



## 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)**

### **ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2016**

#### **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

### THIRD QUARTERLY 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 nine months ended 31 December 2016 (the "Period"), together with the corresponding comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2016

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	<b>235,754</b>	401,586	<b>822,199</b>	1,167,460
Cost of inventories sold		<b>(120,625)</b>	(301,134)	<b>(482,749)</b>	(856,240)
Staff cost		<b>(43,493)</b>	(33,934)	<b>(121,164)</b>	(106,339)
Depreciation		<b>(6,476)</b>	(5,694)	<b>(17,977)</b>	(17,024)
Other income	6	<b>2,059</b>	1,792	<b>4,665</b>	5,133
Other operating expenses		<b>(50,398)</b>	(47,646)	<b>(142,980)</b>	(141,437)
Share of results of an associate		<b>7,633</b>	8,423	<b>24,318</b>	24,227
Finance costs	7	<b>(825)</b>	(1,158)	<b>(2,677)</b>	(4,321)
Profit before tax		<b>23,629</b>	22,235	<b>83,635</b>	71,459
Income tax expense	8	<b>(3,350)</b>	(2,636)	<b>(11,191)</b>	(8,731)
Profit and total comprehensive income for the period		<b>20,279</b>	19,599	<b>72,444</b>	62,728
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		<b>20,472</b>	19,599	<b>72,364</b>	62,728
Non-controlling interest		<b>(193)</b>	—	<b>80</b>	—
		<b>20,279</b>	19,599	<b>72,444</b>	62,728
Earnings per share (HK\$)	10				
Basic		<b>0.05</b>	0.05	<b>0.18</b>	0.16
Diluted		<b>0.05</b>	0.05	<b>0.18</b>	0.16

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>Note (i)</i>	Share option reserve HK\$'000	Exchange reserve HK\$'000	Legal reserve HK\$'000 <i>Note (ii)</i>	Retained profits HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
At 1 April 2015 (audited)	4,000	87,363	5,404	—	(233)	91	74,664	171,289	—	171,289
Profit and total comprehensive income for the period	—	—	—	—	—	—	62,728	62,728	—	62,728
Equity-settled share-based expense	—	—	—	2,242	—	—	—	2,242	—	2,242
<b>Effect of share option</b>										
— shares issued upon exercise of share option	1	133	—	(28)	—	—	—	106	—	106
— lapse of share option	—	—	—	(43)	—	—	43	—	—	—
Payment of dividends <sup><i>Note 9</i></sup>	—	—	—	—	—	—	(28,004)	(28,004)	—	(28,004)
At 31 December 2015 (unaudited)	4,001	87,496	5,404	2,171	(233)	91	109,431	208,361	—	208,361
At 1 April 2016 (audited)	<b>4,001</b>	<b>87,502</b>	<b>5,404</b>	<b>2,177</b>	<b>(233)</b>	<b>91</b>	<b>136,144</b>	<b>235,086</b>	—	<b>235,086</b>
Profit and total comprehensive income for the period	—	—	—	—	—	—	<b>72,364</b>	<b>72,364</b>	<b>80</b>	<b>72,444</b>
Non-controlling interest arising on acquisition of a subsidiary	—	—	—	—	—	—	—	—	<b>1,399</b>	<b>1,399</b>
Effect of capital reduction	—	—	—	—	—	—	—	—	<b>(1,400)</b>	<b>(1,400)</b>
<b>Effect of share option</b>										
— share issued upon exercise of share option	<b>28</b>	<b>7,876</b>	—	<b>(1,615)</b>	—	—	—	<b>6,289</b>	—	<b>6,289</b>
— lapse of share option	—	—	—	<b>(82)</b>	—	—	<b>82</b>	—	—	—
Payment of dividends <sup><i>Note 9</i></sup>	—	—	—	—	—	—	<b>(52,157)</b>	<b>(52,157)</b>	—	<b>(52,157)</b>
At 31 December 2016 (unaudited)	<b>4,029</b>	<b>95,378</b>	<b>5,404</b>	<b>480</b>	<b>(233)</b>	<b>91</b>	<b>156,433</b>	<b>261,582</b>	<b>79</b>	<b>261,661</b>

Notes:

- (i) 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.
- (ii) 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 relevant subsidiary's registered capital. Legal reserve is not distributable to shareholders.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 31 December 2016*

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

The functional currency of the Company is Hong Kong dollars ("HK\$") while that 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, as defined in the section headed "Definition" to the prospectus of the Company dated 26 May 2014 (the "Prospectus").

The Company is principally engaged in investment holding.

## **2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of the GEM Listing Rules.

### 3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the consolidated financial statements for the year ended 31 March 2016. The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 April 2016. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the condensed consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

### 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 31 December		Nine months ended 31 December	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Retail business	<b>113,197</b>	107,526	<b>354,164</b>	355,334
Distribution business	<b>22,958</b>	202,956	<b>179,316</b>	560,573
Paging and other telecommunications services	<b>20,106</b>	23,102	<b>61,426</b>	75,242
Operation services	<b>79,493</b>	68,002	<b>227,293</b>	176,311
Total revenue	<b>235,754</b>	401,586	<b>822,199</b>	1,167,460

## 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:

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

### **Geographical information**

During the nine months ended 31 December 2016, the Group's operations were located in Hong Kong and Macau (2015: Hong Kong and Macau). More than 99% 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 2015.

## 6. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Bank interest income	39	63	142	217
Consultancy income	75	75	225	225
Rental income	1,063	910	3,114	2,345
Warehouse storage income	—	77	—	232
Exchange gain	321	628	616	1,928
Others	561	39	568	186
Other income	2,059	1,792	4,665	5,133

## 7. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest expenses on bank borrowings and bank overdrafts	825	1,158	2,677	4,321

## 8. INCOME TAX EXPENSE

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 each period.

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

## 9. DIVIDENDS

	Nine months ended 31 December			
	2016		2015	
	HK\$	HK\$'000	HK\$	HK\$'000
	per share	(unaudited)	per share	(unaudited)
Dividends recognised as distribution during the periods:				
2014/15 final dividend	—	—	0.02	8,000
2015/16 first interim dividend	—	—	0.05	20,004
2015/16 second interim dividend	<b>0.05</b>	<b>20,010</b>	—	—
2016/17 first interim dividend	<b>0.03</b>	<b>12,008</b>	—	—
2016/17 second interim dividend	<b>0.05</b>	<b>20,139</b>	—	—
		<b>52,157</b>		28,004

At a meeting held on 7 February 2017, the Board declared the third interim dividend of HK\$0.05 per share for the nine months ended 31 December 2016 (2015: Nil).



## 10. EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Earnings</b>				
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	<b>20,472</b>	19,599	<b>72,364</b>	62,728
	Three months ended 31 December		Nine months ended 31 December	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>402,283,880</b>	400,050,000	<b>400,955,291</b>	400,030,545
Effect of dilutive potential ordinary shares:				
— share option	<b>642,957</b>	—	<b>709,256</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>402,926,837</b>	400,050,000	<b>401,664,547</b>	400,030,545

The weighted average number of ordinary shares in issue during the nine months ended 31 December 2016 represented 400,050,000 ordinary shares in issue during the year ended 31 March 2016 and the weighted average of 2,833,000 ordinary shares issued upon the share option exercised during the Period.

The computation of diluted earnings per share for the nine months ended 31 December 2015 does not assume the exercise of the Company's outstanding share option because the exercise price of those share options during the period was higher than the average market price for shares.

## **11. SHARE OPTION SCHEME**

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 20 May 2014 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 May 2024. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, subject to the acceptance from them to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share option to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within twenty-eight days from the date of the offer, upon payment of HK\$1 per acceptance of offer. Option periods of the options granted shall not be greater than a period of ten years from the date of grant of the options. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. Options may be exercised at any time from the date of grant of the share option to the 3 anniversary of the date of grant. The exercise price is determined by the directors of the Company.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	<b>Options granted on 7 July 2015</b>
Underlying stock price	HK\$1.98
Exercise price	HK\$2.22
Contractual Option Life	3 years
Risk-free rate	0.62%
Expected dividend yield	2.60%
Expected volatility of underlying share	78.48%
Exercise multiple	Directors: 2.47 Employees: 1.6
Exit rate	Directors: 0% Employees: 10%
Estimated fair value for each share option	Directors: HK\$0.81 Employees: HK\$0.57

Expected volatility was determined by using the historical volatility of the similar industry as the Company's share price over the previous years. The exit rate in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group maintained its market position as one of the leading comprehensive telecommunications service providers in Hong Kong and Macau. The business segments of the Group include (i) retail sales of mobile phones and pre-paid SIM cards and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to Sun Mobile Limited (“SUN Mobile”), an associate owned as to 40% by the Group and as to 60% by HKT Limited.

The Group has been actively expanding the scale of retail and operation business. In the Period under review, the revenue from retail and operation business increased approximately 9.4% as compared to the corresponding period of the previous year. The management believes that contribution from these sectors to the Group’s revenue will continue to grow in the near future. However, due to the popularisation of internet and other wireless communication, revenue from paging services was kept decreasing during the last few years. The Group will continue to prudently manage its business, implementing stricter financial control, streamlining operation and expenditure austerity.

In addition, due to the change of distribution model of a mobile phone manufacturer, revenue from distribution business decreased approximately 68.0% to approximately HK\$179,316,000 as compared to the corresponding period of the previous year. The distributor agreement was expired in August 2016. As the Group continues to seek for other business opportunities, it did not have any material adverse impact on the financial position and operation of the Group.

## FINANCIAL REVIEW

### Segment Analysis

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Retail business	<b>113,197</b>	107,526	<b>354,164</b>	355,334
Distribution business	<b>22,958</b>	202,956	<b>179,316</b>	560,573
Paging and other telecommunications services	<b>20,106</b>	23,102	<b>61,426</b>	75,242
Operating services	<b>79,493</b>	68,002	<b>227,293</b>	176,311
Total revenue	<b>235,754</b>	401,586	<b>822,199</b>	1,167,460

### Revenue

The Group's revenue for the nine months ended 31 December 2016 was approximately HK\$822,199,000 (2015: HK\$1,167,460,000), representing a decrease of approximately 29.6% over the corresponding period of the previous year. The decrease in the Group's revenue was mainly due to decrease in revenue generated from distribution business.

For the nine months ended 31 December 2016, revenue from retail sales of mobile phones and pre-paid SIM cards and provision of related services decreased approximately 0.3% as compared to the same period last year to approximately HK\$354,164,000 (2015: HK\$355,334,000). This is the major source of revenue of the Group.

The business of mobile phone distribution and provision of related services for the Period decreased approximately 68.0% as compared to the same period last year. It was mainly due to the expiry of a distributor agreement in August 2016.

Revenue from provision of paging and other telecommunications services for the Period dropped approximately 18.4% as compared to the same period last year. This is primarily due to the popularity of various channels of mobile communication, the total number of paging and Mobitex based services subscribers has continued to experience a decrease during the Period.

Revenue from provision of operation services continues its healthy growth and hit a new record of approximately HK\$227,293,000 for the Period, representing an increase of approximately 28.9% 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 is mainly contributed by rental income, exchange gain, interest income and consultancy income. Other income was approximately HK\$4,665,000 for the nine months ended 31 December 2016 (2015: HK\$5,133,000), representing a decrease of approximately 9.1% from the corresponding period of the previous year. Such decrease was primarily due to decrease in exchange gain.

### **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 nine months ended 31 December 2016 were approximately HK\$142,980,000 (2015: HK\$141,437,000), representing a slight increase of approximately 1.1% over the corresponding period of the previous year.

### **Share of Results of an Associate**

Share of results of an associate was approximately HK\$24,318,000 for the nine months ended 31 December 2016 (2015: HK\$24,227,000), representing an increase of approximately 0.4% 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**

There is no significant change in the Group's bank borrowings throughout the Period. The finance costs for the nine months ended 31 December 2016 were approximately HK\$2,677,000 (2015: HK\$4,321,000).

## **Income Tax Expense**

Income tax for the nine months ended 31 December 2016 was approximately HK\$11,191,000 (2015: HK\$8,731,000), representing an increase of approximately 28.2%.

## **Profit before Tax**

The Group had recorded a profit before tax of approximately HK\$83,635,000 for the nine months ended 31 December 2016 (2015: HK\$71,459,000), representing an increase of approximately 17.0% from the corresponding period of the previous year. The increase was primarily due to the increase in operating services income.

## **MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS**

Except for purchase of a real property for commercial use in the amount of HK\$38,800,000, the Group did not make any material acquisition or disposal of subsidiaries or significant investments during the nine months ended 31 December 2016 (2015: HK\$25,200,000).

## **THIRD INTERIM DIVIDEND**

The third interim dividend of HK\$0.05 per share (2015: Nil) will be paid on or about 1 March 2017 to shareholders whose names appear on the register of members of the Company on 24 February 2017.

## **OUTLOOK**

The objective of the Group is to focus on the telecommunications market in Hong Kong. It aims to continue to enhance its service quality, strengthen its market position, increase its market share and strengthen the brand recognition of the Group. To achieve such objectives, the Group expanded its shop network in the past few years. As at the date of this announcement, the Group had 69 shops in operation. Riding on the Group's extensive shop network, the Group is able to have a wide exposure to potential customers, effectively promote its services and provide convenient, efficient and quality services to its customers.

As announced on 25 August 2016, the Company had submitted a formal application to the Stock Exchange for the proposed transfer of listing from GEM to the Main Board of the Stock Exchange. The application is currently under the vetting of the Stock Exchange. We hope the proposed transfer of listing, if approved by the Stock Exchange, will enhance the corporate profile of the Company and provide increased visibility and recognition of the Group.

## **USE OF PROCEEDS**

The net proceeds from the placing were approximately HK\$77,000,000, which was based on the final placing price of HK\$1.00 per share and the actual expenses on the placing and listing of shares of the Company.

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 proceeds were applied in accordance with the actual development of the market. As the date of this announcement, the whole amount of the net proceeds from the Listing has been used. The Company applied the net proceeds in the manner as stated in the Prospectus.

## **OTHER INFORMATION**

### **THIRD INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board declares the payment of the third interim dividend of HK\$0.05 per share for the Period. The third interim dividend will be payable in cash to shareholders whose names appear on the register of members of the Company on 24 February 2017.

The register of members of the Company will be closed from 23 to 24 February 2017 (both dates inclusive), for the purpose of determining shareholders' entitlement to the third interim dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the third interim dividend, all transfers 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 Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on 22 February 2017.

The payment date of the third interim dividend is expected to be on or about 1 March 2017.



## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the shareholders of the Company on 20 May 2014 which will remain in force for a period of 10 years from the effective date of the Share Option Scheme. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The principal terms of the Share Option Scheme are summarised in the section headed "D. Share Option Scheme" in Appendix V to the Prospectus.

During the Period, no share option was granted under the Share Option Scheme.

As at 31 December 2016, an aggregate of 819,000 shares were issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 0.20% of the Company's shares in issue.

Details of movements of the share options under the Share Option Scheme during the Period are as follows:

Grantees	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2016	Changes during the Period		Balance as at 31 December 2016
					Exercised	Lapsed	
Eligible employees <sup>Note (i)</sup>	7 July 2015	HK\$2.22 <sup>Note (ii)</sup>	7 July 2015– 6 July 2018 <sup>Note (iii)</sup>	3,796,000	(2,833,000) <sup>Note (iv)</sup>	(144,000)	819,000

*Notes:*

- (i) Share options were granted to certain eligible employees (two of them being present Directors of the Company), all working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance and are participants with share options not exceeding the respective individual limits. Details of the Company’s share options granted to Directors of the Company and the relevant movement(s) during the Period are set out in the section headed “(b) Long position in the share options of the Company” on page 20.
- (ii) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 6 July 2015) was HK\$1.96.
- (iii) All share options granted do not have any vesting period.
- (iv) The weighted average closing price of shares of the Company immediately before the date on which the share options were exercised was HK\$3.57.

Save as disclosed above, no share option lapsed or was granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 31 December 2016.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, 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:

### (a) Long position in the shares of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue <small>Note A</small>
Mr. Cheung King Shek	Beneficial owner	20,000,000	4.96%
	Beneficiary of a trust <small>Note B</small>	220,000,000	54.61%
Mr. Cheung King Shan	Beneficial owner	20,127,000	4.99%
	Beneficiary of a trust <small>Note B</small>	220,000,000	54.61%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,000,000	4.96%
	Beneficiary of a trust <small>Note B</small>	220,000,000	54.61%
Mr. Cheung King Fung Sunny	Beneficial owner	20,000,000	4.96%
	Beneficiary of a trust <small>Note B</small>	220,000,000	54.61%
Ms. Mok Ngan Chu	Beneficial owner	30,000	0.0074%

*Note A:* The calculation is based on 402,883,000 shares of the Company in issue as at 31 December 2016.

*Note B:* The 220,000,000 shares representing approximately 54.61% of the Company's shares in issue 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 Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the "Cheung Brothers"). Each of the Cheung Brothers is deemed to be interested in the shares in the Company held by the Cheung Family Trust under the SFO.

## (b) Long position in the share options of the Company

Pursuant to the Share Option Scheme, two Directors were granted share options to subscribe for the shares of the Company, details of which (all being personal interests) as at 31 December 2016 were as follows:

Name of Director	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2016	Changes during the Period		Balance as at 31 December 2016	Approximate percentage of the Company's shares in issue <small>Note A</small>
					Granted	Exercised		
Mr. Wong Wai Man	7 July 2015	HK\$2.22	7 July 2015 – 6 July 2018	30,000	—	—	30,000	0.0074%
Ms. Mok Ngan Chu	7 July 2015	HK\$2.22	7 July 2015 – 6 July 2018	30,000	—	30,000 <sup>Note C</sup>	—	—
				60,000	—	30,000	30,000	0.0074%

*Note C:* The closing price of shares of the Company immediately before the date on which the options were exercised on 18 October 2016 was HK\$3.77.

Save as disclosed above, as at 31 December 2016, 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.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed above, at no time during the Period was the Company, its holding companies, or any of 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, 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the Company's shares in issue 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 substantial shareholders	Capacity/ Nature of interest	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue <small>Note A</small>
CKK Investment Limited <small>Note B</small>	Beneficial owner	220,000,000	54.61%
Amazing Gain Limited <small>Note B</small>	Interest in a controlled corporation	220,000,000	54.61%
J. Safra Sarasin Trust Company (Singapore) Limited <small>Note B</small>	Trustee (other than a bare trustee)	220,000,000	54.61%
Ms. Tang Fung Yin Anita <small>Note D</small>	Interest of spouse	240,127,000	59.60%
Ms. Yeung Ho Ki <small>Note D</small>	Interest of spouse	240,000,000	59.57%

*Note D:* 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. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 240,127,000 shares and 240,000,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at 31 December 2016, 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

Save as disclosed below, as at 31 December 2016, none of the Directors nor their respective close 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:

<b>Name of Director</b>	<b>Name of Company</b>	<b>Nature of Interest</b>	<b>Competing Business</b>
Mr. Ho Nai Man Paul	Wiyoo Company Limited	director and shareholder	These two companies are engaged in the business of rental of mobile data to outbound travelers from Hong Kong as well as inbound travelers to Hong Kong. Accordingly, these two companies may indirectly compete with the Group's business of sale of SIM cards and with SUN Mobile's business of provision of roaming data services.
	Youyou Mobile Technology Limited	director and shareholder	

## INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), other than disclosed below, as at 31 December 2016, neither Guotai Junan nor any of its directors or employees or close associates had any interest in the shares 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:

- (i) the compliance adviser agreement entered into between the Company and Guotai Junan in May 2014; and
- (ii) the financial adviser agreement in relation to the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange entered into between the Company and Guotai Junan in August 2016.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules throughout the Period 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, the chief executive officer and chief financial officer of the Company have provided and will continue to provide to all members of the Board with 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.

## 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, among other things, are to make recommendations to the Board on the appointment, re-appointment and removal of external auditor; to review the financial statements and material advice in respect of financial reporting; to oversee the financial reporting system, risk management and internal control systems of the Company; and to review arrangements for employees to raise concerns about financial reporting improprieties.

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 third quarterly results for the Period.

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

Hong Kong, 7 February 2017



*As at the date of this announcement, the executive Directors are Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby, Mr. Cheung King Fung Sunny, Mr. Wong Wai Man and Ms. Mok Ngan Chu 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 "Latest Company Announcements" page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at [www.tdhl.cc](http://www.tdhl.cc).*

*The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.*