



## **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 2015**

#### **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 2015 (the “Period”), together with the corresponding comparative figures as follows:

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

For the six months ended 30 September 2015

|  | Notes | Three months ended<br>30 September |                                 | Six months ended 30<br>September |                                 |
|--|-------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|  |       | 2015<br>HK\$'000<br>(unaudited)    | 2014<br>HK\$'000<br>(unaudited) | 2015<br>HK\$'000<br>(unaudited)  | 2014<br>HK\$'000<br>(unaudited) |
| Revenue  | 4     | 374,651                            | 268,926                         | 765,874                          | 615,793                         |
| Cost of inventories sold   |       | (266,249)                          | (171,610)                       | (555,106)                        | (414,949)                       |
| Staff cost   |       | (38,755)                           | (32,745)                        | (72,405)                         | (60,455)                        |
| Depreciation   |       | (5,768)                            | (5,750)                         | (11,330)                         | (9,858)                         |
| Other income   | 6     | 1,419                              | 1,559                           | 3,341                            | 2,660                           |
| Other operating expenses   |       | (49,645)                           | (48,676)                        | (93,791)                         | (98,112)                        |
| Share of results of an<br>associate                                      |       | 7,612                              | 6,602                           | 15,804                           | 12,999                          |
| Finance costs  | 7     | (1,888)                            | (504)                           | (3,163)                          | (1,228)                         |
| Profit before tax  |       | 21,377                             | 17,802                          | 49,224                           | 46,850                          |
| Income tax expense   | 8     | (1,561)                            | (842)                           | (6,095)                          | (4,171)                         |
| Profit for the period  |       | 19,816                             | 16,960                          | 43,129                           | 42,679                          |
| Other comprehensive<br>expense   |       |                                    |                                 |                                  |                                 |
| Item that may be<br>subsequently reclassified<br>to profit or loss:      |       |                                    |                                 |                                  |                                 |
| Exchange differences<br>arising on translation of a<br>foreign operation |       | —                                  | —                               | —                                | (121)                           |
| Other comprehensive<br>expense for the period                            |       | —                                  | —                               | —                                | (121)                           |
| Total comprehensive<br>income for the period                             |       | 19,816                             | 16,960                          | 43,129                           | 42,558                          |
| Earnings per share (HK\$)  |       |                                    |                                 |                                  |                                 |
| Basic and diluted  | 10    | 0.04                               | 0.04                            | 0.10                             | 0.11                            |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

|                                       |              | 30 September<br>2015<br>HK\$'000<br>(unaudited) | 31 March<br>2015<br>HK\$'000<br>(audited) |
|---------------------------------------|--------------|---|---|
|                                       | <i>Notes</i> |   |   |
| Non-current assets                    |              |   |   |
| Property, plant and equipment         | 11           | 240,294   | 215,672                                   |
| Club debenture                        |              | 1,560   | 1,560                                     |
| Interest in an associate              |              | 24,281  | 24,996                                    |
|                                       |              | <u>266,135</u>                                  | <u>242,228</u>                            |
| Current assets                        |              |   |   |
| Inventories                           |              | 212,090   | 216,709                                   |
| Trade and other receivables           | 12           | 80,312  | 99,544                                    |
| Amount due from a related company     | 17           | 167   | 57  |
| Amount due from an associate          |              | 3,172   | 4,534                                     |
| Pledged bank deposits                 |              | 4,613   | 4,609                                     |
| Bank balances and cash                |              | 33,205  | 27,584                                    |
|                                       |              | <u>333,559</u>                                  | <u>353,037</u>                            |
| Current liabilities                   |              |   |   |
| Trade and other payables              | 13           | 107,193   | 92,648                                    |
| Amount due to a related company       | 17           | 3,364   | 618                                       |
| Bank overdrafts                       | 14           | 994   | —   |
| Bank borrowings                       | 14           | 265,913   | 322,710                                   |
| Tax payable                           |              | 8,673   | 2,594                                     |
|                                       |              | <u>386,137</u>                                  | <u>418,570</u>                            |
| Net current liabilities               |              | <u>(52,578)</u>                                 | <u>(65,533)</u>                           |
| Total assets less current liabilities |              | <u>213,557</u>                                  | <u>176,695</u>                            |
| Non-current liabilities               |              |   |   |
| Long service payment obligations      |              | 1,430   | 1,314                                     |
| Deferred tax liabilities              |              | 3,362   | 4,092                                     |
|                                       |              | <u>4,792</u>                                    | <u>5,406</u>                              |
| Net assets                            |              | <u>208,765</u>                                  | <u>171,289</u>                            |
| Capital and reserves                  |              |   |   |
| Share capital                         | 15           | 4,001   | 4,000                                     |
| Reserves                              |              | 204,764   | 167,289                                   |
| Total equity                          |              | <u>208,765</u>                                  | <u>171,289</u>                            |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

|   | Share capital<br><i>HK\$'000</i> | Share premium<br><i>HK\$'000</i> | Other reserve<br><i>HK\$'000</i><br><i>(Note (i))</i> | Translation reserve<br><i>HK\$'000</i> | Legal reserve<br><i>HK\$'000</i><br><i>(Note (ii))</i> | Share option reserve<br><i>HK\$'000</i> | Retained profit<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|----------------------------------|----------------------------------|---|--|--|---|------------------------------------|--------------------------|
| At 1 April 2014 (audited)   | 5,404                            | —                                | —   | (112)                                  | 91   | —                                       | 133,151                            | 138,534                  |
| Profit for the period   | —                                | —                                | —   | —                                      | —  | —                                       | 42,679                             | 42,679                   |
| Exchange differences arising on translation of foreign operations   | —                                | —                                | —   | (121)                                  | —  | —                                       | —                                  | (121)                    |
| Total comprehensive (expense) income for the period                 | —                                | —                                | —   | (121)                                  | —  | —                                       | 42,679                             | 42,558                   |
| Group reorganisation  | (5,404)                          | —                                | 5,404   | —                                      | —  | —                                       | —                                  | —                        |
| Issue of shares in connection with the listing <i>(Note (iii))</i>  | 1,000                            | 99,000                           | —   | —                                      | —  | —                                       | —                                  | 100,000                  |
| Capitalisation issue <i>(Note (iv))</i>                             | 3,000                            | (3,000)                          | —   | —                                      | —  | —                                       | —                                  | —                        |
| Share issue expenses  | —                                | (8,637)                          | —   | —                                      | —  | —                                       | —                                  | (8,637)                  |
| Payment of dividend   | —                                | —                                | —   | —                                      | —  | —                                       | (138,000)                          | (138,000)                |
| At 30 September 2014 (unaudited)                                    | <u>4,000</u>                     | <u>87,363</u>                    | <u>5,404</u>  | <u>(233)</u>                           | <u>91</u>  | <u>—</u>                                | <u>37,830</u>                      | <u>134,455</u>           |
| At 1 April 2015 (audited)   | <u>4,000</u>                     | <u>87,363</u>                    | <u>5,404</u>  | <u>(233)</u>                           | <u>91</u>  | <u>—</u>                                | <u>74,664</u>                      | <u>171,289</u>           |
| Profit and total comprehensive income for the period                | —                                | —                                | —   | —                                      | —  | —                                       | 43,129                             | 43,129                   |
| Issue of shares under upon exercise of share options                | 1                                | 133                              | —   | —                                      | —  | (28)                                    | —                                  | 106                      |
| Recognition of equity-settled share-based payments <i>(Note 18)</i> | —                                | —                                | —   | —                                      | —  | 2,242                                   | —                                  | 2,242                    |
| Cancellation of share options                                       | —                                | —                                | —   | —                                      | —  | (28)                                    | 28                                 | —                        |
| Payment of dividend   | —                                | —                                | —   | —                                      | —  | —                                       | (8,001)                            | (8,001)                  |
| At 30 September 2015 (unaudited)                                    | <u>4,001</u>                     | <u>87,496</u>                    | <u>5,404</u>  | <u>(233)</u>                           | <u>91</u>  | <u>2,186</u>                            | <u>109,820</u>                     | <u>208,765</u>           |

*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 subsidiary's registered capital. Legal reserve is not distributable to shareholders.
- (iii) 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 GEM of the Stock Exchange commenced on 30 May 2014.
- (iv) 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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

|  | Six months ended |                  |
|--|------------------|------------------|
|  | 30 September     |                  |
|  | 2015             | 2014             |
|  | HK\$'000         | HK\$'000         |
|  | (unaudited)      | (unaudited)      |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES                     | <u>92,084</u>    | <u>(65,287)</u>  |
| INVESTING ACTIVITIES   |                  |                  |
| Purchase of property, plant and equipment                        | (39,480)         | (190,802)        |
| Repayment from directors   | —                | 116,366          |
| Advance to related companies                                     | (110)            | (82,712)         |
| Placement of pledged bank deposits                               | (4)              | —                |
| Withdrawal of pledged bank deposits                              | —                | 5,153            |
| Dividend received from an associate                              | 16,519           | 23,772           |
| Proceeds from disposal of property, plant and equipment          | 573              | 365              |
| Interest received  | <u>154</u>       | <u>203</u>       |
| NET CASH USED IN INVESTING ACTIVITIES                            | <u>(22,348)</u>  | <u>(127,655)</u> |
| FINANCING ACTIVITIES   |                  |                  |
| Net proceeds from issue of shares in connection with the listing | —                | 91,363           |
| Bank borrowings raised   | 505,894          | 501,190          |
| Advance from related companies                                   | 2,746            | 4,394            |
| Repayments of bank borrowings                                    | (562,691)        | (371,709)        |
| Proceeds from issuance of share options                          | 1                | —                |
| Proceeds from the exercise of share options                      | 105              | —                |
| Interest paid  | (3,163)          | (1,228)          |
| Dividend paid  | <u>(8,001)</u>   | <u>—</u>         |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES                     | <u>(65,109)</u>  | <u>224,010</u>   |

|  | <b>Six months ended</b> |                 |
|--|-------------------------|-----------------|
|  | <b>30 September</b>     |                 |
|  | <b>2015</b>             | 2014            |
|  | <i>HK\$'000</i>         | <i>HK\$'000</i> |
|  | <b>(unaudited)</b>      | (unaudited)     |
| NET INCREASE IN CASH AND CASH EQUIVALENTS          | <b>4,627</b>            | 31,068          |
| CASH AND CASH EQUIVALENTS AT 1 APRIL               | <b>27,584</b>           | 4,789           |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES            | <u>—</u>                | <u>26</u>       |
| CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER          | <u><b>32,211</b></u>    | <u>35,883</u>   |
| ANALYSIS OF COMPONENT OF CASH AND CASH EQUIVALENTS |                         |                 |
| Bank balances and cash                             | <b>33,205</b>           | 35,934          |
| Bank overdrafts                                    | <u>(994)</u>            | <u>(51)</u>     |
|  | <u><b>32,211</b></u>    | <u>35,883</u>   |

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 September 2015*

### **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.

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 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 “Prospectus”).

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 corresponding period of the previous year.

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 34 “Interim Financial Reporting” issued by 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\$52,578,000 as at 30 September 2015. 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 banking facilities are readily available 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 to approximately HK\$57,770,000. 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.

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 2015. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 April 2015. 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    |                | Six months ended      |                |
|---|-----------------------|----------------|-----------------------|----------------|
|   | 30 September          |                | 30 September          |                |
|   | 2015                  | 2014           | 2015                  | 2014           |
|   | HK\$'000              | HK\$'000       | HK\$'000              | HK\$'000       |
|   | (unaudited)           | (unaudited)    | (unaudited)           | (unaudited)    |
| Retail business                             | <b>121,439</b>        | 102,841        | <b>247,808</b>        | 222,321        |
| Distribution business                       | <b>173,198</b>        | 91,275         | <b>357,617</b>        | 243,378        |
| Paging and other telecommunication services | <b>20,659</b>         | 25,720         | <b>52,140</b>         | 53,883         |
| Operation services                          | <b>59,355</b>         | 49,090         | <b>108,309</b>        | 96,211         |
| Total revenue                               | <b><u>374,651</u></b> | <u>268,926</u> | <b><u>765,874</u></b> | <u>615,793</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:

|   |   |   |
|---|---|---|
| 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 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   |

### Segment revenue and results

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

*For the six months ended 30 September 2015*

|                                     | Retail<br>business<br><i>HK\$'000</i><br>(unaudited) | Distribution<br>business<br><i>HK\$'000</i><br>(unaudited) | Paging and<br>other tele-<br>communication<br>services<br><i>HK\$'000</i><br>(unaudited) | Operation<br>services<br><i>HK\$'000</i><br>(unaudited) | Elimination<br><i>HK\$'000</i><br>(unaudited) | Total<br><i>HK\$'000</i><br>(unaudited) |
|-------------------------------------|--|--|--|---|---|---|
| <b>Revenue</b>                      |  |  |  |   |   |   |
| External sales                      | 247,808  | 357,617  | 52,140   | 108,309   | —   | 765,874                                 |
| Inter-segment sales                 | —  | 187,130  | 12,184   | —   | (199,314)                                     | —                                       |
| <b>Segment revenue</b>              | <u>247,808</u>                                       | <u>544,747</u>   | <u>64,324</u>  | <u>108,309</u>  | <u>(199,314)</u>                              | <u>765,874</u>                          |
| <b>Segment results</b>              | <u>20,912</u>  | <u>5,625</u>   | <u>330</u>   | <u>14,749</u>   |   | 41,616                                  |
| Interest income                     |  |  |  |   |   | 154                                     |
| Finance costs                       |  |  |  |   |   | (3,163)                                 |
| Share of results of an<br>associate |  |  |  |   |   | 15,804                                  |
| Corporate expenses                  |  |  |  |   |   | <u>(5,187)</u>                          |
| <b>Profit before tax</b>            |  |  |  |   |   | <u>49,224</u>                           |

*For the six months ended 30 September 2014*

|                                     | Retail<br>business<br><i>HK\$'000</i><br>(unaudited) | Distribution<br>business<br><i>HK\$'000</i><br>(unaudited) | Paging and<br>other tele-<br>communication<br>services<br><i>HK\$'000</i><br>(unaudited) | Operation<br>services<br><i>HK\$'000</i><br>(unaudited) | Elimination<br><i>HK\$'000</i><br>(unaudited) | Total<br><i>HK\$'000</i><br>(unaudited) |
|-------------------------------------|--|--|--|---|---|---|
| <b>Revenue</b>                      |  |  |  |   |   |   |
| External sales                      | 222,321  | 243,378  | 53,883   | 96,211  | —   | 615,793                                 |
| Inter-segment sales                 | —  | 160,290  | 4,122  | —   | (164,412)                                     | —                                       |
| <b>Segment revenue</b>              | <u>222,321</u>                                       | <u>403,668</u>   | <u>58,005</u>  | <u>96,211</u>   | <u>(164,412)</u>                              | <u>615,793</u>                          |
| <b>Segment results</b>              | <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<br>associate |  |  |  |   |   | 12,999                                  |
| Corporate expenses                  |  |  |  |   |   | <u>(6,717)</u>                          |
| <b>Profit before tax</b>            |  |  |  |   |   | <u>46,850</u>                           |

**Geographical information**

During the six months ended 30 September 2015, the Group's operations were located in Hong Kong and Macau (2014: 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 2014.

**Information about major customer**

Details of the customer attributed over 10% of total revenue of the Group during the periods are as follows:

|                         | Three months ended<br>30 September     |  | Six months ended<br>30 September       |  |
|-------------------------|--|--|--|--|
|                         | 2015<br><i>HK\$'000</i><br>(unaudited) | 2014<br><i>HK\$'000</i><br>(unaudited) | 2015<br><i>HK\$'000</i><br>(unaudited) | 2014<br><i>HK\$'000</i><br>(unaudited) |
| Customer I <sup>1</sup> | <u>73,143</u>                          | <u>51,382</u>                          | <u>137,093</u>                         | <u>102,293</u>                         |

<sup>1</sup> Revenue from operation services.

## 6. OTHER INCOME

|   | Three months ended |              | Six months ended |              |
|---|--------------------|--------------|------------------|--------------|
|   | 30 September       |              | 30 September     |              |
|   | 2015               | 2014         | 2015             | 2014         |
|   | HK\$'000           | HK\$'000     | HK\$'000         | HK\$'000     |
|   | (unaudited)        | (unaudited)  | (unaudited)      | (unaudited)  |
| Bank interest income                              | 68                 | 158          | 154              | 203          |
| Consultancy income                                | 75                 | 75           | 150              | 150          |
| Gain on disposal of property, plant and equipment | —                  | 210          | —                | 211          |
| Rental income                                     | 680                | 927          | 1,435            | 1,756        |
| Warehouse storage income                          | 58                 | 91           | 155              | 133          |
| Exchange gain                                     | 418                | —            | 1,300            | —            |
| Others  | 120                | 98           | 147              | 207          |
|   | <u>1,419</u>       | <u>1,559</u> | <u>3,341</u>     | <u>2,660</u> |
| Other income                                      | <u>1,419</u>       | <u>1,559</u> | <u>3,341</u>     | <u>2,660</u> |

## 7. FINANCE COSTS

|                                       | Three months ended |             | Six months ended |              |
|---------------------------------------|--------------------|-------------|------------------|--------------|
|                                       | 30 September       |             | 30 September     |              |
|                                       | 2015               | 2014        | 2015             | 2014         |
|                                       | HK\$'000           | HK\$'000    | HK\$'000         | HK\$'000     |
|                                       | (unaudited)        | (unaudited) | (unaudited)      | (unaudited)  |
| Interest expenses on:                 |                    |             |                  |              |
| — bank borrowings and bank overdrafts | 1,888              | 504         | 3,163            | 1,228        |
|                                       | <u>1,888</u>       | <u>504</u>  | <u>3,163</u>     | <u>1,228</u> |

## 8. INCOME TAX EXPENSE

|   | Three months ended |             | Six months ended |              |
|---|--------------------|-------------|------------------|--------------|
|   | 30 September       |             | 30 September     |              |
|   | 2015               | 2014        | 2015             | 2014         |
|   | HK\$'000           | HK\$'000    | HK\$'000         | HK\$'000     |
|   | (unaudited)        | (unaudited) | (unaudited)      | (unaudited)  |
| Macau Complementary Income Tax          |                    |             |                  |              |
| — current period                        | —                  | 22          | —                | 53           |
| Hong Kong Profits Tax                   |                    |             |                  |              |
| — current period                        | 2,001              | 653         | 6,413            | 4,129        |
|   | <u>2,001</u>       | <u>675</u>  | <u>6,413</u>     | <u>4,182</u> |
| Deferred tax                            |                    |             |                  |              |
| — current period                        | (440)              | 167         | (318)            | (11)         |
|   | <u>(440)</u>       | <u>167</u>  | <u>(318)</u>     | <u>(11)</u>  |
| Total income tax expense for the period | <u>1,561</u>       | <u>842</u>  | <u>6,095</u>     | <u>4,171</u> |



During the six months ended 30 September 2015, the Group disposed of certain property, plant and equipment with carrying amount of approximately HK\$733,000 (2014: HK\$154,000) at consideration of approximately HK\$573,000 (2014: HK\$365,000).

## 12. TRADE AND OTHER RECEIVABLES

|  | <b>30 September<br/>2015<br/>HK\$'000<br/>(unaudited)</b> | 31 March<br>2015<br>HK\$'000<br>(audited) |
|--|---|---|
| Trade receivables  | 29,865  | 34,492                                    |
| Other receivables  | 5,161   | 5,082                                     |
| Deposits   | 26,593  | 22,400                                    |
| Prepayment   | <u>18,757</u>   | <u>37,634</u>                             |
|  | <b>80,376</b>   | 99,608                                    |
| Less: Impairment loss recognised in respect of trade receivables | <u>(64)</u>   | <u>(64)</u>                               |
| Trade and other receivables                                      | <u><b>80,312</b></u>                                      | <u>99,544</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 is an ageing analysis of trade receivables, net of accumulated impairment loss, presented based on invoice dates as at the end of the reporting period, which approximated the respective revenue recognition dates:

|                | <b>30 September<br/>2015<br/>HK\$'000<br/>(unaudited)</b> | 31 March<br>2015<br>HK\$'000<br>(audited) |
|----------------|---|---|
| Within 90 days | 28,002  | 33,607                                    |
| 91–180 days    | 1,479   | 798                                       |
| 181–365 days   | 299   | 1   |
| Over 365 days  | <u>21</u>   | <u>22</u>                                 |
|                | <u><b>29,801</b></u>                                      | <u>34,428</u>                             |

### 13. TRADE AND OTHER PAYABLES

|                                     | <b>30 September<br/>2015<br/><i>HK\$'000</i><br/>(unaudited)</b> | 31 March<br>2015<br><i>HK\$'000</i><br>(audited) |
|-------------------------------------|--|--|
| Trade payables                      | 53,314   | 48,426   |
| Receipt in advance                  | 29,326   | 30,143   |
| Accrued expenses and other payables | <u>24,553</u>  | <u>14,079</u>                                    |
| Trade and other payables            | <u><b>107,193</b></u>  | <u><b>92,648</b></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 time-frame.

The following is the ageing analysis of trade payables presented based on the invoice dates as at the end of the reporting period:

|                | <b>30 September<br/>2015<br/><i>HK\$'000</i><br/>(unaudited)</b> | 31 March<br>2015<br><i>HK\$'000</i><br>(audited) |
|----------------|--|--|
| Within 60 days | 49,178   | 44,838   |
| 61–90 days     | 583  | 1,803  |
| Over 90 days   | <u>3,553</u>   | <u>1,785</u>                                     |
|                | <u><b>53,314</b></u>   | <u><b>48,426</b></u>                             |

## 14. BANK OVERDRAFTS/BANK BORROWINGS

### Bank Overdrafts

During the Period, bank overdrafts carried interest at 1-month HIBOR plus 1.25% (31 March 2015: 1-month HIBOR plus 1.25%) per annum.

### Bank Borrowings

|  | <b>30 September<br/>2015<br/>HK\$'000<br/>(unaudited)</b> | 31 March<br>2015<br>HK\$'000<br>(audited) |
|--|---|---|
| Variable rate bank borrowings          |   |   |
| — Mortgage loan                        | 63,086  | 59,541                                    |
| — Others                               | 6,381   | 22,694                                    |
| Variable rate trust receipt borrowings | <u>196,446</u>  | <u>240,475</u>                            |
|  | <u><b>265,913</b></u>                                     | <u>322,710</u>                            |
| Secured                                | 168,619   | 244,534                                   |
| Unsecured                              | <u>97,294</u>   | <u>78,176</u>                             |
| Bank borrowings                        | <u><b>265,913</b></u>                                     | <u>322,710</u>                            |

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

|   | <b>30 September<br/>2015<br/>HK\$'000<br/>(unaudited)</b> | 31 March<br>2015<br>HK\$'000<br>(audited) |
|---|---|---|
| Within one year   | 208,143   | 267,926                                   |
| After one year but within two years   | 5,347   | 4,778                                     |
| After two years but within five years   | 16,241  | 14,463                                    |
| After five years  | <u>36,182</u>   | <u>35,543</u>                             |
|   | <u><b>265,913</b></u>                                     | <u>322,710</u>                            |
| Carrying amount of bank borrowings that are repayable on demand or within one year  | 208,143   | 267,926                                   |
| 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>57,770</u>   | <u>54,784</u>                             |
|   | <u><b>265,913</b></u>                                     | <u>322,710</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:

|                               | <b>30 September<br/>2015<br/>(unaudited)</b> | 31 March<br>2015<br>(audited) |
|-------------------------------|--|-------------------------------|
| Variable rate bank borrowings | <u><b>1.60%–2.49%</b></u>                    | <u>0.81%–2.50%</u>            |

- (b) The bank borrowings are all denominated in HK\$.
- (c) As at 30 September 2015, secured bank borrowings of approximately HK\$168,619,000 (31 March 2015: HK\$244,534,000) were secured by property, plant and equipment with carrying amount of approximately HK\$190,636,000 (31 March 2015: HK\$165,918,000).

## 15. SHARE CAPITAL

|  | 30 September 2015 (unaudited) |                       | 31 March 2015 (audited) |                       |
|--|-------------------------------|-----------------------|-------------------------|-----------------------|
| Notes  | Number of shares              | Share capital<br>HK\$ | Number of shares        | Share capital<br>HK\$ |
| <b>Ordinary shares of HK\$0.01 each</b>  |                               |                       |                         |                       |
| <i>Authorised</i>  |                               |                       |                         |                       |
| At the beginning of period/<br>year  | 10,000,000,000                | 100,000,000           | 38,000,000              | 380,000               |
| Increase during the period/<br>year  | (i) —                         | —                     | 9,962,000,000           | 99,620,000            |
| At the end of the period/year  | <u>10,000,000,000</u>         | <u>100,000,000</u>    | <u>10,000,000,000</u>   | <u>100,000,000</u>    |
| <i>Issued and fully paid</i>   |                               |                       |                         |                       |
| At the beginning of period/<br>year  | 400,000,000                   | 4,000,000.00          | 1                       | 0.01                  |
| Issue of shares to CKK<br>Investment   | (ii) —                        | —                     | 43                      | 0.43                  |
| Issue of shares to Mr. Cheung<br>King Shek, Mr. Cheung<br>King Shan, Mr. Cheung<br>King Chuen Bobby and Mr.<br>Cheung King Fung Sunny<br>(the “Cheung Brothers”) | (iii) —                       | —                     | 16                      | 0.16                  |
| Issue of shares upon<br>capitalisation issue   | (iv) —                        | —                     | 299,999,940             | 2,999,999.40          |
| Issue of shares upon placing   | (v) —                         | —                     | 100,000,000             | 1,000,000.00          |
| Issue of shares upon exercise<br>of share options  | 50,000                        | 500.00                | —                       | —                     |
| At the end of the period/year  | <u>400,050,000</u>            | <u>4,000,500.00</u>   | <u>400,000,000</u>      | <u>4,000,000.00</u>   |

### Notes:

- (i) 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.
- (ii) 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.

- (iii) 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 the Cheung Brothers.
- (iv) 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 the date of completion of placing.
- (v) 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 GEM of the Stock Exchange commenced on 30 May 2014.

All shares issued during the reporting period rank pari passu with existing shares in all respects.

## 16. OPERATING LEASE COMMITMENTS

### 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:

|                                       | <b>30 September<br/>2015<br/>HK\$'000<br/>(unaudited)</b> | 31 March<br>2015<br>HK\$'000<br>(audited) |
|---------------------------------------|---|---|
| Within one year                       | <b>41,637</b>   | 33,839                                    |
| In the second to fifth year inclusive | <b><u>24,165</u></b>                                      | <u>13,211</u>                             |
|                                       | <b><u><u>65,802</u></u></b>                               | <u><u>47,050</u></u>                      |

The Group leases its certain office premises, transmission station and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three years with fixed rentals as at the end of the reporting period (31 March 2015: one to three years).

### The Group as lessor

Sub-letting income earned during the six months ended 30 September 2015 was approximately HK\$1,435,000 (2014: HK\$1,756,000). The office premises, transmission stations, warehouse and service outlets are sub-letted to third parties under operating leases with leases negotiated for a term of one to two years as at 30 September 2015 (31 March 2015: one year).

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

|                                       | <b>30 September<br/>2015</b> | 31 March<br>2015 |
|---------------------------------------|------------------------------|------------------|
|                                       | <b>HK\$'000</b>              | HK\$'000         |
|                                       | <b>(unaudited)</b>           | (audited)        |
| Within one year                       | <b>2,408</b>                 | 716              |
| In the second to fifth year inclusive | <b>1,234</b>                 | —                |
|                                       | <b>3,642</b>                 | 716              |

## 17. 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<br>30 September |             | Six months ended<br>30 September |             |
|------------------------------------|--|--------------|------------------------------------|-------------|----------------------------------|-------------|
|                                    |  |              | 2015                               | 2014        | 2015                             | 2014        |
|                                    |  |              | HK\$'000                           | HK\$'000    | HK\$'000                         | HK\$'000    |
|                                    |  |              | (unaudited)                        | (unaudited) | (unaudited)                      | (unaudited) |
| Glossy Enterprises Limited         | Rental expenses paid thereto               | (ii) & (iii) | <b>1,009</b>                       | 939         | <b>2,017</b>                     | 1,728       |
| Glossy Investment Limited          | Rental expenses paid thereto               | (ii) & (iii) | <b>208</b>                         | 189         | <b>416</b>                       | 369         |
| H.K. Magnetronic Company Limited   | Rental expenses paid thereto               | (ii) & (iii) | <b>26</b>                          | 17          | <b>51</b>                        | 17          |
| Radiotex International Limited     | Purchases of goods therefrom               | (i) & (iii)  | —                                  | 6,119       | <b>9,111</b>                     | 9,513       |
| Silicon Creation Limited           | Rental expenses paid thereto               | (ii) & (iii) | <b>1,270</b>                       | 1,250       | <b>2,539</b>                     | 2,176       |
| Sun Mobile Limited                 | Service fee income received therefrom      | (i) & (iii)  | <b>73,143</b>                      | 51,382      | <b>137,093</b>                   | 102,293     |
| Telecom Digital Securities Limited | Subscription fee income received therefrom | (i) & (iii)  | <b>294</b>                         | 266         | <b>570</b>                       | 535         |
|                                    | Consultancy fee income received therefrom  | (i) & (iii)  | <b>75</b>                          | 75          | <b>150</b>                       | 150         |
|                                    | Sub-letting income received therefrom      | (ii) & (iii) | <b>51</b>                          | 56          | <b>95</b>                        | 117         |

| Name of company                       | Nature of transaction                               | Notes        | Three months ended |             | Six months ended |             |
|---------------------------------------|---|--------------|--------------------|-------------|------------------|-------------|
|                                       |   |              | 30 September       |             | 30 September     |             |
|                                       |   |              | 2015               | 2014        | 2015             | 2014        |
|                                       |   |              | HK\$'000           | HK\$'000    | HK\$'000         | HK\$'000    |
|                                       |   |              | (unaudited)        | (unaudited) | (unaudited)      | (unaudited) |
|                                       | Technical support service income received therefrom | (i) & (iii)  | 30                 | 30          | 60               | 60          |
| Telecom Properties Investment Limited | Rental expenses paid thereto                        | (ii) & (iii) | 440                | 440         | 879              | 879         |
| Telecom Service Limited               | Rental expenses paid thereto                        | (ii) & (iii) | 208                | 208         | 416              | 416         |
| Telecom Service One Limited           | Repairing service fee paid thereto                  | (i) & (iii)  | 4,707              | 1,800       | 5,528            | 3,130       |
|                                       | Consignment fee received therefrom                  | (i) & (iii)  | 329                | 666         | 859              | 1,218       |
|                                       | Logistic fee income received therefrom              | (i) & (iii)  | 384                | 318         | 822              | 547         |
|                                       | Licensing fee received therefrom                    | (i) & (iii)  | —                  | —           | —                | 6           |

Details of amount due from a related company is as follows:

|                                    | Notes        | 30 September 2015<br>HK\$'000<br>(unaudited) | 31 March 2015<br>HK\$'000<br>(audited) |
|------------------------------------|--------------|--|--|
| Telecom Digital Securities Limited | (iii) & (iv) | 167  | 57                                     |

Details of amount due to a related company is as follows:

|                             | Notes        | 30 September 2015<br>HK\$'000<br>(unaudited) | 31 March 2015<br>HK\$'000<br>(audited) |
|-----------------------------|--------------|--|--|
| Telecom Service One Limited | (iii) & (iv) | 3,364  | 618                                    |

*Notes:*

- (i) These transactions were carried out at terms determined and agreed by the Group and the related 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 related parties.
  - (iii) The Cheung Brothers, directors of the Company, have beneficial interests in the related parties.
  - (iv) 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) The amount due from an associate is trade in nature, unsecured, interest-free with 7 days credit term and aged within 30 days.
- (c) **Compensation of key management personnel**

The remuneration of key management personnel during the periods was as follows:

|                          | <b>Three months ended</b> |              | <b>Six months ended</b> |              |
|--------------------------|---------------------------|--------------|-------------------------|--------------|
|                          | <b>30 September</b>       |              | <b>30 September</b>     |              |
|                          | <b>2015</b>               | 2014         | <b>2015</b>             | 2014         |
|                          | <b>HK\$'000</b>           | HK\$'000     | <b>HK\$'000</b>         | HK\$'000     |
|                          | <b>(unaudited)</b>        | (unaudited)  | <b>(unaudited)</b>      | (unaudited)  |
| Short-term benefits      | <b>2,878</b>              | 2,683        | <b>5,539</b>            | 4,841        |
| Post-employment benefits | <b>71</b>                 | 70           | <b>143</b>              | 133          |
|                          | <b><u>2,949</u></b>       | <u>2,753</u> | <b><u>5,682</u></b>     | <u>4,974</u> |

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

## 18. SHARE-BASED PAYMENT

In July 2015, 4,596,000 share options were granted to Directors and employees under the Company's share option scheme. The exercise price of the share options of HK\$2.22 was not less than the highest of (i) the closing price of HK\$1.98 per share on 7 July 2015 ("Date of Grant"); (ii) the average closing price of HK\$2.214 per share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.01 per share. The fair value at the Date of Grant is estimated using a binomial pricing model, taking into account the terms and conditions upon which the share options were granted. The contractual life of each share option granted is 3 years. There is no cash settlement of the share options. The fair value of share options granted during the six month ended 30 September 2015 was estimated on the Date of Grant using the following assumptions:

|   | Directors | Employees |
|---|-----------|-----------|
| Dividend yield (%)                        | 2.60      | 2.60      |
| Expected volatility (%)                   | 78.48     | 78.48     |
| Risk-free interest rate (%)               | 0.62      | 0.62      |
| Expected life of share options (years)    | 3         | 3         |
| Estimated fair value of each share option | 0.74      | 0.57      |

Expected volatility was determined by using the historical volatility of comparable companies' share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK\$2,242,000 for the six months ended 30 September 2015 (2014: nil) in the condensed consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company.

Details of share options granted, exercised, lapsed and outstanding under the share option scheme during the Period are as follows:

| Expiry date        | 2015                             |                         | 2014                             |                         |
|--------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|
|                    | Exercise price in HK\$ per share | Number of share options | Exercise price in HK\$ per share | Number of share options |
| As at 1 April      | —                                | —                       | —                                | —                       |
| Granted            | 2.22                             | 4,596,000               | —                                | —                       |
| Exercised          | 2.22                             | (50,000)                | —                                | —                       |
| Lapsed             | 2.22                             | (706,000)               | —                                | —                       |
| As at 30 September | 2.22                             | 3,840,000               | —                                | —                       |

In respect of the share options exercised during the period, the weighted average share price at the dates of exercise is HK\$2.24 (2014: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group 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”), an associate owned as to 40% by the Group and as to 60% by HKT Limited.

The Group will continue to focus on their core business of retail sales and distribution of mobile phones. The Group has been actively expanding the scale of distribution of mobile phones business. In the Period under review, the revenue on distribution business increased approximately 46.9% as compared to the corresponding period of the previous year. The management believes that contribution from this sector to the Group’s revenue will continue to grow in the near future. However, due to the popularity of various channels of mobile communication, the total number of paging and Mobitex based services subscribers kept decreasing during the last few years. The Group keeps facing keen competition against these communication means.

### Financial Review

#### Segment Analysis

|   | Three months ended |                | Six months ended |                |
|---|--------------------|----------------|------------------|----------------|
|   | 30 September       |                | 30 September     |                |
|   | 2015               | 2014           | 2015             | 2014           |
|   | HK\$'000           | HK\$'000       | HK\$'000         | HK\$'000       |
|   | (unaudited)        | (unaudited)    | (unaudited)      | (unaudited)    |
| Retail business                             | 121,439            | 102,841        | 247,808          | 222,321        |
| Distribution business                       | 173,198            | 91,275         | 357,617          | 243,378        |
| Paging and other telecommunication services | 20,659             | 25,720         | 52,140           | 53,883         |
| Operating services                          | <u>59,355</u>      | <u>49,090</u>  | <u>108,309</u>   | <u>96,211</u>  |
| Total revenue                               | <u>374,651</u>     | <u>268,926</u> | <u>765,874</u>   | <u>615,793</u> |

#### Revenue

The Group’s revenue for the six months ended 30 September 2015 was approximately HK\$765,874,000 (2014: HK\$615,793,000), representing an increase of approximately 24.4% over the corresponding period of the previous year. The increase in the Group’s revenue was mainly due to higher revenue generated from distribution business.

For the six months ended 30 September 2015, revenue from retail sales of mobile phones and pre-paid SIM cards and provision of related services increased approximately 11.5% to HK\$247,808,000 (2014: HK\$222,321,000).

The business of mobile phone distribution and provision of related services for the Period grew approximately 46.9% as compared to the same period last year. This is the major source of revenue of the Group.

Revenue from provision of paging and other telecommunication services in the second quarter of the financial year 2015/16 experienced a drop of approximately 34.4% from the first quarter of the financial year 2015/16. 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\$108,309,000 for the Period, representing an increase of approximately 12.6% 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 is mainly contributed by rental income, interest income and consultancy income. Other income was approximately HK\$3,341,000 for the six months ended 30 September 2015 (2014: HK\$2,660,000), representing an increase of approximately 25.6% from the corresponding period of the previous year. Such increase was primarily due to increase 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 six months ended 30 September 2015 were approximately HK\$93,791,000 (2014: HK\$98,112,000), representing a decrease of approximately 4.4% over the corresponding period of the previous year.

The decrease was mainly brought by the listing expenses incurred in the Listing in last year and partly off-set by the increase in rental, building management fees and Government rent and rate. The increase in rental expenses was mainly due to the opening of new retail shops and increase in market rental.

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

Share of results of an associate was approximately HK\$15,804,000 for the six months ended 30 September 2015 (2014: HK\$12,999,000), representing an increase of approximately 21.6% 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***

There is no significant change in the Group's bank borrowings throughout the Period. The finance costs for the six months ended 30 September 2015 were approximately HK\$3,163,000 (2014: HK\$1,228,000).

### ***Income Tax Expense***

Income tax for the six months ended 30 September 2015 was approximately HK\$6,095,000 (2014: HK\$4,171,000), representing an increase of approximately 46.1%. The increase was mainly due to the tax loss carried forward from previous years was utilised in last year.

### ***Profit before Tax***

The Group had recorded a profit before tax of approximately HK\$49,224,000 for the six months ended 30 September 2015 (2014: HK\$46,850,000), representing an increase of approximately 5.1% from the corresponding period of the previous year. The increase was primarily due to the increase in profit generated from retail business.

### **Material Acquisitions or Disposals and Significant Investments**

Except for purchase of a real property for commercial use in the amount of HK\$25.2 million, the Group did not make any material acquisition or disposal of subsidiaries or significant investments during the six months ended 30 September 2015 (2014: nil).

### **Liquidity and Financial Resources**

As at 30 September 2015, the Group had net current liabilities of approximately HK\$52,578,000 (31 March 2015: HK\$65,533,000) and had cash and cash equivalents of approximately HK\$32,211,000 (31 March 2015: HK\$27,584,000).

The Group has a current ratio of approximately 0.8 as at 30 September 2015 comparing to that of 0.8 as at 31 March 2015. As at 30 September 2015, the Group's gearing ratio was 129.5% as compared to 188.8% as at 31 March 2015, which is calculated based on the Group's total borrowings of approximately HK\$270,271,000 (31 March 2015: HK\$323,328,000) and the Group's total equity of approximately HK\$208,765,000 (31 March 2015: HK\$171,289,000). The Group's total cash at banks as at 30 September 2015 amounted to approximately HK\$32,211,000 (31 March 2015: HK\$27,584,000).

Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the Listing to meet potential needs for business expansion and development. As at 30 September 2015, the Group has the unutilised banking facilities of HK\$246,553,000 available for further drawdown should it have any further capital needs. 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 30 September 2015, the Group did not have any material contingent liabilities (31 March 2015: nil).

### **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 continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **Capital Commitments**

As at 31 March 2015, the Group had capital commitments in respect of acquisition of property, plant and equipment contracted for but not provided for amounting to approximately HK\$1,569,000 (30 September 2015: nil).

### **Interim Dividend**

An interim dividend of HK\$0.05 per share (2014 second interim dividend: HK\$0.02) will be paid on or about 30 November 2015 to shareholders on record as at 25 November 2015.

### **Capital Structure**

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 15 to the condensed consolidated financial statements, there was no change in the capital structure during the Period. The capital structure of the Group consists of bank overdrafts, 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, issue 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, the Group did not hold any significant investment in equity interest in any other company during the six months ended 30 September 2015 (2014: nil).

As at 30 September 2015, the Group is holding approximately HK\$190,636,000 properties in Hong Kong (31 March 2015: HK\$165,918,000).

### **Employees and Remuneration Policies**

As at 30 September 2015, the Group employed 463 (31 March 2015: 459) 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 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 will continue to expand its shop network. During the Period, the Group has already opened 7 new shops and reached 57 shops. It plans to open more new retail shops in 2015 and 2016. The Group believes that this will enable the Group to enlarge its revenue and brand recognition in the telecommunication industries.

### **Comparison Between Business Objectives and Actual Business Progress**

An analysis comparing the business objectives as set out in the Prospectus and the Group's actual business progress for the Period is set out below:

#### **BUSINESS OBJECTIVES FOR THE PERIOD**

#### **ACTUAL BUSINESS PROGRESS FOR THE PERIOD**

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

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>● Identify suitable locations for new shops</li></ul> | The Group keeps searching for suitable locations for expanding its shop network.  |
| <ul style="list-style-type: none"><li>● Employ 10 new customer service staff</li></ul>      | The Group has employed different levels of new staff. They were trained by providing on-job training on product knowledge, soft selling and customer handling skills. |
| <ul style="list-style-type: none"><li>● Establish 2 new shops</li></ul>                     | The Company opened 7 new shops at Tuen Mun, Tai Kok Tsui, Tsuen Wan, Causeway Bay, Mongkok, Tseung Kwan O and Yuen Long during the Period.                            |

## Use of Proceeds

The net proceeds from the Company's issue of 100,000,000 new Shares at the placing price of HK\$1.0 per Share at the time of the Listing, after deducting related expenses, amounted to approximately HK\$77.7 million. The Group intends to apply such net proceeds during the Period as follows:

| <b>Use</b>                            | <b>Planned use<br/>of proceeds<br/>as stated in<br/>the<br/>Prospectus<br/>during the<br/>Period<br/>HK\$'000</b> | <b>Actual use of<br/>proceeds<br/>during the<br/>Period<br/>HK\$'000</b> |
|---------------------------------------|---|--|
| Expansion of the retail sales network | <u>2,536</u>  | <u>2,500</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 proceeds were applied in accordance with the actual development of the market. As the date of this announcement, approximately HK\$68.2 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\$9.5 million, of which HK\$5.0 million is intended to implement an Enterprise Resource Planning system and HK\$4.5 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 declares the payment of an interim dividend of HK\$0.05 per share for the Period. The interim dividend will be payable in cash to shareholders on the register of members as at 25 November 2015.

The register of members of the Company will be closed from 24 to 25 November 2015 (both dates inclusive), for the purpose of determining shareholders' entitlement to the interim dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the 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 A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 23 November 2015.

The payment date of the interim dividend is expected to be on or about 30 November 2015.

### **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, share options to subscribe for a total of 4,596,000 ordinary shares of HK\$0.01 each of the Company were granted under the Share Option Scheme.

As at 30 September 2015, an aggregate of 3,840,000 shares are issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 0.96% of the Company's shares in issue.

Details of the 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                  | Changes during the Period |                         |           | Balance                       |
|----------------------------------|---------------|-------------------------|--|--------------------------|---------------------------|-------------------------|-----------|-------------------------------|
|                                  |               |                         |  | as at<br>1 April<br>2015 | Granted                   | Exercised               | Lapsed    | as at<br>30 September<br>2015 |
| Eligible employees<br>(Note (i)) | 7 July 2015   | HK\$2.22<br>(Note (ii)) | 7 July 2015–6<br>July 2018<br>(Note (iii)) | —                        | 4,596,000                 | (50,000)<br>(Note (iv)) | (706,000) | 3,840,000                     |

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) Rights to acquire shares of the Company” on page 33.
- (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 the shares of the Company immediately before the date on which the share options were exercised was HK\$2.24.

Except 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 30 September 2015.

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

As at 30 September 2015, 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 |
|-----------------------------|--|---------------------------------------|---|
| Mr. Cheung King Shek        | Beneficial owner                         | 20,000,000                            | 5%  |
|                             | Beneficiary of a trust <sup>Note A</sup> | 220,000,000                           | 55%   |
| Mr. Cheung King Shan        | Beneficial owner                         | 20,000,000                            | 5%  |
|                             | Beneficiary of a trust <sup>Note A</sup> | 220,000,000                           | 55%   |
| Mr. Cheung King Chuen Bobby | Beneficial owner                         | 20,000,000                            | 5%  |
|                             | Beneficiary of a trust <sup>Note A</sup> | 220,000,000                           | 55%   |
| Mr. Cheung King Fung Sunny  | Beneficial owner                         | 20,000,000                            | 5%  |
|                             | Beneficiary of a trust <sup>Note A</sup> | 220,000,000                           | 55%   |

#### Note A:

The 220,000,000 shares representing approximately 55% 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 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) Rights to acquire shares 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 30 September 2015 were as follows:

| Name of Director | Date of grant | Exercise price | Exercise period         | Balance               | Changes                         | Balance                       | Approximate                                       |
|------------------|---------------|----------------|-------------------------|-----------------------|---------------------------------|-------------------------------|---|
|                  |               |                |                         | as at<br>1 April 2015 | during the<br>Period<br>Granted | as at<br>30 September<br>2015 | percentage of<br>the Company's<br>shares in issue |
| Mr. WongWai Man  | 7 July 2015   | HK\$2.22       | 7 July 2015–6 July 2018 | —                     | 30,000                          | 30,000                        | 0.0075%   |
| Ms. MokNgan Chu  | 7 July 2015   | HK\$2.22       | 7 July 2015–6 July 2018 | —                     | 30,000                          | 30,000                        | 0.0075%   |
|                  |               |                |                         | —                     | 60,000                          | 60,000                        | 0.015%  |

Save as disclosed above, during the Period, none of the Directors nor chief executives of the Company was granted share options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, as at 30 September 2015, 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 30 September 2015, 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 |
|--|--------------------------------------|---------------------------------------|---|
| CKK Investment Limited <sup>Note A above</sup>                             | Beneficial owner                     | 220,000,000                           | 55%   |
| Amazing Gain Limited <sup>Note A above</sup>                               | Interest in a controlled corporation | 220,000,000                           | 55%   |
| J. Safra Sarasin Trust Company (Singapore) Limited <sup>Note A above</sup> | Trustee (other than bare trustee)    | 220,000,000                           | 55%   |
| Ms. Law Lai Ying Ida <sup>Note B</sup>                                     | Interest of spouse                   | 240,000,000                           | 60%   |
| Ms. Tang Fung Yin Anita <sup>Note B</sup>                                  | Interest of spouse                   | 240,000,000                           | 60%   |
| Ms. Yeung Ho Ki <sup>Note B</sup>  | 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 2015, 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 30 September 2015, 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<br>Paul  | Wiyo 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<br>Technology Limited | director and shareholder  |   |

## Interests of Compliance Adviser

As notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), as at 30 September 2015, 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 except for the compliance adviser agreement entered into between the Company and Guotai Junan in May 2014.

## 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.

### **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:

- On 7 July 2015, share options were granted to Mr. Wong Wai Man and Ms. Mok Ngan Chu pursuant to the Share Option Scheme, details are set out in the section headed "(b) Rights to acquire shares of the Company" on page 33.
- On 31 August 2015, discretionary bonuses were paid to the following Directors:

| <b>Name of Director</b> | <b>Discretionary bonus</b> |
|-------------------------|----------------------------|
| Mr. Wong Wai Man        | HK\$31,800                 |
| Ms. Mok Ngan Chu        | HK\$23,580                 |

- On 8 September 2015, Mr. Cheung King Shan and Mr. Cheung King Chuen Bobby were re-designated as the executive Directors of the Company and Mr. Cheung King Fung Sunny was appointed as the chief executive officer of the Company.

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, 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 internal control procedures 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 interim results for the Period.

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

Hong Kong, 9 November 2015

*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.*