



Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8336)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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This announcement, for which the directors of Telecom Digital Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

THE FINANCIAL STATEMENTS

INTERIM RESULTS

The board of Directors (the “Board”) of the Company announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2014 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Notes	Three months ended 30 September		Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	4	268,926	281,303	615,793	552,670
Cost of inventories sold		(171,610)	(192,301)	(414,949)	(369,598)
Staff cost		(32,745)	(27,745)	(60,455)	(54,279)
Depreciation		(5,750)	(3,715)	(9,858)	(7,063)
Other income	6	1,559	2,623	2,660	3,912
Other operating expenses		(48,676)	(45,554)	(98,112)	(88,340)
Share of results of an associate		6,602	5,041	12,999	11,057
Finance costs	7	(504)	(994)	(1,228)	(1,852)
Profit before tax		17,802	18,658	46,850	46,507
Income tax expense	8	(842)	(1,868)	(4,171)	(4,625)
Profit for the period		16,960	16,790	42,679	41,882
Other comprehensive (expense) income					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operation		—	(37)	(121)	10
Other comprehensive (expense) income for the period		—	(37)	(121)	10
Total comprehensive income for the period		16,960	16,753	42,558	41,892
Earnings per share (HK\$)					
Basic and diluted	10	0.04	0.05	0.11	0.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		30 September 2014	31 March 2014
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	11	225,233	47,688
Deferred tax assets		—	1
Club debenture		1,560	1,560
Interest in an associate		<u>23,271</u>	<u>34,044</u>
		<u>250,064</u>	<u>83,293</u>
Current assets			
Inventories		203,329	82,396
Trade and other receivables	12	58,865	43,123
Amounts due from related companies	18	99	55,931
Amounts due from an associate		15,274	5,796
Amounts due from directors	13	—	116,366
Pledged bank deposits		4,608	9,761
Bank balances and cash		<u>35,934</u>	<u>12,236</u>
		<u>318,109</u>	<u>325,609</u>
Current liabilities			
Trade and other payables	14	143,301	110,276
Amounts due to related companies	18	4,858	862
Bank overdrafts	15	51	7,447
Bank borrowings	15	272,749	143,268
Tax payable		<u>6,189</u>	<u>2,072</u>
		<u>427,148</u>	<u>263,925</u>
Net current (liabilities) asset		<u>(109,039)</u>	<u>61,684</u>
Total assets less current liabilities		<u>141,025</u>	<u>144,977</u>

		30 September 2014 <i>HK\$'000</i> (unaudited)	31 March 2014 <i>HK\$'000</i> (audited)
Non-current liabilities			
Long service payment obligations		1,708	1,570
Deferred tax liabilities		<u>4,862</u>	<u>4,873</u>
		<u>6,570</u>	<u>6,443</u>
Net assets		<u>134,455</u>	<u>138,534</u>
Capital and reserves			
Share capital	<i>16</i>	4,000	5,404
Reserves		<u>130,455</u>	<u>133,130</u>
Total equity		<u>134,455</u>	<u>138,534</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Legal reserve HK\$'000 (Note b)	Retained profit HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	<u>5,404</u>	<u>—</u>	<u>—</u>	<u>(186)</u>	<u>91</u>	<u>52,981</u>	<u>58,290</u>
Profit for the period	—	—	—	—	—	41,882	41,882
Exchange differences arising on translation of foreign operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>10</u>	<u>—</u>	<u>—</u>	<u>10</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>10</u>	<u>—</u>	<u>41,882</u>	<u>41,892</u>
At 30 September 2013 (unaudited)	<u>5,404</u>	<u>—</u>	<u>—</u>	<u>(176)</u>	<u>91</u>	<u>94,863</u>	<u>100,182</u>
At 1 April 2014 (audited)	<u>5,404</u>	<u>—</u>	<u>—</u>	<u>(112)</u>	<u>91</u>	<u>133,151</u>	<u>138,534</u>
Profit for the period	—	—	—	—	—	42,679	42,679
Exchange differences arising on translation of foreign operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>(121)</u>	<u>—</u>	<u>—</u>	<u>(121)</u>
Total comprehensive (expense) income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(121)</u>	<u>—</u>	<u>42,679</u>	<u>42,558</u>
Dividends	—	—	—	—	—	(138,000)	(138,000)
Group reorganisation	(5,404)	—	5,404	—	—	—	—
Capitalisation issue (Note c)	3,000	(3,000)	—	—	—	—	—
Issuance of ordinary shares in connection with the listing (Note d)	1,000	99,000	—	—	—	—	100,000
Share issue expenses	<u>—</u>	<u>(8,637)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,637)</u>
At 30 September 2014 (unaudited)	<u>4,000</u>	<u>87,363</u>	<u>5,404</u>	<u>(233)</u>	<u>91</u>	<u>37,830</u>	<u>134,455</u>

Notes:

- (a) Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.
- (b) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reach 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.
- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 20 May 2014, the Directors were authorised to capitalise a sum of HK\$2,999,999.40 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 299,999,940 shares for allotment and issue to the then shareholders of the Company as at 20 May 2014 in proportion to their then respective shareholdings in the Company.
- (d) In connection with the Company's placing and listing, the Company issued 100,000,000 ordinary shares of HK\$0.01 each at a price of HK\$1.0 each for a total consideration (before expenses) of approximately HK\$100,000,000. Dealing of the Company's shares on the GEM of the Stock Exchange commenced on 30 May 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<u>(65,287)</u>	<u>(16,006)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(190,802)	(9,348)
Repayment from (advance to) directors	116,366	(39,197)
(Advance to) repayment from related companies	(82,712)	76,091
Withdrawal of pledged bank deposits	5,153	42
Dividend received from an associate	23,772	11,880
Proceeds from disposal of plant and equipment	365	1,800
Interest received	<u>203</u>	<u>265</u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(127,655)</u>	<u>41,533</u>
FINANCING ACTIVITIES		
Net proceeds from issue of shares	91,363	—
Bank borrowings raised	501,190	424,980
Advance from (repayment to) related companies	4,394	(59,396)
Repayments of bank borrowings	(371,709)	(387,250)
Interest paid	<u>(1,228)</u>	<u>(1,852)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>224,010</u>	<u>(23,518)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,068	2,009
CASH AND CASH EQUIVALENTS AT 1 APRIL	4,789	9,070
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>26</u>	<u>(2)</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, represented by	<u>35,883</u>	<u>11,077</u>
Bank balances and cash	35,934	11,166
Bank overdrafts	<u>(51)</u>	<u>(89)</u>
	<u>35,883</u>	<u>11,077</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business is 19th Floor, YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currency of the subsidiary in Macau is Macau Pataca. For the purpose of presenting the condensed consolidated financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

The Directors consider the immediate holding company is CKK Investment Limited (“CKK Investment”) and the ultimate parent is the Cheung Family Trust. Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation of the listing of the Company’s shares on the GEM of the Stock Exchange (the “Listing”), the Company became the holding company of the Group on 20 May 2014. Details of the Reorganisation were set out in the section headed “History and Development — Reorganisation” of the prospectus of the Company dated 26 May 2014.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these condensed consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the companies comprising the Group before the completion of Reorganisation, using the principles of merger accounting as prescribed in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated statement of profit or loss and other comprehensive income including the results of the companies comprises the Group have been prepared as if the current group structure had been in existence throughout the six months ended 30 September 2014.

The Company is principally engaged in investment holding.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The Group had net current liabilities of approximately HK\$109,039,000 as at 30 September 2014. The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

- (i) the availability of banking facilities readily to the Group;

- (ii) bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause and shown under current liabilities amounted of approximately HK\$62,657,000. The Directors are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements; and
- (iii) the Group is able to generate adequate cash flows to maintain its operations.

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

In the Period, the Group has applied, for the first time, the following new interpretation ("Int") and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)*-Int 21	Levies

* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee).

The application of the above new interpretation and amendments to HKFRSs in the Period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE

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

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Retail business	102,841	109,674	222,321	231,554
Distribution business	91,275	99,884	243,378	176,430
Paging and other telecommunication services	25,720	33,543	53,883	70,451
Operation services	49,090	38,202	96,211	74,235
Total revenue	<u>268,926</u>	<u>281,303</u>	<u>615,793</u>	<u>552,670</u>

5. SEGMENT INFORMATION

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

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

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

For the six months ended 30 September 2014

	Retail business HK\$'000 (unaudited)	Distribution business HK\$'000 (unaudited)	Paging and other telecom- munication services HK\$'000 (unaudited)	Operation services HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue						
External sales	222,321	243,378	53,883	96,211	—	615,793
Inter-segment sales	—	160,290	4,122	—	(164,412)	—
Segment revenue	<u>222,321</u>	<u>403,668</u>	<u>58,005</u>	<u>96,211</u>	<u>(164,412)</u>	<u>615,793</u>
Segment results	<u>13,886</u>	<u>11,067</u>	<u>9,571</u>	<u>7,069</u>		41,593
Interest income						203
Finance costs						(1,228)
Share of results of an associate						12,999
Corporate expenses						<u>(6,717)</u>
Profit before tax						<u>46,850</u>

For the six months ended 30 September 2013

	Retail business HK\$'000 (unaudited)	Distribution business HK\$'000 (unaudited)	Paging and other telecom- munication services HK\$'000 (unaudited)	Operation services HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue						
External sales	231,554	176,430	70,451	74,235	—	552,670
Inter-segment sales	—	87,899	—	—	(87,899)	—
Segment revenue	<u>231,554</u>	<u>264,329</u>	<u>70,451</u>	<u>74,235</u>	<u>(87,899)</u>	<u>552,670</u>
Segment results	<u>16,023</u>	<u>8,907</u>	<u>11,180</u>	<u>2,491</u>		38,601
Interest income						265
Finance costs						(1,852)
Share of results of an associate						11,057
Corporate expenses						<u>(1,564)</u>
Profit before tax						<u>46,507</u>

Geographical information

During the Period, the Group's operations are located in Hong Kong and Macau (six months ended 30 September 2013: Hong Kong and Macau). More than 99.0% (six months ended 30 September 2013: 99.0%) of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong during the Period and the corresponding period in 2013.

Information about major customers

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

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer I ¹	51,382	43,711	102,293	85,540
Customer II ²	<u>N/A³</u>	<u>N/A³</u>	<u>N/A³</u>	<u>55,269</u>

¹ Revenue from operation services.

² Revenue from distribution services.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective periods.

6. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income				
Bank interest income	158	9	203	19
Interest income from related companies	<u>—</u>	<u>126</u>	<u>—</u>	<u>246</u>
	158	135	203	265
Consultancy income	75	75	150	150
Gain on disposal of plant and equipment	210	1,036	211	1,049
Rental income	927	873	1,756	1,855
Warehouse storage income	91	87	133	128
Others	<u>98</u>	<u>417</u>	<u>207</u>	<u>465</u>
	<u>1,559</u>	<u>2,623</u>	<u>2,660</u>	<u>3,912</u>

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expenses on:				
— bank borrowings and bank overdrafts wholly repayable within five years	<u>504</u>	<u>994</u>	<u>1,228</u>	<u>1,852</u>

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Macau Complementary Income Tax				
— current period	22	30	53	80
Hong Kong Profits Tax				
— current period	<u>653</u>	<u>1,466</u>	<u>4,129</u>	<u>3,331</u>
	675	1,496	4,182	3,411
Deferred tax				
— current period	<u>167</u>	<u>372</u>	<u>(11)</u>	<u>1,214</u>
Total income tax expense for the period	<u>842</u>	<u>1,868</u>	<u>4,171</u>	<u>4,625</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2014 (2013: 16.5%).

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits.

9. DIVIDENDS

The first interim dividend amounting to HK\$138,000,000 was declared and paid by the Company to its then shareholders on 20 May 2014 before Listing.

At a meeting held on 10 November 2014, the Board declared a second interim dividend of HK\$0.02 per ordinary share for the first half of the financial year 2014/15 amounting to approximately HK\$8,000,000.

10. EARNINGS PER SHARE

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

	Three months ended 30 September 2014 HK\$'000 (unaudited)		Six months ended 30 September 2014 HK\$'000 (unaudited)	
Earnings				
Earnings for the purpose of basic earnings per share for the period attributable to the owners of the Company	<u>16,960</u>	<u>16,790</u>	<u>42,679</u>	<u>41,882</u>
	Three months ended 30 September 2013 (unaudited)		Six months ended 30 September 2013 (unaudited)	
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>400,000,000</u>	<u>300,000,000</u>	<u>368,306,011</u>	<u>300,000,000</u>

The weighted average number of 368,306,011 ordinary shares were in issue during the six months ended 30 September 2014 after taking into account the capitalisation issue pursuant to the Reorganisation.

The weighted average number of ordinary shares in issue during the three months ended 30 September 2013 was the assumption that 300,000,000 shares, were in issue after the capitalisation issue pursuant to the Reorganisation.

The dilutive earnings per share was the same as the basic earnings per share as there were no other potential dilutive ordinary shares outstanding during the three months and six months ended 30 September 2014 and 2013.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group paid approximately HK\$190,802,000 (six months ended 30 September 2013: HK\$9,348,000) on acquisition of property, plant and equipment.

The Group disposed of certain plant and equipment with a carrying amount of approximately HK\$154,000 (six months ended 30 September 2013: HK\$763,000) at considerations of approximately HK\$365,000 (six months ended 30 September 2013: HK\$1,800,000) during the six months ended 30 September 2014.

12. TRADE AND OTHER RECEIVABLES

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Trade receivables	24,225	13,039
Other receivables	11,161	5,390
Deposits	20,984	17,544
Prepayment	<u>2,559</u>	<u>7,214</u>
	58,929	43,187
Less : Impairment loss recognised in respect of trade receivables	<u>(64)</u>	<u>(64)</u>
	<u>58,865</u>	<u>43,123</u>

The Group does not hold any collateral over these balances.

The Group grants an average credit period of 7 days to 30 days to its trade customers.

The following was an aged analysis of trade receivables presented based on invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Within 90 days	21,906	12,783
91–180 days	1,467	146
181–365 days	767	1
Over 365 days	<u>21</u>	<u>45</u>
	<u>24,161</u>	<u>12,975</u>

13. AMOUNTS DUE FROM DIRECTORS

Name of directors			Maximum amount outstanding during the period/year	
	30 September 2014 <i>HK\$'000</i> (unaudited)	31 March 2014 <i>HK\$'000</i> (audited)	30 September 2014 <i>HK\$'000</i> (unaudited)	31 March 2014 <i>HK\$'000</i> (audited)
Due from:				
Cheung King Fung Sunny	—	26,962	26,962	26,962
Cheung King Chuen Bobby	—	33,197	33,197	33,197
Cheung King Shan	—	26,467	26,467	26,467
Cheung King Shek	—	29,740	29,740	29,740
	<u>—</u>	<u>116,366</u>		

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

The amounts had been repaid prior to the Listing.

14. TRADE AND OTHER PAYABLES

	30 September 2014 <i>HK\$'000</i> (unaudited)	31 March 2014 <i>HK\$'000</i> (audited)
Trade payables	96,837	55,008
Receipt in advance	26,916	25,740
Accrued expenses and other payables	<u>19,548</u>	<u>29,528</u>
	<u>143,301</u>	<u>110,276</u>

The average credit period on trade payables is 30 days. The Group has financial risk management policies to ensure that all payables are settled within credit timeframe.

The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 September 2014 <i>HK\$'000</i> (unaudited)	31 March 2014 <i>HK\$'000</i> (audited)
Within 60 days	94,810	52,564
61–90 days	355	1,012
Over 90 days	1,672	1,432
	<u>96,837</u>	<u>55,008</u>

15. BANK OVERDRAFTS/BANK BORROWINGS

During the period ended 30 September 2014, bank overdrafts carried interest at 1-month HIBOR plus 0.25% (31 March 2014: 1-month HIBOR plus 0.25%) per annum.

	30 September 2014 <i>HK\$'000</i> (unaudited)	31 March 2014 <i>HK\$'000</i> (audited)
Variable rate bank borrowings	80,372	61,342
Variable rate trust receipt borrowings	192,377	81,926
	<u>272,749</u>	<u>143,268</u>
Secured	71,904	10,000
Unsecured	200,845	133,268
	<u>272,749</u>	<u>143,268</u>

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

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Within one year	210,092	136,279
After one year but within two years	7,758	2,979
After two years but within five years	16,944	4,010
After five years	<u>37,955</u>	<u>—</u>
	<u>272,749</u>	<u>143,268</u>
Carrying amount of bank borrowings that are repayable on demand or within one year	210,092	136,279
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>62,657</u>	<u>6,989</u>
	<u>272,749</u>	<u>143,268</u>

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

	30 September 2014 (unaudited)	31 March 2014 (audited)
Variable rate bank borrowings	<u>0.81%–2.00%</u>	<u>0.81%–1.96%</u>

- (b) The bank borrowings are all denominated in HK\$.
- (c) As at 31 March 2014, the bank borrowings of approximately HK\$9,942,000 was guaranteed by the Government of the Hong Kong Special Administrative Region for an amount equivalent to 50% to 80% of the respective bank borrowing amount granted by the banks to the Group. The corresponding bank borrowings were released during the six months ended 30 September 2014.
- (d) As at 31 March 2014, all bank borrowings were guaranteed by Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the "Cheung Brothers"). The personal guarantee provided by Cheung Brothers was released prior to the Listing.
- (e) As at 31 March 2014, bank borrowings of approximately HK\$143,268,000 were secured by certain investment properties of the Group's related companies. The investment properties pledged by the related companies were released prior to the Listing.
- (f) As at 30 September 2014, secured bank borrowings of approximately HK\$10,000,000 (31 March 2014: HK\$10,000,000) were secured by pledged bank deposits with carrying amount of approximately HK\$4,608,000 (31 March 2014: HK\$9,761,000).
- (g) As at 30 September 2014, secured bank borrowings of approximately HK\$61,904,000 (31 March 2014: nil) were secured by properties with carrying amount of approximately HK\$168,555,000 (31 March 2014: nil).

16. SHARE CAPITAL

		30 September 2014 (unaudited)		31 March 2014 (audited)	
	Notes	Number of Shares	Share capital HK\$	Number of Shares	Share capital HK\$
Ordinary shares of HK\$0.01 each					
<i>Authorised</i>					
At the beginning of period/year		38,000,000	380,000	38,000,000	380,000
Increase during the period/year	(b)	<u>9,962,000,000</u>	<u>99,620,000</u>	—	—
At the end of the period/year		<u>10,000,000,000</u>	<u>100,000,000</u>	<u>38,000,000</u>	<u>380,000</u>
<i>Issued and fully paid</i>					
At the beginning of period/year		1	0.01	1	0.01
Issue of shares to CKK Investment	(c)	43	0.43	—	—
Issue of shares to Cheung Brothers	(d)	16	0.16	—	—
Issue of shares upon capitalisation issue	(e)	299,999,940	2,999,999.40	—	—
Issue of shares upon placing	(f)	<u>100,000,000</u>	<u>1,000,000.00</u>	—	—
At the end of the period/year		<u>400,000,000</u>	<u>4,000,000.00</u>	<u>1</u>	<u>0.01</u>

Notes:

- The share capital of the Group as at 31 March 2014 represented the sum of amount of share capital of the Company and the subsidiaries now comprising the Group.
- Pursuant to the resolutions in writing of the shareholders of the Company passed on 20 May 2014, the authorised share capital of the Company was increased to HK\$100,000,000 by creation of 9,962,000,000 new shares of HK\$0.01 each.
- On 7 May 2014, CKK Investment, the immediate holding company of the Company, entered into a subscription agreement with the Company pursuant to which CKK Investment agreed to subscribe for 43 new shares of HK\$0.01 each, at par value, at a total subscription price of HK\$0.43.
- On 20 May 2014, the Company acquired the entire interests in Telecom Digital Investment Limited in consideration of and in exchange for which the Company allotted and issued 16 shares in aggregate, credited as fully paid, to Cheung Brothers.
- On 20 May 2014, pursuant to the resolution of the then shareholders of the Company, it was approved to issue 299,999,940 ordinary shares of HK\$0.01 each to the shareholders by way of capitalisation of HK\$2,999,999 from the share premium account arose from the placing of 100,000,000 ordinary shares of the Company. Such shares were issued on 27 May 2014, being the date of completion of placing.

- (f) In connection with the Company's placing and listing, the Company issued a total of 100,000,000 ordinary shares HK\$0.01 each at a price of HK\$1.0 per share. Of the total gross proceeds, HK\$100,000,000, HK\$1,000,000 representing the par value credit to the Company's share capital and HK\$99,000,000, before the share issue expenses, credit to the share premium account. The Company's total number of issued shares was increased to 400,000,000 shares upon completion of the placing. Dealing of the Company's shares on the GEM of the Stock Exchange commenced on 30 May 2014.

All shares issued during the six months ended 30 September 2014 rank pari passu with existing shares in all respects.

17. OPERATING LEASES COMMITMENT

The Group as lessee

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

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Within one year	32,303	33,126
In the second to fifth year, inclusive	<u>13,029</u>	<u>11,480</u>
	<u>45,332</u>	<u>44,606</u>

The Group leases certain of its office premises, cell sites and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three (as at 31 March 2014: one to three) years with fixed rentals as at 30 September 2014.

The Group as lessor

Sub-letting income earned during the Period was approximately HK\$1,756,000 (six months ended 30 September 2013: HK\$1,855,000). The office premises, transmission stations, warehouse and service outlets are sub-letted to third parties under operating lease with leases negotiated for a term of one to three years as at 30 September 2014 (31 March 2014: one to three years).

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

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Within one year	2,167	1,201
In the second to fifth year, inclusive	<u>—</u>	<u>162</u>
	<u>2,167</u>	<u>1,363</u>

18. RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Group had the following material transactions and balances with related parties during the periods:

Name of company	Nature of transaction	Notes	Three months ended 30 September		Six months ended 30 September	
			2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Asia King Investment Limited	Rental expenses paid thereto	(ii) & (v)	—	400	—	1,000
Chief Plus Limited	Rental expenses paid thereto	(ii) & (iv)	—	—	—	195
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	939	498	1,728	996
	Interest income received	(i) & (iii)	—	113	—	228
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	189	91	369	231
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	17	—	17	—
Oceanic Rich Limited	Rental expenses paid thereto	(ii) & (iii)	—	130	—	260
	Interest income received	(i) & (iii)	—	2	—	3
Radiotex International Limited	Purchases of goods thereto	(i) & (iii)	6,119	2,082	9,513	3,638
Silicon Creation Limited	Rental expenses paid thereto	(ii) & (iii)	1,250	1,079	2,176	2,159
	Interest income received	(i) & (iii)	—	10	—	14
Sun Mobile Limited (formerly known as “New World Mobility Limited”)	Service fee income received	(i) & (iii)	51,382	43,711	102,293	85,540
Telecom Properties Investment Limited (formerly known as “Telecom Digital Holdings Limited (HK)”)	Rental expenses paid thereto	(ii) & (iii)	440	413	879	833
	Interest income received	(i) & (iii)	—	1	—	1
Telecom Digital Securities Limited	Technical support service income received	(i) & (iii)	30	30	60	60
	Promotion service income received	(i) & (iii)	—	47	—	90
	Consultancy fee income received	(i) & (iii)	75	75	150	150
	Subscription fee income received	(i) & (iii)	266	157	535	297

Name of company	Nature of transaction	Notes	Three months ended 30 September		Six months ended 30 September	
			2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
	Rental expense paid thereto	(ii) & (iii)	—	84	—	168
	Sub-letting income received	(ii) & (iii)	56	159	117	318
	Advertising and promotion fee received	(i) & (iii)	82	143	164	278
Telecom Service Limited	Rental expenses paid thereto	(ii) & (iii)	208	208	416	416
Telecom Service One Limited	Repairing service fee paid thereto	(i) & (iii)	1,800	3,891	3,130	7,187
	Telecommunication service income received	(i) & (iii)	—	15	—	33
	Sales of goods	(i) & (iii)	—	—	—	1
	Consignment fee received	(i) & (iii)	666	509	1,218	884
	Licensing fee received	(i) & (iii)	—	6	6	14
	Logistic fee income received	(i) & (iii)	318	188	547	360

Details of amounts due from related companies are as follows:

	Notes	Maximum amount outstanding during the period/year			
		30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Telecom Digital Securities Limited	(iii) & (vii)	99	—	99	165
East-Asia Pacific Limited	(iii) & (vi)	—	55,931	55,931	187,127
		99	55,931		

Details of amounts due to related companies are as follows:

		30 September	31 March
		2014	2014
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Telecom Service One Limited	<i>(iii) & (vii)</i>	837	862
Radiotex International Limited	<i>(iii) & (vii)</i>	4,021	—
		4,858	862

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.
- (ii) The rental income, sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.
- (iii) Cheung Brothers, directors of the Company, have beneficial interests in the relevant parties.
- (iv) Cheung King Shek, director of the Company, has beneficial interests in the relevant parties.
- (v) Cheung King Fung Sunny, director of the Company, has beneficial interests in the company.
- (vi) The amount was fully settled prior to the Listing.
- (vii) The amounts were arisen from normal sales and purchase transactions. The amounts are unsecured, interest-free and expected to be settled according to their respective credit terms which are similar to those with third parties.

(b) Banking facilities

In addition to the pledge of the Group's bank deposits, certain banking facilities of the Group during the year ended 31 March 2014 were secured by the followings:

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

Prior to the Listing, the guarantee provided by Cheung Brothers and related companies, the charge over the properties of certain related companies were released.

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

(d) Operating leases commitment

As at 30 September 2014, the Group had commitments for future minimum lease payments to certain related companies of approximately HK\$1,014,000 (31 March 2014: HK\$963,000) under non-cancellable operating leases which fall due within one year.

(e) Compensation of key management personnel

The remuneration of key management during the periods was as follow:

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Short-term benefits	2,683	1,910	4,841	3,655
Post-employment benefits	70	60	133	120
	<u>2,753</u>	<u>1,970</u>	<u>4,974</u>	<u>3,775</u>

The remuneration of the key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

19. CONTINGENT LIABILITIES

At 31 March 2014, the Group has financial guarantees given to banks in respect of mortgage loans granted to certain related companies for acquisition of properties of approximately HK\$87,460,000 (30 September 2014: Nil).

The directors of the Company considered that the fair value of the financial guarantee is insignificant as at 31 March 2014.

Prior to the Listing, the financial guarantees provided by the Group were released.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was founded in 1974 as one of the first paging operators in Hong Kong. It has been actively engaged in the telecommunications and related business and maintained its market position as one of the leading comprehensive telecommunication service providers in Hong Kong and Macau. The business segments of the Group include (i) retail sales of mobile phones and pre-paid SIM cards and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunication services; and (iv) provision of operation services to Sun Mobile Limited (“Sun Mobile”) (formerly known as New World Mobility Limited, which changed its brand name on 25 September 2014), an associate owned as to 40% by the Group and as to 60% by HKT Limited.

In the period under review, the Group experienced growth in both revenue and sales volume on distribution business as compared with the result for the same period of last year. The Group has been focusing on the optimisation of the existing handling capacity of the logistic team with better advance scheduling and improved operating efficiency. In addition, the Group entered into agreements with two mobile phone manufacturers, being the third and fourth brands of mobile phones the Group distributes, in June 2014 and August 2014 respectively, whereby the Group is engaged to distribute mobile phones of these two brands to wholesalers and retailers in Hong Kong.

Financial Review

Segment Analysis:

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Retail business	102,841	109,674	222,321	231,554
Distribution business	91,275	99,884	243,378	176,430
Paging and other telecommunication services	25,720	33,543	53,883	70,451
Operating services	49,090	38,202	96,211	74,235
Total revenue	<u>268,926</u>	<u>281,303</u>	<u>615,793</u>	<u>552,670</u>

Revenue

The Group's revenue for the six months ended 30 September 2014 was approximately HK\$615,793,000 (six months ended 30 September 2013: HK\$552,670,000), representing an increase of 11.4% over the corresponding period of the previous year. The increase in the Group's revenue was mainly due to higher revenue generated from distribution and operating business.

Revenue from retail sales of mobile phones and pre-paid SIM cards and provision of related services experience a decrease of 13.9% as compared to the first quarter. Apple launched its new iPhone 6 in mid September 2014. Customers are hesitant to compare the new iPhone with other brands which affected the result in mobile phones sales in the second quarter of 2014/15.

The business of mobile phones distribution and provision of related services grew 37.9% as compared to the same period last year. With more new agreements entered into between the Group and the mobile phone manufacturers, revenue from mobile phones distribution business will continue to grow in the second half of the year.

Revenue from provision of paging and other telecommunication services experienced a drop of 8.7% from the first quarter of the financial year 2014/15. This is primarily because the Group's paging and Mobitex based services face the competition posed by more alternative communication services and the use of internet and other wireless communication become affordable and popular.

Revenue from provision of operation services is continuing its healthy growth and hit a new record of approximately HK\$96,211,000 in the second quarter of the financial year 2014/15, representing an increase of approximately 29.6% as compared to the same period last year. The increase was mainly due to the adjustment on mobile service monthly plan fees and the increase in customers of Sun Mobile.

Other Income

Other income mainly contributed by rental income and interest income. Other income was approximately HK\$2,660,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$3,912,000), representing a decrease of 32.0% from the corresponding period of the previous year. The decrease was mainly due to a gain on disposal of plant and equipment of HK\$1,049,000 derived in 2013.

Other Operating Expenses

The Group's other operating expenses are mainly consisted of rental and building management fees, information fees in respect of horse racing, football matches and stock market, advertising and promotion expenses, operation fees for paging centre and customer service centre, repair cost for pagers and Mobitex devices, roaming charges, bank charges, audit and professional fees and other office expenses. Other operating expenses for the six months ended 30 September 2014 were approximately HK\$98,112,000 (six months ended 30 September 2013: HK\$88,340,000), representing an increase of 11.1% over the previous year.

The increase was mainly brought by the increase in advertising and promotion, rental expenses and the listing expenses incurred in the Listing, and partly off-set by the decrease in information fees. The decrease in information cost was mainly due to the decrease in financial data charged by HKEx Information Services Limited by reference to the usage of information. Because of the declining number of subscribers, the usage of information decreased accordingly. The increase in rental expenses was mainly due to the increase in market rental and the number of shops during the Period.

Share of Results of an Associate

Share of result of an associate for the year was approximately HK\$12,999,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$11,057,000), representing an increase of approximately 17.6% as compared to the corresponding period of the previous year. The amount represents the Group's share of net profit of Sun Mobile. The increase was also mainly due to the adjustment on mobile service monthly plan fees and the increase in customers of Sun Mobile.

Finance Costs

Except for the mortgage loans obtained during the last six months to finance the purchase of the office premises, there is no significant change in the Group's bank borrowing throughout the Period. The finance costs was approximately HK\$1,228,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$1,852,000).

Income Tax Expenses

Income tax for the six months ended 30 September 2014 was approximately HK\$4,171,000 (six months ended 30 September 2013: HK\$4,625,000), which included deferred tax credit of approximately HK\$11,000 (six months ended 30 September 2013: deferred tax expense of HK\$1,214,000) representing a decrease of 9.8%. The decrease was mainly due to the difference between the carrying amounts of properties and the corresponding tax base used in the computation of taxable profits.

Profit before Tax

The Group had recorded a profit before tax of approximately HK\$46,850,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$46,507,000), representing a slight increase of 0.7% from the corresponding period of the previous year.

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the six months ended 30 September 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the Group managed to maintain stable liquidity with cash and cash equivalents of approximately HK\$35,883,000 (31 March 2014: HK\$11,077,000).

As at 30 September 2014, the aggregate bank overdrafts and bank borrowings of the Group amounted to approximately HK\$272,800,000 (31 March 2014: HK\$150,715,000).

The Group has a current ratio of approximately 0.7 as at 30 September 2014 comparing to that of 1.2 as at 31 March 2014. As at 30 September 2014, the Group's gearing ratio was 206.5% as compared to 109.4% as at 31 March 2014, which is calculated based on the Group's total borrowings of approximately HK\$277,658,000 (31 March 2014: HK\$151,577,000) and the Group's total equity of approximately HK\$134,455,000 (31 March 2014: HK\$138,534,000). The Group's total cash at banks as at 30 September 2014 amounted to approximately HK\$40,542,000 (31 March 2014: HK\$21,997,000). The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group has financial guarantees given to banks in respect of mortgage loans granted to certain related companies for acquisition of properties of approximately HK\$87,460,000. Prior to the Listing, the financial guarantees provided by the Group were released.

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENTS

As at 30 September 2014, the Group did not have any significant capital commitments (31 March 2014: Nil).

INTERIM DIVIDEND

The Directors proposed to declare and distribute to the shareholders an interim dividend of HK\$0.02 per share, payable on 28 November 2014 to Shareholders on record as at 26 November 2014.

CAPITAL STRUCTURE

There was no change in the capital structure during the period ended 30 September 2014. The capital structure of the Group consists of bank borrowings net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves. The management reviews the capital structure regularly. As part of the review, they consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

SIGNIFICANT INVESTMENTS HELD

Except for investments in subsidiaries and an associate, during the period ended 30 September 2014, the Group did not hold any significant investment in equity interest in any other company.

As at 30 September 2014, the Group is holding approximately HK\$169,493,000 properties in Hong Kong.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2014, the Group employed approximately 461 (31 March 2014: 445) full time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

OUTLOOK

The Company was listed on GEM of the Stock Exchange on 30 May 2014 which enhanced the Group's reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for its further expansion. To increase brand awareness, the Group will further expand their sales network by opening more retail shops.

The number of mobile users has been rising since the last few decades. The escalating trend provides an excellent opportunity for the Group to expand and maximize its profitable retail sales and distribution of mobile phones business.

Looking forward, the Group will continue to strengthen its leading position in the telecommunications market by enhancing the scope of the Group's service quality and brand recognition.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period ended 30 September 2014 (the "Review Period") is set out below:

Business objectives for the Review Period Actual Business Progress for Review Period

Expansion of the Group's shop network and opening of flagship stores to strengthen its business of retail sales of mobile phones

- Identify suitable locations for new shops The Group keeps searching for suitable locations for expanding its shops network.
- Employ 5 new customer service staff The Group has employed different level of new staff. They were trained by providing on-job training on product knowledge, soft selling and customer handling skills.
- Establish one new shop The Company opened 4 new shops at Tai Po, San Po Kong, Tuen Mun and Tin Shui Wai respectively during the period.

Expanding the Group's head office and logistics vehicle fleet to cope with its growth of business

- Identify appropriate properties as the Group's potential new office The Group purchased certain premises at Kowloon Bay to serve as head office and warehouse.
- Purchase 2 new trucks The Group purchased 4 new motor vans for its logistic team during the period.

Enhancing management capability and efficiency by implementing an ERP system

- Obtain quotation from service providers and discuss the scope of the service with the service providers The Group keeps identifying suitable ERP system from service providers.

Use of Proceeds

The net proceeds from the Placing were approximately HK\$77.7 million, which was based on the final placing price of HK\$1.00 per share and the actual expenses on the Listing of shares of the Company. The Group intends to apply such net proceeds as follows:

	Planned use of proceeds as stated in the Prospectus during the Period HK\$'million	Actual use of proceeds during the Period HK\$'million
Expansion of Group's shop network and opening of flagship stores to strengthen its business of retail sales of mobile phones	10	2
Expansion of Group's head office and logistics vehicle fleet to cope with its growth of business	56	55
Implementation of an ERP system to enhance management capacity and efficiency	5	—
General working capital	<u>6.7</u>	<u>6.7</u>
	<u>77.7</u>	<u>63.7</u>

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The uses of proceeds were applied in accordance with the actual development of the market.

As the date of this announcement, approximately HK\$63.7 million out of the net proceeds from the Listing has been used.

As at the date of this announcement, the unused net proceeds were placed with banks in Hong Kong as short-term deposits. The unused net proceeds amounted to HK\$14 million, of which HK\$5 million is intended to implement an ERP system and HK\$9 million is intended to expand the Group's shop network and logistics vehicle fleet, respectively.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

OTHER INFORMATION

Interim Dividend and Closure of Register of Members

The Board is pleased to announce an interim dividend of HK\$0.02 per share for the six months ended 30 September 2014, payable on 28 November 2014 to shareholders of the Company on record as at 26 November 2014.

The register of members of the Company will be closed from 25 to 26 November 2014 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the abovementioned interim dividend, all transfer of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 24 November 2014.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period from the date of Listing (i.e. 30 May 2014, the "Listing Date") to 30 September 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 September 2014, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company

Long Position

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheung King Shek	Beneficial owner	20,000,000	5%
	Beneficiary of a trust ^{Note A}	220,000,000	55%
Mr. Cheung King Shan	Beneficial owner	20,000,000	5%
	Beneficiary of a trust ^{Note A}	220,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,000,000	5%
	Beneficiary of a trust ^{Note A}	220,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	20,000,000	5%
	Beneficiary of a trust ^{Note A}	220,000,000	55%

Note A:

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

Save as disclosed above, as at 30 September 2014, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

Share Option Scheme

The share option scheme of the Company (the “Share Option Scheme”) was adopted by all shareholders of the Company by way of written resolution on 20 May 2014. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group’s business; to provide additional incentives to employees (full-time and part-time), any person who is seconded to work for any member of the Group or any Affiliates, consultant, agent, representative, adviser, customer, contractor, business partner/ally/alliance, joint venture partner or supplier of the Group (collectively, the “Eligible Person”) and any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company.

No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period from the Listing Date to 30 September 2014 and there were no outstanding share options under the Share Option Scheme as at 30 September 2014 and at the date of this announcement.

Directors’ Right to Acquire Shares

Save as disclosed above, at no time during the period from the Listing Date to 30 September 2014 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Directors’ Securities Transactions

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 (the “Required Standard of Dealings”) of the GEM Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the period from the Listing Date to 30 September 2014, they were in compliance with the required provisions set out in the Required Standard of Dealings. All Directors declared that they have complied with the Required Standard of Dealings throughout the period from the Listing Date to 30 September 2014.

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

As at 30 September 2014, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Long Position

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

Note B:

Ms. Law Lai Ying Ida is the wife of Mr. Cheung King Shek. Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Law Lai Ying Ida, Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 240,000,000 shares which are interested by their respective husbands.

Save as disclosed above, as at 30 September 2014, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

As at 30 September 2014, none of the Directors nor their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Interests of Compliance Adviser

As notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Guotai Junan in May 2014) as at 30 September 2014 and the date of this announcement.

Corporate Governance Practices

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the period from the Listing Date to 30 September 2014 except the deviation mentioned in the following paragraph.

According to the code provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the period from the Listing Date to 30 September 2014, the executive Directors and chief financial officer of the Company have provided and will continue to provide to all non-executive Directors updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.

Update on Directors' Information Under Rule 17.50A of The Gem Listing Rules

Changes of Directors' information since the Company's last published annual report required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules are set out below:

- With effect from 1 August 2014, the remuneration of the Directors has been revised as follows:

Revised remuneration

Executive Directors

Mr. Cheung King Shek	HK\$1,584,000 per annum
Mr. Cheung King Fung Sunny	HK\$1,584,000 per annum

Non-executive Directors

Mr. Cheung King Shan	HK\$1,584,000 per annum
Mr. Cheung King Chuen Bobby	HK\$1,584,000 per annum

The remuneration of other Directors remains unchanged. The remuneration was determined by the remuneration committee and the board of the Company with reference to market rates and the duties and responsibilities of the Directors.

- With effect from 11 August 2014, Mr. Cheung King Fung Sunny was appointed the chief executive officer of Telecom Service One Holdings Limited (stock code: 8145), a company listed on GEM.

Save as disclosed above, the Company is not aware of other changes of the Directors' information which is required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

Review of Results

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam Yu Lung, Mr. Hui Ying Bun and Mr. Ho Nai Man Paul. Mr. Lam Yu Lung is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited interim results for the Period.

By order of the Board
Telecom Digital Holdings Limited
Cheung King Shek
Chairman

Hong Kong, 10 November 2014

As at the date of this announcement, the executive Directors are Mr. Cheung King Shek, Mr. Cheung King Fung Sunny, Ms. Mok Ngan Chu and Mr. Wong Wai Man, the non-executive Directors are Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby and the independent non-executive Directors are Mr. Hui Ying Bun, Mr. Ho Nai Man Paul and Mr. Lam Yu Lung.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at <http://www.tdhl.cc>.