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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: 8336)

INSIDE INFORMATION
TERMINATION OF A DISTRIBUTOR AGREEMENT
FOR MOBILE DEVICES

This announcement is made by Telecom Digital Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of the Stock Exchange (the “**GEM Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Telecom Service Network Limited (“**TSN**”), an indirect wholly-owned subsidiary of the Company, is currently the distributor of a Taiwan mobile phone manufacturer (the “**Manufacturer**”) for the distribution of its mobile devices in Hong Kong and Macau pursuant to a distributor agreement (the “**Distributor Agreement**”) entered into by TSN and the Manufacturer on 14 August 2014.

The current term of the Distributor Agreement will expire on 13 August 2016, which will be automatically renewed for one year unless terminated by either party to the Distribution Agreement by giving not less than 90 days’ prior notice in accordance with the terms thereof.

Due to the change of distribution model of the Manufacturer, on 4 August 2016, TSN and the Manufacturer agreed not to renew the Distributor Agreement after the expiry of its current term.

Details of the Group’s total revenue and revenue from distribution of the Manufacturer’s mobile devices and other financial information for the year ended 31 March 2016 are shown in the table below:

	Revenue from distribution business	Revenue from other business	Total Revenue of the Group	Revenue from distribution of the Manufacturer's mobile devices	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
External sales	616,087	812,827	1,428,914	356,081	
Internal sales	396,530	3,307	399,837	25,460	
	<u>1,012,617</u>	<u>816,134</u>	<u>1,828,751</u>	381,541	20.9%
Cost of sales	(987,304)	(407,490)	(1,394,794)	(367,903)	
	<u>25,313</u>	<u>408,644</u>	<u>433,957</u>	<u>13,638</u>	3.1%
Gross profit					

For the financial year ended 31 March 2016, the audited consolidated revenue of the Group was approximately HK\$1,428,914,000, of which approximately HK\$356,081,000 was generated from the distribution of the mobile devices of the Manufacturer. The gross profit of the Group was approximately HK\$433,957,000, of which approximately HK\$13,638,000 was generated from the distribution of the mobile devices of the Manufacturer, representing approximately 3.1% of the Group's total gross profit for that year.

The Group is one of the leading comprehensive telecommunications service providers in Hong Kong and Macau and its principal business operations include (i) retail sales of mobile phones and pre-paid SIM cards and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to Sun Mobile Limited, an associate owned as to 40% by the Group. The Group became the distributor of mobile devices of another mobile phone manufacturer in early 2016, and the Group continues to seek for other business opportunities. Accordingly, the board of the Company considers that save as disclosed above, the termination of the Distribution Agreement will not have any material adverse impact on the financial position and operation of the Group.

Shareholders and any potential investors of the Company are advised to take caution in dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional adviser(s).

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

Hong Kong, 4 August 2016

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. Ho Nai Man Paul and Mr. Lam Yu Lung.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at 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.

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