



## **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)**

## **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 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.*

## FINAL RESULTS

The board of Directors (the “Board”) of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2015, together with the comparative figures for the year ended 31 March 2014:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	2	<b>1,358,304</b>	1,198,346
Cost of inventories sold		<b>(980,125)</b>	(832,569)
Staff costs	7	<b>(121,003)</b>	(109,882)
Depreciation	7	<b>(20,865)</b>	(17,707)
Other income	4	<b>8,491</b>	12,261
Other operating expenses		<b>(172,045)</b>	(182,454)
Share of results of an associate		<b>28,428</b>	23,295
Finance costs	5	<b>(3,938)</b>	(4,123)
Profit before tax		<b>97,247</b>	87,167
Income tax expense	6	<b>(10,430)</b>	(6,429)
Profit for the year attributable to the owners of the Company	7	<b>86,817</b>	80,738
Other comprehensive income (expenses)			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gain (loss) on long service payment obligations		<b>696</b>	(568)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating a foreign operation		<b>(121)</b>	74
Other comprehensive income (expenses) for the year		<b>575</b>	(494)
Total comprehensive income for the year attributable to the owners of the Company		<b>87,392</b>	80,244
Earnings per share (HK\$)			
Basic and diluted	9	<b>0.23</b>	0.27

## Consolidated Statement of Financial Position

As at 31 March 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>215,672</b>	47,688
Deferred tax assets		—	1
Club debenture		<b>1,560</b>	1,560
Interest in an associate		<b>24,996</b>	34,044
		<b>242,228</b>	83,293
Current assets			
Inventories		<b>216,709</b>	82,396
Trade and other receivables	<i>10</i>	<b>99,544</b>	43,123
Amounts due from related companies		<b>57</b>	55,931
Amount due from an associate		<b>4,534</b>	5,796
Amounts due from directors		—	116,366
Pledged bank deposits		<b>4,609</b>	9,761
Bank balances and cash		<b>27,584</b>	12,236
		<b>353,037</b>	325,609
Current liabilities			
Trade and other payables	<i>11</i>	<b>92,648</b>	110,276
Amounts due to related companies		<b>618</b>	862
Bank overdrafts		—	7,447
Bank borrowings		<b>322,710</b>	143,268
Tax payables		<b>2,594</b>	2,072
		<b>418,570</b>	263,925
Net current (liabilities) assets		<b>(65,533)</b>	61,684
Total assets less current liabilities		<b>176,695</b>	144,977

	<i>Note</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Non-current liabilities			
Long service payment obligations		<b>1,314</b>	1,570
Deferred tax liabilities		<b><u>4,092</u></b>	<u>4,873</u>
		<b><u>5,406</u></b>	<u>6,443</u>
Net assets		<b><u><u>171,289</u></u></b>	<u><u>138,534</u></u>
Capital and reserves			
Share capital	<i>12</i>	<b>4,000</b>	5,404
Reserves		<b><u>167,289</u></b>	<u>133,130</u>
		<b><u><u>171,289</u></u></b>	<u><u>138,534</u></u>

## Notes to the Consolidated Financial Statements

*For the year ended 31 March 2015*

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

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.

Pursuant to a group reorganisation (the “Reorganisation”) of the Group to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange (the “Listing”), the Company acquired the equity interests of entities under common control and became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation were set out in the prospectus of the Company dated 26 May 2014 (the “Prospectus”).

The shares of the Company have been listed on the Stock Exchange with effect from 30 May 2014.

The directors of the Company consider the immediate holding company and ultimate holding company are CKK Investment Limited (“CKK Investment”) 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 Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. 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 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 whose functional currency is Macau Pataca (“MOP”), the functional currency of the Company and other subsidiaries is HK\$.

Although the Group resulting from the above mentioned Reorganisation did not exist until 20 May 2014, the directors of the Company consider that meaningful information as regards to the historical performance of the Group, which includes entities under common control, is provided by treating the Group resulting from the Reorganisation as a continuing entity as if the group structure as at 20 May 2014 had been in existence from 1 April 2013.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence since 1 April 2013. The consolidated statement of financial position of the Group as at 31 March 2014 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at that date.

The Group had net current liabilities of approximately HK\$65,533,000 as at 31 March 2015. The directors of the Company 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 unutilised of banking facilities readily available to the Group amounted to approximately HK\$182,524,000;
- (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\$54,784,000. 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. 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 able 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. 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 consolidated financial statements.

## 2. 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 is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales of goods	1,038,073	894,200
Service income	<u>320,231</u>	<u>304,146</u>
	<u><b>1,358,304</b></u>	<u><b>1,198,346</b></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 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 segment.

For the year ended 31 March 2015

	Retail business HK\$'000	Distribution business HK\$'000	Paging and other telecom- munications services HK\$'000	Operation services HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Revenue</b>						
External sales	421,709	638,888	109,417	188,290	—	1,358,304
Inter-segment sales	—	348,639	3,563	—	(352,202)	—
<b>Segment revenue</b>	<u>421,709</u>	<u>987,527</u>	<u>112,980</u>	<u>188,290</u>	<u>(352,202)</u>	<u>1,358,304</u>
<b>Segment results</b>	<u>28,759</u>	<u>22,844</u>	<u>5,066</u>	<u>26,166</u>		82,835
Interest income						392
Finance costs						(3,938)
Share of results of an associate						28,428
Corporate expenses						(10,470)
<b>Profit before tax</b>						<u>97,247</u>

For the year ended 31 March 2014

	Retail business HK\$'000	Distribution business HK\$'000	Paging and other telecom- munications services HK\$'000	Operation services HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Revenue</b>						
External sales	467,975	436,985	133,469	159,917	—	1,198,346
Inter-segment sales	—	206,291	—	—	(206,291)	—
<b>Segment revenue</b>	<u>467,975</u>	<u>643,276</u>	<u>133,469</u>	<u>159,917</u>	<u>(206,291)</u>	<u>1,198,346</u>
<b>Segment results</b>	<u>35,625</u>	<u>13,683</u>	<u>12,220</u>	<u>14,717</u>		76,245
Interest income						579
Finance costs						(4,123)
Share of results of an associate						23,295
Gain on disposal of investment property						5,434
Corporate expenses						(14,263)
<b>Profit before tax</b>						<u>87,167</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represented the profit earned from each segment without allocation of interest income, finance costs, share of results of an associate, gain on disposal of investment property, 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Segment assets</b>		
Retail business	146,257	75,005
Distribution business	240,175	58,698
Paging and other telecommunications services	78,528	35,781
Operation services	<u>4,845</u>	<u>6,016</u>
Total segment assets	469,805	175,500
Unallocated corporate assets	<u>125,460</u>	<u>233,402</u>
Total assets	<u><u>595,265</u></u>	<u><u>408,902</u></u>
<b>Segment liabilities</b>		
Retail business	6,708	15,850
Distribution business	46,983	48,116
Paging and other telecommunications services	38,363	35,339
Operation services	<u>2,283</u>	<u>774</u>
Total segment liabilities	94,337	100,079
Unallocated corporate liabilities	<u>329,639</u>	<u>170,289</u>
Total liabilities	<u><u>423,976</u></u>	<u><u>270,368</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, deferred tax assets, club debenture, interest in an associate, other receivables, amounts due from related companies and directors, pledged bank deposits, bank balances managed on central basis and corporate assets; and
- all liabilities are allocated to segments other than certain other payables, amounts due to related companies, bank overdrafts and bank borrowings, tax payables, long services payment obligations, deferred tax liabilities 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 its non-current assets is presented based on the geographical location of these assets.

### *Revenue from external customers*

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong (country of domicile)	<b>1,356,438</b>	1,195,522
Macau	<b><u>1,866</u></b>	<u>2,824</u>
	<b><u><u>1,358,304</u></u></b>	<u><u>1,198,346</u></u>

### *Non-current assets*

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong (country of domicile)	<b>242,198</b>	83,099
Macau	<b><u>30</u></b>	<u>193</u>
	<b><u><u>242,228</u></u></b>	<u><u>83,292</u></u>

*Note:* Non-current assets excluded deferred tax assets.

## Information about major customers

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A <sup>1</sup>	<b><u>216,540</u></b>	<u>159,917</u>
Customer B <sup>2</sup>	<b><u>N/A</u></b> <sup>3</sup>	<u>148,048</u>

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

<sup>2</sup> Revenue from distribution business.

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

#### 4. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest income:		
Bank interest income	392	47
Interest income from related companies ( <i>note</i> )	<u>—</u>	<u>532</u>
	392	579
Consultancy income	300	300
Gain on disposal of property, plant and equipment	396	1,208
Gain on disposal of an investment property	—	5,434
Rental income	3,893	3,480
Warehouse storage income	538	344
Exchange gain	1,963	128
Others	<u>1,009</u>	<u>788</u>
	<u><u>8,491</u></u>	<u><u>12,261</u></u>

*Note:*

Interest income was charged over the amounts due from related companies at 1 month Hong Kong Interbank Offered Rate per annum and which had been fully settled during the year ended 31 March 2014.

#### 5. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on bank borrowings and bank overdrafts	<u><u>3,938</u></u>	<u><u>4,123</u></u>

## 6. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Macau Complementary Income Tax		
— current year	39	683
Hong Kong Profits Tax		
— current year	11,171	4,831
— over-provision in prior years	<u>—</u>	<u>(36)</u>
	11,210	5,478
Deferred tax		
— current year	<u>(780)</u>	<u>951</u>
Total income tax expense for the year	<u><u>10,430</u></u>	<u><u>6,429</u></u>

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.

During the both years ended 31 March 2015 and 2014, Macau Complementary Income Tax is charged at the progressive rate on the estimate assessable profit.

During the both years ended 31 March 2015 and 2014, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

## 7. PROFIT FOR THE YEAR

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year is arrived at after charging:		
Directors' emoluments		
— fees	300	—
— salaries, allowances and other benefits	6,579	3,388
— contribution to retirement benefits scheme	<u>226</u>	<u>120</u>
	<u>7,105</u>	<u>3,508</u>
Other staff costs		
— salaries and other allowance	108,609	101,631
— contribution to retirement benefits scheme	4,888	4,378
— provision for long service payments	<u>401</u>	<u>365</u>
	<u>113,898</u>	<u>106,374</u>
Total staff costs	<u>121,003</u>	<u>109,882</u>
Auditors' remuneration	880	820
Depreciation of property, plant and equipment	20,865	17,690
Depreciation of investment property	<u>—</u>	<u>17</u>
	20,865	17,707
Written off of inventories (included in other operating expenses)	116	—
Loss on written off of property, plant and equipment	5,420	1,668
Share of income tax expense of an associate	5,584	3,298
Operating lease rentals in respect of:		
— rented premises	49,960	40,037
— transmission stations	<u>14,732</u>	<u>13,431</u>
	<u>64,692</u>	<u>53,468</u>

## 8. DIVIDENDS

Pursuant to the resolution passed on 20 May 2014, an interim dividend of HK\$138,000,000 was declared by the Company to its then shareholders and were settled through amounts due from directors and amounts due from related companies with amounts to HK\$116,366,000 and HK\$21,634,000 respectively (2014: nil).

An interim dividend of HK\$0.02 per ordinary share for the first half of the financial year 2014/15 amounting to HK\$8,000,000 was declared and paid by the Company on 28 November 2014 to its shareholders.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2015 of HK\$0.02 (2014: nil) per share amounting to HK\$8,000,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting (the “Annual General Meeting”).

## 9. EARNINGS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<u>86,817</u>	<u>80,738</u>
	2015 <i>'000</i>	2014 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>384,384</u>	<u>300,000</u>

The weighted average number of ordinary shares in issue during the years ended 31 March 2014 represented 300,000,000 ordinary shares in issue before the Listing as if such shares were issued during the year ended 31 March 2014 after taking into account the capitalisation issue pursuant to the Reorganisation as stated in the Prospectus and placing of shares as stated in note 12.

The weighted average number of ordinary share in issue during the year ended 31 March 2015 represents 300,000,000 ordinary shares in issue before the Listing and the weighted average of 100,000,000 ordinary shares issued upon the Listing.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2015 and 2014.

## 10. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	34,492	13,039
Other receivables	5,082	5,390
Deposits	22,400	17,544
Prepayment	<u>37,634</u>	<u>7,214</u>
	<b>99,608</b>	43,187
Less: impairment loss recognised in respect of trade receivables	<u>(64)</u>	<u>(64)</u>
	<b><u>99,544</u></b>	<b><u>43,123</u></b>

The Group does not hold any collateral over these balances.

The Group allows an average credit period of ranged from 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	33,607	12,783
91–180 days	798	146
181–365 days	1	1
Over 365 days	<u>22</u>	<u>45</u>
	<b><u>34,428</u></b>	<b><u>12,975</u></b>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At the beginning and the end of the year	<u>64</u>	<u>64</u>

At 31 March 2015 and 2014, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	<b>Within 30 days</b>	<b>31–90 days</b>	<b>91–180 days</b>	<b>181–365 days</b>	<b>Over 365 days</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2015	<b>3,319</b>	<b>1,288</b>	<b>798</b>	<b>1</b>	<b>22</b>	<b>5,428</b>
As at 31 March 2014	<u>1,041</u>	<u>897</u>	<u>146</u>	<u>1</u>	<u>45</u>	<u>2,130</u>

The Group has not recognised any impairment loss in respect of trade receivables which are past due as there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

As at 31 March 2015, included in prepayment amount of approximately HK\$24,696,000 (2014: nil) are denominated in USD.

## 11. TRADE AND OTHER PAYABLES

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	48,426	55,008
Receipt in advance	30,143	25,740
Accrued expenses and other payables	<u>14,079</u>	<u>29,528</u>
	<u><b>92,648</b></u>	<u><b>110,276</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 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:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	44,838	52,564
61–90 days	1,803	1,012
Over 90 days	<u>1,785</u>	<u>1,432</u>
	<u><b>48,426</b></u>	<u><b>55,008</b></u>

## 12. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.01 each</b>			
<b>Authorised:</b>			
At 1 April 2013 and 31 March 2014	<i>(a)</i>	38,000,000	380
Increase during the year	<i>(b)</i>	<u>9,962,000,000</u>	<u>99,620</u>
At 31 March 2015		<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>
			<i>HK\$'000</i>
<b>Issued and fully paid:</b>			
At 1 April 2013 and 31 March 2014		1	—
Subscription of shares by CKK Investment	<i>(c)</i>	43	—
Issued in consideration for the acquisition of the issued share capital of Telecom Digital Investment Limited	<i>(d)</i>	16	—
Issue of ordinary shares in connection with the listing of shares of the Company	<i>(e)</i>	100,000,000	1,000
Capitalisation issue	<i>(f)</i>	<u>299,999,940</u>	<u>3,000</u>
At 31 March 2015		<u><u>400,000,000</u></u>	<u><u>4,000</u></u>

### *Notes:*

- (a) As at 31 March 2014, the share capital of approximately HK\$5,404,000 of the Group represented the sum of amount of share capital of the Company and the subsidiaries now comprising the Group.
- (b) Pursuant to the written resolution passed on 20 May 2014, the authorised share capital of the Company was increased to HK\$100,000,000 with 10,000,000,000 shares of HK\$0.01 each by the creation of an additional 9,962,000,000 new shares of HK\$0.01 each.
- (c) 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.
- (d) On 20 May 2014, the Company acquired the entire interests in Telecom Digital Investment Limited in consideration of and in exchange for which the Company allotted and issued 16 shares in aggregate, credited as fully paid, to Cheung Brothers.
- (e) On 27 May 2014, the Company issued a total of 100,000,000 ordinary shares HK\$0.01 each at a price of HK\$1.0 per share as a result of the completion of the placing. 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.

- (f) On 20 May 2014, pursuant to the resolution of the then shareholders of the Company, it was approved to issue 299,999,940 ordinary shares of HK\$0.01 each to the shareholders by way of capitalisation of HK\$2,999,999 from the share premium account arose from the placing of 100,000,000 ordinary shares of the Company. Such shares were issued on 27 May 2014, being the date of completion of placing.

All shares issued during the year ended 31 March 2015 rank *pari passu* with existing shares in all respects.

### 13. 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	33,839	33,126
In the second to fifth year, inclusive	<u>13,211</u>	<u>11,480</u>
	<u><u>47,050</u></u>	<u><u>44,606</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 with fixed rentals as at 31 March 2015 and 2014.

#### The Group as lessor

Sub-letting income earned during the year ended 31 March 2015 was HK\$3,893,000 (2014: HK\$3,480,000). The office premises, transmission stations, warehouse and service outlets are sub-let to third parties under operating lease with leases negotiated for a term of one year as at 31 March 2015.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	716	1,201
In the second to fifth year, inclusive	<u>—</u>	<u>162</u>
	<u><u>716</u></u>	<u><u>1,363</u></u>

#### 14. CAPITAL COMMITMENTS

<b>2015</b>	2014
<b><i>HK\$'000</i></b>	<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

<b><u>1,569</u></b>	<u>—</u>
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#### 15. EVENT AFTER THE REPORTING PERIOD

##### **Acquisition of a property**

On 14 May 2015, the Group had entered into a sales and purchase agreement with two independent third parties to purchase a property with considerations of approximately HK\$25,200,000. As at the date of this announcement, the transaction was not yet completed.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

Mobile phone usage, especially the usage of smartphones, has been surging over the recent years. Such surge has been powered by the improved telecommunication technologies enhancing user experience as well as frequent update of product models with a wide range of pricing.

Due to the increasing customer demand for fast mobile network service and advancing mobile wireless technology, the mobile service market of Hong Kong is developing rapidly in terms of application of technology and services offered. Over the years, Hong Kong has developed comprehensive and efficient information and communication technology infrastructure which facilitates the rapid take-up of communication and online services. The number of mobile subscribers in Hong Kong experienced a fast increase during the past few years. The Group is confident that the above factors will support its continuous business development.

### 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 telecommunications services; and (iv) provision of operation services to Sun Mobile Limited (“Sun Mobile”) (formerly known as New World Mobility Limited which changed its brand name to “Sun Mobile” in September 2014).

For the year ended 31 March 2015, revenue derived from retail sales and distribution of mobile phones and related services contributed to approximately 78.0% of the Group’s total revenue, amounting to approximately HK\$1,060,597,000 (2014: HK\$904,960,000) which represents an increase of approximately 17.2% as compared to previous year. Apart from the increase in revenue from retail sales and distribution business, revenue from provision of operation services also increased by approximately 17.7% as compared to the year ended 31 March 2014.

The Group was engaged by three mobile phone manufacturers in 2014/15 to distribute mobile phones for them to wholesalers and retailers in Hong Kong. It has also been focusing on the optimisation of the existing handling capacity of the logistic team with better advanced scheduling and improved operating efficiency. Accordingly, the Group experienced growth in both revenue and sales volume on distribution business as compared with the previous year. Apart from distribution business, revenue growth from operation services was beholden to the increase in customers of Sun Mobile. However, 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 in 2014/15.

## Financial Review

### *Segment analysis:*

	2014/15		2013/14	
	HK\$'000	%	HK\$'000	%
Retail business	421,709	31.0	467,975	39.1
Distribution business	638,888	47.0	436,985	36.5
Paging and other telecommunication services	109,417	8.1	133,469	11.1
Operation services	<u>188,290</u>	<u>13.9</u>	<u>159,917</u>	<u>13.3</u>
Total revenue	<u><u>1,358,304</u></u>	<u><u>100.0</u></u>	<u><u>1,198,346</u></u>	<u><u>100.0</u></u>

### *Revenue*

The Group's revenue for the year ended 31 March 2015 was approximately HK\$1,358,304,000 (2014: HK\$1,198,346,000), representing an increase of approximately 13.3% over the previous year. The increase in the Group's revenue was mainly due to higher revenue generated from the distribution business.

Revenue from retail sales of mobile phones and pre-paid SIM cards and provision of related services was one of the main source of revenue, representing approximately 31.0% of the Group's total revenue for the year ended 31 March 2015. Retail sales of mobile phones were hit by iPhone capturing market share in late 2014. Revenue from retail sales experienced a decrease of 9.9% as compared to the previous year.

Revenue from distribution of mobile phones and provision of related services for the year ended 31 March 2015 was approximately HK\$638,888,000 (2014: HK\$436,985,000), representing an increase of approximately 46.2% as compared to the previous year. The substantial increase was beholden to the new engagement by a mobile phone manufacturer in late 2014. It became the main source of revenue of the Group and expected to continue to be in the years to come.

Revenue from provision of paging and other telecommunication services decreased by approximately 18.0% to HK\$109,417,000 (2014: HK\$133,469,000). 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 in 2014/15.

Revenue from provision of operation services for the year ended 31 March 2015 was approximately HK\$188,290,000 (2014: HK\$159,917,000), representing an increase of approximately 17.7% as compared to previous year. Sun Mobile launched 4G plans in 2014. As boosted by the increase in average revenue per user and in the light of the stable customer base, 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, exchange difference, bank interest and gain on disposal of property, plant and equipment. Other income for the year ended 31 March 2015 was approximately HK\$8,491,000 (2014: HK\$12,261,000), representing a decrease of approximately 30.7% as compared to previous year. Such decrease was primarily due to a gain on disposal of investment property in 2013/14.

### ***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 year ended 31 March 2015 were approximately HK\$172,045,000 (2014: HK\$182,454,000), representing a decrease of approximately 5.7% over the previous year.

The decrease was mainly brought by the decrease in listing expenses and information fees, and partly off-set by the increase in rental expenses 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, impairment loss on paging devices was recognised.

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

Share of result of an associate for the year was approximately HK\$28,428,000 (2014: HK\$23,295,000), representing an increase of approximately 22.0% 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 2015. The finance costs for the year ended 31 March 2015 were approximately HK\$3,938,000 (2014: HK\$4,123,000). It was mainly consisted of interest expenses on interest-bearing bank borrowings for supporting the Group's daily operation and business expansion.

### ***Income Tax Expenses***

Income tax for the year ended 31 March 2015 was approximately HK\$10,430,000 (2014: HK\$6,429,000), representing an increase of approximately 62.2%. The increase was mainly due to the increase in profit before tax and the tax effect of listing expenses not deductible for tax purpose.

### ***Profit for the Year Attributable to the Owners of the Company***

Profit for the year ended 31 March 2015 was approximately HK\$86,817,000 (2014: HK\$80,738,000), representing an increase of approximately 7.5% as compared to the previous year. The increase was primarily due to the increase in revenue and improvement in the share of results of an associate.

### ***Liquidity and Financial Resources***

As at 31 March 2015, the Group had net current liabilities of approximately HK\$65,533,000 (2014: net current assets of approximately HK\$61,684,000) and had cash and cash equivalents of approximately HK\$27,584,000 (2014: HK\$4,789,000).

The Group has a current ratio of approximately 0.8 as at 31 March 2015 comparing to that of 1.2 as at 31 March 2014. As at 31 March 2015, the Group's gearing ratio was 188.8% as compared to 109.4% as at 31 March 2014, which is calculated based on the Group's total borrowings of approximately HK\$323,325,000 (2014: HK\$151,577,000) and the Group's total equity of approximately HK\$171,289,000 (2014: HK\$138,534,000). The Group's total cash at banks as at 31 March 2015 amounted to approximately HK\$27,584,000 (2014: HK\$12,236,000).

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 31 March 2015, the Group has the unutilised banking facilities of HK\$182,524,000 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***

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

### ***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 14 to this announcement.

## ***Dividends***

The first interim dividend amounted of HK\$138,000,000 was paid on 20 May 2014 before Listing. A second interim dividend of HK\$0.02 per share was paid on 28 November 2014. The Board recommends the payment of a final dividend of HK\$0.02 per share for the year ended 31 March 2015. The proposed final dividend will be paid to Shareholders on record as at 16 September 2015, if the proposal is approved by the Shareholders at the forthcoming Annual General Meeting of the Company to be held on 8 September 2015. It is expected that the final dividend will be paid on or about 22 September 2015.

## ***Capital Structure***

The Group's shares were successfully listed on the GEM of the Stock Exchange on the 30 May 2014 (the "Listing Date"). There has been no change in the capital structure since that date.

The capital structure of the Group consists of bank borrowings net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves. The management 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***

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the year ended 31 March 2015.

## ***Employees and Remuneration Policies***

As at 31 March 2015, the Group employed approximately 459 (31 March 2014: 445) full-time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

## ***Outlook***

As boosted by the strong market demand for smartphones and the keen competition amongst mobile phone manufacturers, updated and new models of smartphones have been put to the market by the manufacturers at a fast pace. With new models put to the market, consumers are stimulated to purchase the latest models of smartphones, leading to the increase in market demand and our revenue. Moving forward, the Group will continue to enhance its retail network. The Group plans to open approximately 5 new retail stores in 2015. The Group believes that this will enable the Group to enlarge its revenue and brand recognition in the telecommunication industries and is therefore beneficial to the Group and its shareholders as a whole in the long run.

## USE OF PROCEEDS FROM THE COMPANY'S PLACING

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. During the period from the Listing Date to 31 March 2015 (the "Period"), the Group intends to apply such net proceeds as follows:

Use	Planned use of proceeds as stated in the Prospectus during the Period <i>HK\$ million</i>	Actual use of proceeds during the Period <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	5.2
Expansion of the Group's head office and logistics vehicle fleet to cope with its growth of business	56.0	56.0
Implementation of an ERP system to enhance management capacity and efficiency	5.0	—
General working capital	<u>6.7</u>	<u>6.7</u>
	<u>77.7</u>	<u>67.9</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\$67.9 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\$9.8 million, of which HK\$5.0 million is intended to implement an ERP system and HK\$4.8 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.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **DIRECTORS' INTERESTS IN 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 had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 March 2015 or at any time during that year.

## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of Listed Securities of the Company**

During the Period, 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 7 to 8 September 2015 (both dates inclusive) to ascertain the shareholders entitled to attend and vote at the forthcoming Annual General Meeting. In order to attend and vote at the forthcoming Annual General Meeting, 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 A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 4 September 2015.
- (b) from 15 to 16 September 2015 (both dates inclusive) to ascertain the shareholders entitled to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer 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 A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 14 September 2015.

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

## Corporate Governance Practices

During the Period, the Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules, except the deviation as disclosed below:

- 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 executive Directors and chief financial officer of the Company have provided and will continue to provide all non-executive Directors (including independent non-executive Directors) with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company’s performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision C.1.2.

## Review of Results

The audit committee of the Company (the “Audit Committee”) was established on 20 May 2014 with written terms of reference in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee, among other things, are to make recommendations to the Board on the appointment, re-appointment and removal of external auditor; to review the financial statements and material advice in respect of financial reporting; to oversee 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 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 2015.

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

Hong Kong, 23 June 2015

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

*This announcement will remain on the “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).*