr. So Haw, Herman	Beneficial owner	1,000,000	0.08
Mr. Chiu Wai Piu	Beneficial owner	500,000	0.04
Mr. Cheung Kwan Hung, Anthony	Beneficial owner	500,000	0.04
Mr. Heung Chee Hang, Eric	Beneficial owner	500,000	0.04

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

(a) the placing agreement entered into between the Company and Finet Securities Limited dated 4 November 2010 in relation to the placing of up to an aggregate of 90,000,000 Shares at a placing price of HK$0.20 per placing share;

(b) the agreement dated 15 February 2011 and entered into among Poon Sum, Poon Sau Tin and Gold Continental Investments Limited in relation to the sale and purchase of 2,000 shares, representing the entire issued capital of Best Team International Investment Limited at a consideration of HK$65,000,000;

(c) the underwriting agreement entered into between the Company, Ever-Long Securities Company Limited and PetroAsian Energy dated 4 April 2011 in relation to the open offer of not less than 588,567,428 Shares and not more than 592,147,428 Shares on the basis of one offer shares for every share held at a subscription price of HK$0.10 per Share;

(d) the sale and purchase agreement dated 31 August 2011 and entered into between Gold Continental Investments Limited and Mr. Zou Huayu in respect of the acquisition of the entire issued share capital of Star Global Industries Limited at a consideration of HK$2,731,180;

(e) the agreement dated 28 September 2011 and entered into among Mr. Ke Lizhi, Golden Kingtex Limited and Jun Feng in relation to the subscription of 10,000,000 subscription shares, representing 16.67% of the issued share capital of Jun Feng and the sale and purchase of 10,000,000 shares, representing 16.67% of the issued share capital of Jun Feng at a total consideration of HK$20,000,000; and

(f) the Agreement.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

Name	Qualifications
RSM Nelson Wheeler	Certified public accountants
Savills Valuation and Professional Services Limited ("**Savills**")	Independent qualified valuer
Goldrich Planners & Surveyors Limited ("**Goldrich**")	Independent qualified property valuer

RSM Nelson Wheeler, Savills and Goldrich have given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, RSM Nelson Wheeler, Savills and Goldrich do not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Group was made up.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Enlarged Group.

(b) As at the Latest Practicable Date, neither RSM Nelson Wheeler, Savills and Goldrich nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 March 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) Bank of Butterfield International (Cayman) Ltd., the principal share registrar and transfer agent of the Company in the Cayman Islands is located at Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands, British West Indies.

(d) Computershare Hong Kong Investor Services Limited, the share registrar and transfer office of the Company is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary of the Company is Ms. Chang Kam Lai ("**Ms. Chang**"), who is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms. Chang has more than 11 years of experience in the accounting and auditing fields.

(f) The compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules is Mr. Chan Wai Kwong, Peter ("**Mr. Chan**") who is an executive Director. Mr. Chan is responsible for overseeing and supervising the administration of the Group. Mr. Chan is an independent non-executive director of Century Ginwa Retail Holdings Limited (Stock code: 162), whose shares are listed on the Stock Exchange. Mr. Chan graduated with a Bachelor of Arts degree in social science from the University of Western Ontario, Canada in 1978.

(g) The Board established an audit committee with written terms of reference in accordance with Rules 5.28 of the GEM Listing Rules. The audit committee comprises three members who are independent non-executive Directors, namely, Mr. Chiu Wai Piu ("**Mr. Chiu**"), Mr. Cheung Kwan Hung, Anthony ("**Mr. Cheung**") and Mr. Heung Chee Hang, Eric ("**Mr. Heung**") (with Mr. Cheung as the Chairman thereof).

The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The particulars of the audit committee members of the Company are as follows:

Mr. Chiu, aged 65, is a very experienced and reputable journalist and has over 42 years of experience in journalism. He has been a reporter, an editor, a main news assignment editor, a local news assignment editor, a managing editor and an editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General and Treasurer of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognized. Mr. Chiu currently serves as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited and Lo's Enviro-Pro Holdings Limited.

Mr. Cheung, aged 60, is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has tens of years of experience in accounting, finance and investment banking specialising in equity/debt fund raising, mergers and acquisitions and corporate and debt restructuring. He was also an executive director of publicly listed companies undertaking corporate management, planning and strategies development functions. Currently, he is an independent non-executive director of NewOcean Energy Holdings Limited (Stock code: 342), PetroAsian Energy Holdings Limited (Stock code: 850) and Great Harvest Maeta Group Holdings Limited (Stock code: 3683), the shares of which are listed on the Stock Exchange.

Mr. Heung, aged 44, is a practicing solicitor in Hong Kong with current practice in general litigation and commercial matters. He graduated with a degree of Laws from the University of Leicester, England. Mr. Heung was admitted as a solicitor of the Supreme Court of Hong Kong in 1995. He is currently a partner of Tung, Ng, Tse & Heung, Solicitors. He is an independent non-executive director of Noble Jewelry Holdings Limited (Stock code: 475), a company of which shares are listed on the Stock Exchange.

11. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Dr. Chan Chung, aged 55, is a founder, an executive Director, chief executive officer and the chairman of the Group. Dr. Chan is responsible for formulating the overall business plan and the corporate strategies of the Group. Further, Dr. Chan is a founder of Silicon Genesis Corporation, a high technology company in the United States. Dr. Chan has been elected as a fellow of the Institute of Electrical and Electronics Engineers in the United States and graduated with a doctor degree in philosophy from the University of Lowa in 1981.

Mr. Chan Wai Kwong, Peter, aged 58, is an executive Director and the compliance officer of the Group. Mr. Chan is responsible for overseeing and supervising the administration of the Group. Mr. Chan is an independent non-executive director of Century Ginwa Retail Holdings Limited (Stock code: 162), whose shares are listed on the Stock Exchange. Mr. Chan graduated with a Bachelor of Arts degree in social science from the University of Western Ontario, Canada in 1978.

Mr. Siu King Nin, Peter, aged 71, is responsible for the formulation and execution of business strategies as well as corporate management of the Group. Mr. Siu has had over 35 years of experience in the banking and financial services sector serving at senior management level in various leading banks and financial institutions in the United States, Canada and Hong Kong.

Mr. Choi Ho Yan, aged 36, graduated from the University of Hertfordshire, United Kingdom with a Bachelor of Accounting degree. Mr. Choi has over 13 years of experience in auditing, accounting, corporate finance and investor relations experience gained from his previous employment. Mr. Choi was an accountant at Ernst and Young from 1998 – 2004, moving from the positions of staff accountant to senior accountant, and overseeing audit work for projects related to initial public offerings of several companies, as well as other related work for listed companies. During his time as a chief financial officer for a company listed on the stock exchange of the Singapore Exchange Limited, from September 2004 – January 2010, he oversaw the investor relations programme as well as the accounting and financial functions of that company.

Mr. So Haw, Herman, aged 30, has newly been appointed as an executive Director of the Group on 7 June 2011. Mr. So attained his Bachelor of Mechanical Engineering (with honours and IMechE accreditation) in University of London, United Kingdom and Master of Oceanography (with IMarEST accreditation) in University of Southampton, United Kingdom in 2004 and 2005, respectively. Since his graduation, he has worked in Geotek Ltd. as a geophysicist/engineer for around 11 months and later pursued his career in the banking business. He has worked in China Construction Bank (Asia) Corp. Ltd., Hong Kong for more than 3.5 years. During that period, he has served a host of multi-national clients, including but not limited to corporate financing, and banking services. Prior to joining the Company, he worked as an executive director and vice general manager in a private business group, overseeing real estate development projects, commercial and residential re-design projects, and merger and acquisition projects of that private business group.

Independent non-executive Directors

Mr. Chiu Wai Piu, aged 65, was appointed as an independent non-executive Directors on 30 July 2010. Mr. Chiu is a very experienced and reputable journalist and has over 42 years of experience in journalism. He has been a reporter, an editor, a main news assignment editor, a local news assignment editor, a managing editor and an editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General and Treasurer of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognized. Mr. Chiu currently serves as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited and Lo's Enviro-Pro Holdings Limited.

Mr. Cheung Kwan Hung, Anthony, aged 60, was appointed as an independent non-executive Director on 18 August 2010. Mr. Cheung is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has tens of years of experience in accounting, finance and investment banking specialising in equity/debt fund raising, mergers and acquisitions and corporate and debt restructuring. He was also an executive director of publicly listed companies undertaking corporate management, planning and strategies development functions. Currently, he is an independent non-executive director of NewOcean Energy Holdings Limited (Stock code: 342), PetroAsian Energy Holdings Limited (Stock code: 850) and Great Harvest Maeta Group Holdings Limited (Stock code: 3683), whose shares are listed on the Stock Exchange.

Mr. Heung Chee Hang, Eric, aged 44, was appointed as an independent non-executive Director on 18 August 2010. Mr. Heung is a practicing solicitor in Hong Kong with current practice in general litigation and commercial matters. He graduated with a degree of Laws from the University of Leicester, England. Mr. Heung was admitted as a solicitor of the Supreme Court of Hong Kong in 1995. He is currently a partner of Tung, Ng, Tse & Heung, Solicitors. He is an independent non-executive director of Noble Jewelry Holdings Limited (Stock code: 475), a company of which shares are listed on the Stock Exchange.

Senior management

Mr. Wong Ming Wai, aged 36, is the president of business development (Asia Pacific Operation) of the Group. Mr. Wong joined the Group in November 2002. Mr. Wong is responsible for developing new business and revenue streams for the Group. Mr. Wong has over 15 years of experience in business development and marketing in mobile and I.T. industries. Mr. Wong holds a Bachelor of Mathematics degree from the University of Waterloo, Ontario, Canada.

Mr. Tsang Yue Shun, aged 35, is the vice president of I.T. and operations of the Group. Mr. Tsang joined the Group since its inception in November 2000. Mr. Tsang is responsible for overseeing the network department and the project-based business of the Group. Mr. Tsang graduated with a bachelor degree in information technology from City University of Hong Kong in 2001 and further obtained his master degree in electronic commerce from the same university in 2007. Mr. Tsang joined the Group prior to the graduation of his first degree.

Mr. Mo King Wong, aged 52, is the vice president of business development (China Operation) of the Group. Mr. Mo joined the Group in December 2004 and is responsible for coordinating the Group's operation in the Mainland China. Mr. Mo graduated with a bachelor degree in computer science and accounting from University of Wales, United Kingdom. Before joining the Group, he worked for an international bank for years.

Mr. Chau Ho Wai, aged 29, is the head of IT and Business Solutions of the Group. Mr. Chau has been managing and developing the Corporate Solutions business unit since he joined the Group in 2005 and managing the IT department since early 2009. Mr. Chau has over 9 years of experience in IT industry. Mr. Chau attended the Hong Kong Polytechnic University.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the branch office of the Company at Suite 1006, 10/F., Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, up to and including 10 September 2012 and at the EGM:

(i) memorandum and articles of association of the Company;

(ii) the accountants' report on the Target Group prepared by RSM Nelson Wheeler for each of the three years ended 31 March 2012, the text of which is set out in Appendix II to this circular;

(iii) the report prepared by RSM Nelson Wheeler on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(iv) annual reports of the Company for each of the three years ended 31 March 2010, 2011 and 2012;

(v) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(vi) the written consents referred to in the paragraph headed "Experts" in this Appendix; and

(vii) this circular.

MOBILE TELECOM NETWORK (HOLDINGS) LIMITED

流動電訊網絡(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8266)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Mobile Telecom Network (Holdings) Limited (the "**Company**") will be held at Suite 1006, 10/F., Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 10 September 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the agreement (the "**Agreement**") dated 22 February 2012 (as supplemented by the supplemental agreement dated 15 March 2012) (a copy of the Agreement is marked "A" and produced to the EGM and signed by the chairman of the EGM for identification purpose) and entered into among Chan Wan Kim (the "**First Vendor**") and Wong Chun Wai (the "**Second Vendor**", together with the First Vendor, the "**Vendors**") and Golden Kingtex Limited (the "**Purchaser**") pursuant to which the Purchaser has agreed to purchase and the Vendors have agreed to sell 1,500,000 shares (each a "**Target Share**") of HK$1.00 each in the share capital of ETC Technology Limited for a total consideration of HK$39,000,000 and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) the issue of the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$18,720,000 and HK$4,680,000 by the Company to the First Vendor and the Second Vendor respectively pursuant to the Agreement be and is hereby approved;

(c) the issue of the promissory notes (the "**Promissory Notes**") in the principal amounts of HK$4,160,000 and HK$1,040,000 by the Company to the First Vendor and the Second Vendor respectively pursuant to the Agreement be and is hereby approved;

* *For identification purpose only*

(d) the exercise of the options grant by each of the First Vendor and the Second Vendor to the Purchaser to call upon the sale of 400,000 Target Shares and 100,000 Target Shares by the First Vendor and the Second Vendor respectively pursuant to the option deeds to be entered into (i) the First Vendor and the Purchaser (the "**First Option Deed**") (a copy of the First Option Deed is marked "B" and produced to the EGM and signed by the chairman of the EGM for identification purpose) and (ii) the Second Vendor and the Purchaser (the "**Second Option Deed**") (a copy of the Second Option Deed is marked "C" and produced to the EGM and signed by the chairman of the EGM for identification purpose) be and are hereby approved;

(e) the issue of the convertible bonds (the "**Option Convertible Bonds**") by the Company to the First Vendor and the Second Vendor pursuant to the First Option Deed and the Second Option Deed respectively be and is hereby approved; and

(f) any one or more director(s) of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal) which he/they consider necessary or expedient to give effect to the Agreement and the transactions contemplated thereunder including but not limited to the issue of the Convertible Bonds, the Promissory Notes and the Option Convertible Bonds and the allotment and issue of the shares of US$0.01 each in the share capital of the Company upon the exercise of the conversion rights attached to the Convertible Bonds and the Option Convertible Bonds."

By order of the Board
Mobile Telecom Network (Holdings) Limited
Siu King Nin, Peter
Executive Director

Hong Kong, 23 August 2012

Registered office:	*Head office and principal place of business in Hong Kong:*
Cricket Square	Room 2516, 25th Floor
Hutchins Drive	North Tower, Concordia Plaza
P.O. Box 2681	1 Science Museum Road
George Town	Tsim Sha Tsui
Grand Cayman KY1-1111	Kowloon
Cayman Islands	Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.