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Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6033)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

The board of directors (the “Board”) of Telecom Digital Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company together with its subsidiaries (the “Group”) for the year ended 31 March 2017 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	2	1,092,263	1,428,914
Cost of inventories sold		(630,220)	(1,002,971)
Staff costs		(169,153)	(141,632)
Depreciation		(24,846)	(22,958)
Other income	4	6,078	6,241
Other operating expenses		(193,775)	(190,425)
Share of result of an associate		32,502	31,971
Finance costs	5	(3,448)	(5,437)
Profit before tax		109,401	103,703
Income tax expense	6	(13,659)	(13,934)
Profit for the year	7	95,742	89,769

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gain (loss) on long service payment obligations		<u>294</u>	<u>(339)</u>
Other comprehensive income (expense) for the year		<u>294</u>	<u>(339)</u>
Total comprehensive income for the year		<u>96,036</u>	<u>89,430</u>
Profit for the year attributable to:			
Owners of the Company		95,593	89,769
Non-controlling interests		<u>149</u>	<u>—</u>
		<u>95,742</u>	<u>89,769</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		95,887	89,430
Non-controlling interests		<u>149</u>	<u>—</u>
		<u>96,036</u>	<u>89,430</u>
Earnings per share (HK\$)	9		
Basic		<u>0.24</u>	<u>0.22</u>
Diluted		<u>0.24</u>	<u>0.22</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		226,528	236,715
Investment property		41,537	—
Club membership		1,560	1,560
Interest in an associate		24,853	24,413
Prepayments for purchase of property, plant and equipment		10,354	5,312
		304,832	268,000
Current assets			
Inventories		45,749	187,585
Trade and other receivables	<i>10</i>	68,266	68,853
Amounts due from related companies		1,204	62
Amount due from an associate		26,550	21,611
Pledged bank deposits		5,065	5,065
Bank balances and cash		42,907	15,819
		189,741	298,995
Current liabilities			
Trade and other payables	<i>11</i>	62,231	107,890
Amounts due to related companies		2,286	60
Bank overdrafts		6,201	3,820
Bank borrowings		150,976	211,054
Tax payables		2,194	2,765
		223,888	325,589
Net current liabilities		(34,147)	(26,594)
Total assets less current liabilities		270,685	241,406

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Non-current liabilities			
Long service payment obligations		2,240	2,163
Deferred tax liabilities		<u>3,209</u>	<u>4,157</u>
		<u>5,449</u>	<u>6,320</u>
Net assets		<u><u>265,236</u></u>	<u><u>235,086</u></u>
Capital and reserves			
Share capital	<i>12</i>	4,030	4,001
Reserves		<u>261,058</u>	<u>231,085</u>
Equity attributable to owners of the Company		265,088	235,086
Non-controlling interests		<u>148</u>	<u>—</u>
		<u><u>265,236</u></u>	<u><u>235,086</u></u>

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Corporate Information

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company have been listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange with effect from 30 May 2014 and have been transferred from GEM to Main Board of the Stock Exchange subsequent to year end on 10 May 2017.

The directors of the Company consider the immediate holding company and ultimate holding company are CKK Investment Limited and Amazing Gain Limited respectively, which are incorporated in the British Virgin Islands (the “BVI”). The Group has been under the control and beneficially owned by Cheung Family Trust, Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (the “Cheung Brothers”) since 1 April 2013. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in retail business, distribution business, provision of paging and other telecommunications services and provision of operation services.

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional and presentation currency. Other than the subsidiary established in Macau which functional currency is Macau Pataca, the functional currency of the Company and other subsidiaries is HK\$.

Basis of Preparation

As at 31 March 2017, the Group had net current liabilities of approximately HK\$34,147,000. This condition indicates the existence of material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis since the following:

- (i) the unutilised banking facilities readily available to the Group amounted to approximately HK\$382,305,000 at 31 March 2017, which remain valid up to the date of approval of the consolidated financial statement;
- (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\$63,995,000. The directors of the Company are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low provided that the Group did not breach any financial covenants imposed by the borrower banks and the bank borrowings were repaid on schedule. The directors of the Company 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 expected to generate adequate cash flows to maintain its operations.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. REVENUE

Revenue represents revenue arising on sales of goods and service income for the year. An analysis of the Group's revenue is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sales of goods	713,181	1,091,169
Service income	<u>379,082</u>	<u>337,745</u>
	<u><u>1,092,263</u></u>	<u><u>1,428,914</u></u>

3. 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 directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the Group's chief operating decision maker have been aggregated in arising at the reporting segments of the Group. The Group's operating and reportable segments are as follows:

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

Segment revenues and results

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

For the year ended 31 March 2017

	Retail business <i>HK\$'000</i>	Distribution business <i>HK\$'000</i>	Paging and other tele- communications services <i>HK\$'000</i>	Operation services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	524,628	195,882	81,317	290,436	—	1,092,263
Inter-segment sales	<u>345</u>	<u>445,072</u>	<u>3,111</u>	<u>—</u>	<u>(448,528)</u>	<u>—</u>
Segment revenue	<u>524,973</u>	<u>640,954</u>	<u>84,428</u>	<u>290,436</u>	<u>(448,528)</u>	<u>1,092,263</u>
Segment results	<u>25,678</u>	<u>11,894</u>	<u>1,637</u>	<u>49,647</u>		88,856
Bank interest income						205
Finance costs						(3,448)
Share of result of an associate						32,502
Corporate expenses						<u>(8,714)</u>
Profit before tax						<u>109,401</u>

For the year ended 31 March 2016

	Retail business <i>HK\$'000</i>	Distribution business <i>HK\$'000</i>	Paging and other tele- communications services <i>HK\$'000</i>	Operation services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	485,193	616,087	97,400	230,234	—	1,428,914
Inter-segment sales	—	396,530	3,307	—	(399,837)	—
Segment revenue	<u>485,193</u>	<u>1,012,617</u>	<u>100,707</u>	<u>230,234</u>	<u>(399,837)</u>	<u>1,428,914</u>
Segment results	<u>32,233</u>	<u>15,751</u>	<u>183</u>	<u>38,263</u>		86,430
Bank interest income						281
Finance costs						(5,437)
Share of result of an associate						31,971
Corporate expenses						<u>(9,542)</u>
Profit before tax						<u>103,703</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represented the profits earned by each segment without allocation of bank interest income, finance costs, share of result of an associate, certain corporate expenses and directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Segment assets		
Retail business	158,860	163,151
Distribution business	40,614	152,524
Paging and other telecommunications services	61,697	72,608
Operation services	<u>39,983</u>	<u>30,132</u>
Total segment assets	301,154	418,415
Unallocated corporate assets	<u>193,419</u>	<u>148,580</u>
Total assets	<u><u>494,573</u></u>	<u><u>566,995</u></u>
Segment liabilities		
Retail business	14,199	11,000
Distribution business	14,914	53,668
Paging and other telecommunications services	29,785	33,252
Operation services	<u>2,470</u>	<u>11,889</u>
Total segment liabilities	61,368	109,809
Unallocated corporate liabilities	<u>167,969</u>	<u>222,100</u>
Total liabilities	<u><u>229,337</u></u>	<u><u>331,909</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to segments other than certain property, plant and equipment, investment property, club membership, interest in an associate, certain other receivables, amounts due from related companies, pledged bank deposits and certain bank balances and cash managed on central basis and corporate assets; and
- all liabilities are allocated to segments other than certain other payables, deferred tax liabilities, amounts due to related companies, bank overdrafts and bank borrowings, tax payables, long services payment obligations and corporate liabilities.

Geographical information

The Group's operations are located in Hong Kong and Macau.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of these assets.

Revenue from external customers

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong (place of domicile)	1,090,739	1,427,247
Macau	<u>1,524</u>	<u>1,667</u>
	<u><u>1,092,263</u></u>	<u><u>1,428,914</u></u>

Non-current assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong (place of domicile)	304,815	267,983
Macau	<u>17</u>	<u>17</u>
	<u><u>304,832</u></u>	<u><u>268,000</u></u>

Information about major customer

Details of the customer contributing over 10% of total revenue of the Group is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A ¹	<u><u>363,267</u></u>	<u><u>291,774</u></u>

¹ Revenue from operation services.

4. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank interest income	205	281
Consultancy income	300	300
Rental income (<i>note</i>)	4,256	3,227
Warehouse storage income	—	328
Exchange gain	435	1,864
Others	<u>882</u>	<u>241</u>
	<u>6,078</u>	<u>6,241</u>

Note: Included in rental income was approximately HK\$680,000 (2016: nil) arising from the operating lease of investment property of the Group in which direct operating expenses of approximately HK\$139,000 (2016: nil) was incurred during the year ended 31 March 2017.

5. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest expenses on bank borrowings and bank overdrafts	<u>3,448</u>	<u>5,437</u>

6. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong Profits Tax		
— current year	14,800	13,943
— over-provision in prior years	<u>(193)</u>	<u>(86)</u>
	14,607	13,857
Macau Complementary Income Tax		
— under-provision in prior years	—	12
Deferred tax		
— current year	<u>(948)</u>	<u>65</u>
	<u>13,659</u>	<u>13,934</u>

During the years ended 31 March 2017 and 2016, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

During the years ended 31 March 2017 and 2016, no Macau Complementary Income Tax has been provided since there were no assessable profits generated.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax expense can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK\$'000	HK\$'000
Profit before tax	<u>109,401</u>	<u>103,703</u>
Tax expense at rates applicable to profits in the jurisdictions concerned	18,050	17,033
Adjustments in respect of current tax of previous periods	(193)	(74)
Tax effect of share of result of an associate	(5,363)	(5,275)
Tax effect of expenses not deductible for tax purpose	841	1,646
Tax effect of income not taxable for tax purpose	(37)	(46)
Tax effect of tax losses not recognised	601	382
Tax effect of deductible temporary difference not recognised	(32)	762
Tax exemption (<i>note</i>)	(140)	(120)
Utilisation of tax losses previously not recognised	<u>(68)</u>	<u>(374)</u>
Income tax expense for the year	<u>13,659</u>	<u>13,934</u>

Note: During the year ended 31 March 2017, seven (2016: six) Hong Kong subsidiaries were entitled to 75% tax deduction on Hong Kong Profits Tax with a cap at HK\$20,000 (2016: HK\$20,000).

7. PROFIT FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year is arrived at after charging:		
Directors' emoluments		
— fees	360	360
— salaries, allowances and other benefits	7,471	7,448
— discretionary bonuses	136	111
— contribution to retirement benefits scheme	232	232
— equity-settled share option expense	—	49
	<u>8,199</u>	<u>8,200</u>
Other staff costs		
— salaries, allowances and other benefits	154,024	125,407
— contribution to retirement benefits scheme	6,617	5,455
— provision for long service payments	313	359
— equity-settled share option expense	—	2,211
	<u>160,954</u>	<u>133,432</u>
Total staff costs	<u><u>169,153</u></u>	<u><u>141,632</u></u>
Auditor's remuneration	950	900
Depreciation of property, plant and equipment	24,068	22,958
Depreciation of investment property	778	—
Loss on written off of property, plant and equipment	4,948	4,822
Loss on disposal of property, plant and equipment	76	261
Share of income tax expense of an associate	6,379	6,260
Operating lease rentals in respect of:		
— rented premises	68,184	56,984
— transmission stations	13,615	14,922
	<u><u>81,799</u></u>	<u><u>71,906</u></u>

8. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2014/15 final dividend of HK\$0.02 per share	—	8,000
2015/16 first interim dividend of HK\$0.05 per share	—	20,004
2015/16 second interim dividend of HK\$0.05 per share	20,010	—
2016/17 first interim dividend of HK\$0.03 per share	12,008	—
2016/17 second interim dividend of HK\$0.05 per share	20,139	—
2016/17 third interim dividend of HK\$0.05 per share	20,146	—
	<u>72,303</u>	<u>28,004</u>

Subsequent to the end of the reporting period, a fourth interim dividend of HK0.05 cents per share in respect of the year ended 31 March 2017 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>95,593</u>	<u>89,769</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	401,402	400,035
Effect of dilutive potential ordinary shares:		
— Share options	<u>654</u>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>402,056</u>	<u>400,035</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for the year ended 31 March 2016.

10. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	8,871	29,634
Less: Impairment loss recognised in respect of trade receivables	<u>(64)</u>	<u>(64)</u>
	8,807	29,570
Other receivables	11,827	6,931
Deposits	29,087	25,100
Prepayment	<u>18,545</u>	<u>7,252</u>
	<u><u>68,266</u></u>	<u><u>68,853</u></u>

The Group does not hold any collateral over these balances.

The Group allows an average credit period of ranged from 7 to 30 days (2016: 7 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 at the end of the reporting period, which approximated the respective revenue recognition dates.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 90 days	8,435	28,478
91–180 days	301	1,058
181–365 days	51	10
Over 365 days	<u>20</u>	<u>24</u>
	<u><u>8,807</u></u>	<u><u>29,570</u></u>

The Group's trade receivables neither past due nor impaired of approximately HK\$6,275,000 (2016: HK\$17,820,000) mainly represent sales made to recognised and creditworthy customers with good repayment history. The Group regularly monitored the credit quality of these customers, who trade on credit terms.

Included in the Group's trade receivable balance at 31 March 2017 are debtors with aggregate carrying amount of approximately HK\$2,532,000 (2016: HK\$11,750,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

At 31 March 2017 and 2016, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	Within 30 days <i>HK\$'000</i>	31–90 days <i>HK\$'000</i>	91–180 days <i>HK\$'000</i>	181–365 days <i>HK\$'000</i>	Over 365 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2017	1,865	295	351	1	20	2,532
As at 31 March 2016	<u>8,247</u>	<u>2,292</u>	<u>1,138</u>	<u>49</u>	<u>24</u>	<u>11,750</u>

The movement in the impairment loss of trade receivables was as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At the beginning and the end of the year	<u>64</u>	<u>64</u>

Included in the impairment loss of trade receivables at 31 March 2017 were individually impaired trade receivables with an aggregate balance of approximately HK\$64,000 (2016: HK\$64,000) which have been placed in severe financial difficulties.

11. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	17,968	51,094
Receipts in advance	23,054	32,566
Accrued expenses and other payables	<u>21,209</u>	<u>24,230</u>
	<u>62,231</u>	<u>107,890</u>

The average credit period on trade payables is 30 days (2016: 30 days). The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 60 days	15,299	47,548
61–90 days	38	1,335
Over 90 days	<u>2,631</u>	<u>2,211</u>
	<u>17,968</u>	<u>51,094</u>

As at 31 March 2016, included in trade payables were approximately HK\$25,720,000 (2017: nil) which were denominated in USD.

12. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share Capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017		<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:			
At 1 April 2015		400,000,000	4,000
Issue of shares upon:			
Exercise of share options	<i>(a)</i>	<u>50,000</u>	<u>1</u>
At 31 March 2016 and 1 April 2016		400,050,000	4,001
Issue of shares upon:			
Exercise of share options	<i>(b)</i>	<u>2,891,000</u>	<u>29</u>
At 31 March 2017		<u>402,941,000</u>	<u>4,030</u>

Notes:

- (a) 50,000 share options were exercised during the year resulted in the issue of 50,000 ordinary shares of the Company and increase in share capital of approximately HK\$1,000.
- (b) 2,891,000 share options were exercised during the year resulted in the issue of 2,891,000 ordinary shares of the Company and increase in share capital of approximately HK\$29,000.

All shares issued during the year ended 31 March 2017 rank *pari passu* with existing shares in all respects.

13. SHARE OPTION SCHEME

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

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

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

At 31 March 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 741,000 (2016: 3,796,000), representing approximately 0.18% (2016: 0.95%) of the shares of the Company in issue at that date.

Details of the share option outstanding during the year are as follows:

For the year ended 31 March 2017

Grantees	Date of grant	Exercisable period	Exercise price	Outstanding at 1 April 2016	Number of share options			
					Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2017
Directors	7 July 2015	7 July 2015–6 July 2018	HK\$2.22	60,000	—	(30,000)	—	30,000
Employees	7 July 2015	7 July 2015–6 July 2018	HK\$2.22	3,736,000	—	(2,861,000)	(164,000)	711,000
Total				<u>3,796,000</u>	<u>—</u>	<u>(2,891,000)</u>	<u>(164,000)</u>	<u>741,000</u>
Exercisable at the end of the year								<u>741,000</u>
Weighted average exercise price				<u>HK\$2.22</u>	<u>—</u>	<u>HK\$2.22</u>	<u>HK\$2.22</u>	<u>HK\$2.22</u>

For the year ended 31 March 2016

Grantees	Date of grant	Exercisable period	Exercise price	Number of share options				
				Outstanding at 1 April 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2016
Directors	7 July 2015	7 July 2015–6 July 2018	HK\$2.22	—	60,000	—	—	60,000
Employees	7 July 2015	7 July 2015–6 July 2018	HK\$2.22	—	4,536,000	(50,000)	(750,000)	3,736,000
Total				<u>—</u>	<u>4,596,000</u>	<u>(50,000)</u>	<u>(750,000)</u>	<u>3,796,000</u>
Exercisable at the end of the year								<u>3,796,000</u>
Weighted average exercise price				<u>—</u>	<u>HK\$2.22</u>	<u>HK\$2.22</u>	<u>HK\$2.22</u>	<u>HK\$2.22</u>

During the year ended 31 March 2016, there were 656,000 share options from the non-acceptance by the employees at the date of grant included in the number of share options lapsed.

In respect of the share options exercised during the year ended 31 March 2017, the weighted average share price at the dates of exercise is HK\$3.56 (2016: HK\$2.24).

The Group recognised the total expense of approximately HK\$2,260,000 for the year ended 31 March 2016 in relation to share options granted by the Company. No share option was granted during the year ended 31 March 2017.

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

Options granted on 7 July 2015

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

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

14. ACQUISITION OF A SUBSIDIARY

On 15 April 2016, Telecom Service Network Limited, a wholly-owned subsidiary of the Company, completed the acquisition of 72% equity interest in Distribution One Limited (“Distribution One”), from an independent third party, at a cash consideration of HK\$3,600,000. This acquisition has been accounted for using the acquisition method. Distribution One is engaged in the provision of distribution services and the purpose of the acquisition is to expand the Group’s distribution business.

No acquisition-related cost has been incurred from the above acquisition.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	15 April 2016 <i>HK\$’000</i>
Inventories	247
Prepayment	439
Amount due from non-controlling shareholder	5,000
Bank balances	3,475
Trade payable	(8)
Other payables	(2,252)
Receipts in advance	<u>(1,902)</u>
Net assets at the date of the acquisition	<u><u>4,999</u></u>
	15 April 2016 <i>HK\$’000</i>
Consideration transferred	3,600
Add: non-controlling interest (28% equity interest in Distribution One)	1,399
Less: net assets acquired	<u>(4,999)</u>
Goodwill arising on acquisition	<u><u>—</u></u>

The non-controlling interest in Distribution One was measured by proportionate share of the net assets of Distribution One.

Net cash outflow on acquisition of Distribution One is as follows:

	15 April 2016 <i>HK\$'000</i>
Cash consideration paid	3,600
Less: bank balances acquired	<u>(3,475)</u>
	<u><u>125</u></u>

Included in the profit for the year is approximately HK\$652,000 attributable to the business generated by Distribution One. Revenue for the year included approximately HK\$80,610,000 generated from Distribution One.

Had the acquisition been completed on 1 April 2016, total revenue of the Group for the year would have approximately HK\$1,092,633,000, and profit for the year would have been approximately HK\$95,749,000. The pro forma information is for illustrative purposes only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

15. OPERATING LEASES 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	52,557	39,000
In the second to fifth year, inclusive	<u>27,940</u>	<u>33,046</u>
	<u><u>80,497</u></u>	<u><u>72,046</u></u>

The Group leases certain of its office premises, transmission stations and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three years (2016: one to three years) with fixed rentals as at 31 March 2017.

The Group as lessor

Rental income earned during the year ended 31 March 2017 was approximately HK\$4,256,000 (2016: HK\$3,227,000). The office premises, transmission stations, warehouse and service outlets are rented to third parties under operating leases with leases negotiated for a term of one to two years (2016: one to two years) as at 31 March 2017.

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
Within one year	499	2,408
In the second to fifth year, inclusive	<u>—</u>	<u>1,234</u>
	<u>499</u>	<u>3,642</u>

16. CAPITAL COMMITMENTS

	2017 HK\$'000	2016 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>22,181</u>	<u>3,431</u>

17. EVENTS AFTER THE REPORTING PERIOD

- (a) On 9 May 2017, the subsidiary of the Company completed the purchase of a property from an independent third party at a cash consideration of HK\$25,000,000. The property was classified as leasehold land and buildings under property, plant and equipment at the date of the completion. Further details are set out in the announcements of the Company dated 14 March 2017 and 9 May 2017.
- (b) On 10 May 2017, the shares of the Company, which have been listed on the GEM of the Stock Exchange with effect from 30 May 2014, have been transferred to Main Board of the Stock Exchange. Further details are set out in the announcements of the Company dated 25 August 2016, 28 February 2017, 1 March 2017 and 28 April 2017.
- (c) On 21 June 2017, a wholly-owned subsidiary of the Company signed a provisional agreement for the purchase of a property with an independent third party at a consideration of HK\$30,000,000. Further details of the acquisition are set out in the Company's announcement dated 21 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Over the past year, the mobile service industry has become increasingly crowded as new entrants vie for a share of the market, enticed by strong demand not only for mobile services but also the increasing application of mobile networks in Hong Kong. With more mobile virtual network operators (MVNO) entering the scene, including some with backing from major telecommunications companies, post-paid mobile voice and data services clearly represent an important growth segment. Driving such growth is an exceptionally high mobile subscription rate in Hong Kong, numbering 16.72 million in March 2016, which is among the highest penetration rates in the world — equivalent to 228.3%. And of the 16.72 million subscribers, 14.69 million were 3G/4G customers, thus going beyond basic voice service, with mobile data services being particularly popular. Such demand looks set to further grow as local mobile data usage reached 20,577 terabytes as at March 2016, which is equivalent to an average of 1,358 megabytes per 2.5G/3G/4G mobile user, and represents growth of 1.18 times over the same period in 2015, and 1.58 times over the same period in 2014.

While the competition may be growing, the Group is confident in its ability to maintain market share by leveraging its well-established shop network, professional sales team and close relations with suppliers and customers.

Business Review

The Group is among the leading comprehensive telecommunications service providers in Hong Kong. It is principally involved in (i) retail sales of mobile phones and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to Sun Mobile Limited (“SUN Mobile”), an associate owned as to 40% by the Group and as to 60% by HKT Limited.

As at 31 March 2017, the two primary revenue contributors to the Group continued to be retail sales of mobile phones and provision of operation services to SUN Mobile. In total, the businesses contributed revenue of approximately HK\$815,064,000 (2016: HK\$715,427,000), and accounted for approximately 74.6% of the Group’s total revenue, representing a year-on-year increase of approximately 13.9%. With regard to the distribution of mobile phones and related services, the business generated revenue of approximately HK\$195,882,000 (2016: HK\$616,087,000) and accounted for approximately 17.9% of the Group’s total revenue, representing a decrease of approximately 68.2% over the corresponding period of last year. As the result of diminishing subscribers and the ongoing migration of users to the internet and mobile communication devices, the provision of paging and other telecommunications services business has continued to experience revenue decline.

Over the past year, the Group acquired two properties that will be used for enhancing its retail network. One property was acquired on 7 June 2016 for HK\$38,800,000, and the transaction was completed on 7 September 2016. Another property was acquired on 14 March 2017 for HK\$25,000,000, and the transaction was completed on 9 May 2017. One of the properties has been transformed into a retail

shop of the Group and the other one will be followed once the existing tenancy agreement is expired. The Board is satisfied with the location of both properties in terms of exposure to shoppers and pedestrian flow, and considers the acquisitions as ideal opportunities for securing desirable retail spaces in Hong Kong, which will enable the Group to reduce its exposure to rent fluctuations as well as further its business development. Thus far, rental expenses have remained stable, and the Group will continue to closely monitor the rental market and make additional acquisitions if necessary.

With respect to the distribution of mobile phones for a mobile phone manufacturer, the Group and the manufacturer agreed not to renew their distributor agreement due to the change of distribution model of the manufacturer. The latest term of the distributor agreement expired on 13 August 2016. The Group has nevertheless become the distributor of mobile devices for other mobile phone manufacturers in 2016. It will continue to explore new opportunities to further its distribution business.

Financial Review

Segment analysis:

	2016/17		2015/16	
	HK\$'000	%	HK\$'000	%
	(audited)		(audited)	
Retail business	524,628	48.0	485,193	34.0
Distribution business	195,882	17.9	616,087	43.1
Paging and other telecommunications services	81,317	7.5	97,400	6.8
Operation services	290,436	26.6	230,234	16.1
Total revenue	<u>1,092,263</u>	<u>100.0</u>	<u>1,428,914</u>	<u>100.0</u>

Revenue

The Group's revenue for the year ended 31 March 2017 was approximately HK\$1,092,263,000 (2016: HK\$1,428,914,000), representing a decrease of approximately 23.6% over the previous year. The decrease in the Group's revenue was mainly due to decrease in revenue generated from distribution business and partly off-set by increase in revenue generated from retail business and operation services.

Revenue from retail sales and operation services were the main source of the Group's revenue, representing approximately 74.6% of the Group's total revenue for the year ended 31 March 2017. Revenue from distribution of mobile phones for the year ended 31 March 2017 was approximately HK\$195,882,000 (2016: HK\$616,087,000), representing a decrease of approximately 68.2% as compared to the previous year. The decrease was mainly due to the change in distribution model of a mobile phone manufacturer, the associated agreement with the Group was terminated upon expiration in August 2016.

In view of the popularity of various channels of mobile communication, we have strategically scaled down the paging and Mobitex based services business since last year, revenue from this segment declined by approximately 16.5% as compared to previous year to approximately HK\$81,317,000 (2016: HK\$97,400,000).

Revenue from provision of operation services for the year ended 31 March 2017 was approximately HK\$290,436,000 (2016: HK\$230,234,000), representing an increase of approximately 26.1% as compared to previous year. As SUN Mobile keep launching different service plans to attract customers, the number of customers keep growing as well. As boosted by the increase in average revenue per user and in the light of the stable customer growth, the Group's administrative and operational work became more cost efficient and therefore it is expected that the growth in the service fee may continue.

Other Income

Other income mainly contributed by rental income and exchange difference. Other income for the year ended 31 March 2017 was approximately HK\$6,078,000 (2016: HK\$6,241,000), representing a slight decrease of approximately 2.6% as compared to previous year.

Other Operating Expenses

The Group's other operating expenses are mainly consisted of rental, building management fee, utilities and other shops running expenses, 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, legal and professional fees and other office expenses. Other operating expenses for the year ended 31 March 2017 were approximately HK\$193,775,000 (2016: HK\$190,425,000), representing a slight increase of approximately 1.8% over the previous year.

The increase was mainly brought by the increase in rental expenses and bank charges, and partly off-set by the decrease in information fees, repair and write-off of obsoleted paging devices. The decrease in information cost was mainly due to the decrease in financial data charged by the HKEx Information Services Limited by reference to the usage of information. Because of the declining number of subscribers, the usage of information decreased accordingly. The increase in rental expenses was primarily due to the expansion of retail shops and the increase in market rental during the year. In addition, due to a prolonged decline in market value of paging devices, write-off of obsoleted paging devices was recognised.

Share of Result of an Associate

Share of result of an associate for the year was approximately HK\$32,502,000 (2016: HK\$31,971,000), representing an increase of approximately 1.7% as compared to the previous year. The amount represents our share of net profit of SUN Mobile.

Finance Costs

There is no significant change in the Group's bank borrowings throughout year ended 31 March 2017. The finance costs for the year ended 31 March 2017 were approximately HK\$3,448,000 (2016: HK\$5,437,000). It was mainly consisted of interest expenses on interest-bearing bank borrowings for supporting the Group's daily operation and business expansion.

Income Tax Expense

Income tax for the year ended 31 March 2017 was approximately HK\$13,659,000 (2016: HK\$13,934,000), representing a slight decrease of approximately 2.0%.

Profit for the Year Attributable to the Owners of the Company

Profit attributable to the owners of the Company for the year ended 31 March 2017 was approximately HK\$95,593,000 (2016: HK\$89,769,000), representing an increase of approximately 6.5% as compared to the previous year.

Liquidity and Financial Resources

As at 31 March 2017, the Group had net current liabilities of approximately HK\$34,147,000 (2016: HK\$26,594,000) and had cash and cash equivalents of approximately HK\$36,706,000 (2016: HK\$11,999,000).

The Group has a current ratio of approximately 0.8 as at 31 March 2017 comparing to that of approximately 0.9 as at 31 March 2016. As at 31 March 2017, the Group's gearing ratio was approximately 60.1% as compared to approximately 91.4% as at 31 March 2016, which is calculated based on the Group's total borrowings of approximately HK\$159,463,000 (2016: HK\$214,934,000) and the Group's total equity of approximately HK\$265,236,000 (2016: HK\$235,086,000). The Group's total cash at banks as at 31 March 2017 amounted to approximately HK\$42,907,000 (2016: HK\$15,819,000).

Apart from providing working capital to support its business development, the Group also has available banking facilities to meet potential needs for business expansion and development. As at 31 March 2017, the Group has the unutilised banking facilities of approximately HK\$382,305,000 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 31 March 2017, the Group did not have material contingent liabilities (2016: 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 of the Group continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

Details of the Group's capital commitments are set out in note 16 to this announcement.

Dividends

	Year ended 31 March			
	2017		2016	
	HK\$	HK\$'000	HK\$	HK\$'000
	<i>per share</i>	<i>(audited)</i>	<i>per share</i>	<i>(audited)</i>
Dividends recognised as distribution during the year:				
2014/15 final dividend	—	—	0.02	8,000
2015/16 first interim dividend	—	—	0.05	20,004
2015/16 second interim dividend	0.05	20,010	—	—
2016/17 first interim dividend	0.03	12,008	—	—
2016/17 second interim dividend	0.05	20,139	—	—
2016/17 third interim dividend	0.05	20,146	—	—
		<u>72,303</u>		<u>28,004</u>

At a meeting held on 26 June 2017, the Board declared the fourth interim dividend of HK\$0.05 per share for the year ended 31 March 2017 (2016: nil).

Capital Structure

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 13 to this announcement, there was no change in the capital structure during the year ended 31 March 2017.

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 review the capital structure regularly. As part of the review, they consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

Material Acquisition and Disposal

Except for purchase of a real property for commercial use at a consideration of HK\$38,800,000 (2016: HK\$25,200,000), the Group did not make any material acquisition or disposal of subsidiaries or significant investments during the year ended 31 March 2017 (2016: nil).

As at 31 March 2017, the Group's properties in Hong Kong with carrying values of approximately HK\$223,168,000 (2016: HK\$187,635,000).

Employees and Remuneration Policies

As at 31 March 2017, the Group employed 557 (2016: 463) 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

Looking ahead, the Group will continue to bolster its retail network, and where possible, it will also relocate and expand the size of certain shops. Not only focused on the physical space, the Group is also quality focused, hence it will seek to continuously improve the knowledge and level of service of staff.

To diversify the Group's business and fully utilise its extensive retail network, experienced sales force and logistic system, the Group has actively explored business opportunities to broaden its assets and revenue base. As the Group fully recognises the importance of developing its e-commerce platform, to raise the appeal of such a platform and generate revenue from its business to consumer (B2C) operation, the Group will enhance the platform's accessibility via the internet, mobile apps and multi-media terminals at its shops, as well as other online to offline networks.

In the face of rising competition, the management will redouble efforts on enhancing all facets of operation so as to be in a strong position for seizing greater market share and raising brand equity. It will also assess possible opportunities for driving business growth.

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 of the Company's shares on the GEM of the Stock Exchange (the "Listing"), after deducting related expenses, amounted to approximately HK\$77.7 million. The Group intends to apply such net proceeds as follows:

Use	Planned use of proceeds as stated in the prospectus <i>HK\$ million</i>	Actual use of proceeds during the year <i>HK\$ million</i>
Expansion of the Group's shop network and opening of flagship stores to strengthen its business of retail sales of mobile phones	10.0	2.2
Expansion of the Group's head office and logistics vehicle fleet to cope with its growth of business	56.0	—
Implementation of an Enterprise Resource Planning (ERP) system to enhance management capacity and efficiency	5.0	—
General working capital	<u>6.7</u>	<u>—</u>
	<u><u>77.7</u></u>	<u><u>2.2</u></u>

The business objectives as stated in the prospectus of the Company dated 26 May 2014 (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, all the net proceeds from the Listing has been used.

TRANSFER OF LISTING FROM THE GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE

On 25 August 2016, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") ("Transfer of Listing"). The Company has applied for the listing of and permission to deal in (i) 402,949,000 Shares in issue, and (ii) the 733,000 Shares which may be issued upon the exercise of the outstanding options which were granted under the Scheme, on the Main Board by way of transfer of the listing from GEM to the Main Board.

The approval-in-principle has been granted by the Stock Exchange on 28 April 2017 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares. The last day of dealings in the Shares on GEM (stock code: 8336) was 9 May 2017. Dealings in the Shares on the Main Board (stock code: 6033) have commenced at 9:00 a.m. on 10 May 2017.

The Board believes that the Transfer of Listing will enhance the profile of the Group, strengthen its recognition among public investors and improve the trading liquidity of the Shares. The Board also considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2017 and up to the date of this announcement, the Company has maintained the public float required by the GEM Listing Rules and the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 March 2017 or at any time during that year.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

- (a) from 11 to 12 July 2017 (both dates inclusive), for the purpose of determining shareholders' entitlement to the fourth interim dividend. In order to qualify for the fourth interim dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on 10 July 2017; and
- (b) from 29 August 2017 to 4 September 2017 (both dates inclusive), for the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting (the "AGM"). In order to attend and vote at the AGM, all transfers of Shares 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 their address as mentioned above for registration not later than 4:00 p.m. on 28 August 2017.

No transfer of shares will be registered during the periods mentioned in paragraphs (a) and (b) above.

Corporate Governance Practices

During the year ended 31 March 2017 and as at 10 May 2017 (date of Transfer of Listing), except the deviation as disclosed below, the Company has complied with the Corporate Governance Code as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM CG Code"). From 10 May 2017 onwards, the Company has adopted the principles and the code provision of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code"):

- According to the Code Provision C.1.2 of the GEM CG Code and CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 March 2017, 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 of GEM CG Code and CG Code.

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 GEM CG Code. The terms of reference of the Audit Committee have been updated on 10 May 2017 for the purpose of compliance with the CG code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee, among other things, are to make recommendations to the Board on the appointment, re-appointment and removal of external auditor; to review the financial statements and material advice in respect of financial reporting; to oversee the financial reporting system, risk management and internal control systems of the Company; and to review arrangements for employees to raise concerns about financial reporting improprieties.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam Yu Lung, Mr. Hui Ying Bun and Mr. Lau Hing Wah, *MH, JP*. Mr. Lam Yu Lung is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the consolidated financial statements and final results for the year ended 31 March 2017.

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

Hong Kong, 26 June 2017

As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah.

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