



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

Interim Report

2018/19

## THE FINANCIAL STATEMENTS

### INTERIM RESULTS

The board of directors (the “Board”) of Telecom Digital Holdings Limited (the “Company”) announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2018 (the “Period”), together with the corresponding comparative figures as follows:

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

For the six months ended 30 September 2018

		<b>Six months ended 30 September</b>	
	<i>Notes</i>	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
Revenue	4	<b>619,011</b>	692,813
Cost of inventories sold		<b>(338,589)</b>	(425,549)
Staff costs		<b>(95,798)</b>	(95,190)
Depreciation		<b>(15,378)</b>	(13,111)
Other income	6	<b>2,899</b>	2,523
Other operating expenses		<b>(101,551)</b>	(97,221)
Share of results of associates		<b>7,976</b>	10,349
Finance costs	7	<b>(1,985)</b>	(1,600)
Profit before tax		<b>76,585</b>	73,014
Income tax expense	8	<b>(13,390)</b>	(12,517)
Profit for the period		<b>63,195</b>	60,497

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

For the six months ended 30 September 2018

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
Other comprehensive income Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>52</b>	–
Other comprehensive income for the period	<b>52</b>	–
Total comprehensive income for the period	<b>63,247</b>	60,497
Profit (loss) for the period attributable to:		
Owners of the Company	<b>64,241</b>	61,730
Non-controlling Interests	<b>(1,046)</b>	(1,233)
	<b>63,195</b>	60,497

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

For the six months ended 30 September 2018

		<b>Six months ended 30 September</b>	
		<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
<i>Note</i>			
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<b>64,293</b>	61,730
Non-controlling interests		<b>(1,046)</b>	(1,233)
		<b>63,247</b>	60,497
Earnings per share (HK\$)			
10			
Basic		<b>0.16</b>	0.15
Diluted		<b>0.16</b>	0.15

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	<i>Notes</i>	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>261,664</b>	238,341
Investment properties	12	<b>71,074</b>	72,302
Club membership		<b>1,560</b>	1,560
Interests in associates		<b>20,388</b>	22,610
Rental deposits	13	<b>8,218</b>	9,026
Prepayments for purchase of property, plant and equipment		<b>11,483</b>	3,682
		<b>374,387</b>	347,521
<b>Current assets</b>			
Inventories		<b>89,925</b>	129,034
Trade and other receivables	13	<b>62,708</b>	55,811
Amounts due from related companies	19(a)	<b>105</b>	132
Loan to an associate	19(b)	<b>3,040</b>	–
Amount due from an associate	19(c)	<b>16,432</b>	26,685
Pledged bank deposits		<b>5,065</b>	5,065
Bank balances and cash		<b>74,723</b>	41,841
		<b>251,998</b>	258,568

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2018

	<i>Notes</i>	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Current liabilities			
Trade and other payables	14	<b>68,193</b>	125,916
Contract liabilities		<b>11,246</b>	–
Amounts due to related companies	19(a)	<b>550</b>	243
Bank overdrafts	15	–	568
Bank borrowings	15	<b>182,909</b>	144,446
Tax payables		<b>26,802</b>	13,459
		<b>289,700</b>	284,632
Net current liabilities		<b>(37,702)</b>	(26,064)
Total assets less current liabilities		<b>336,685</b>	321,457
Non-current liabilities			
Long service payment obligations		<b>1,488</b>	1,083
Deferred tax liabilities		<b>1,572</b>	1,662
		<b>3,060</b>	2,745
Net assets		<b>333,625</b>	318,712

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2018

	<i>Note</i>	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Capital and reserves			
Share capital	16	<b>4,039</b>	4,038
Reserves		<b>331,174</b>	315,216
Equity attributable to owners of the Company		<b>335,213</b>	319,254
Non-controlling interests		<b>(1,588)</b>	(542)
Total equity		<b>333,625</b>	318,712

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>Note 16</i>	Share option reserve HK\$'000	Exchange reserve HK\$'000	Legal reserve HK\$'000 <i>Note 16</i>	Retained profits HK\$'000			Sub-total HK\$'000
At 1 April 2017 (audited)	4,030	95,546	5,404	429	(233)	91	159,821	265,088	148	265,236
Profit (loss) and total comprehensive income (expense) for the period	-	-	-	-	-	-	61,730	61,730	(1,233)	60,497
Equity-settled share options expense <i>Note 20</i>	-	-	-	3,499	-	-	-	3,499	-	3,499
<b>Effect of share options</b>										
- shares issue upon exercise	6	2,137	-	(388)	-	-	-	1,755	-	1,755
- lapse	-	-	-	(60)	-	-	60	-	-	-
Dividends <i>Note 9</i>	-	-	-	-	-	-	(40,331)	(40,331)	-	(40,331)
At 30 September 2017 (unaudited)	4,036	97,683	5,404	3,480	(233)	91	181,280	291,741	(1,085)	290,656
At 1 April 2018 (audited)	4,038	98,050	5,404	3,353	(233)	91	208,551	319,254	(542)	318,712
Profit (loss) for the period	-	-	-	-	-	-	64,241	64,241	(1,046)	63,195
Other comprehensive income: Exchange differences arising on translation of foreign operations	-	-	-	-	52	-	-	52	-	52
Total comprehensive income (expense) for the period	-	-	-	-	52	-	64,241	64,293	(1,046)	63,247
<b>Effect of share options</b>										
- shares issue upon exercise	1	145	-	(30)	-	-	-	116	-	116
- lapse	-	-	-	(372)	-	-	372	-	-	-
Dividends <i>Note 9</i>	-	-	-	-	-	-	(48,450)	(48,450)	-	(48,450)
At 30 September 2018 (unaudited)	4,039	98,195	5,404	2,951	(181)	91	224,714	335,213	(1,588)	333,625



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

*For the six months ended 30 September 2018*

*Notes:*

- (a) Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.
- (b) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.

In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any losses of prior years) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset losses of prior years or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usage.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 September 2018*

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	<b>84,158</b>	52,656
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<b>(36,128)</b>	(33,939)
Purchase of investment property	–	(28,092)
Investment in an associate	<b>(160)</b>	–
Loan to an associate	<b>(3,040)</b>	–
Prepayments for purchases of property, plant and equipment	<b>(10,427)</b>	(3,544)
Placement of pledged bank deposits	–	(1)
Dividend received from an associate	<b>10,358</b>	14,263
Proceeds from disposal of property, plant and equipment	<b>40</b>	1
Bank interest received	<b>119</b>	132
Repayment from related companies	<b>27</b>	916
NET CASH USED IN INVESTING ACTIVITIES	<b>(39,211)</b>	(50,264)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)***For the six months ended 30 September 2018*

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
<b>FINANCING ACTIVITIES</b>		
Bank borrowings raised	<b>305,510</b>	244,195
Advance from (repayment to) related companies	<b>307</b>	(1,899)
Repayments of bank borrowings	<b>(267,047)</b>	(200,839)
Proceeds from the issue of share options	–	1
Proceeds from the exercise of share options	<b>116</b>	1,755
Interest paid	<b>(1,985)</b>	(1,600)
Dividend paid	<b>(48,450)</b>	(40,331)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(11,549)</b>	1,282
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>33,398</b>	3,674
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>	<b>41,273</b>	36,706
Effect of foreign exchange rate changes, net	<b>52</b>	–
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, represented by</b>	<b>74,723</b>	40,380
Bank balances and cash	<b>74,723</b>	44,009
Bank overdrafts	–	(3,629)
	<b>74,723</b>	40,380

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2018*

### 1. GENERAL

On 20 November 2002, the Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the address of the principal place of business is 19/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The shares of the Company listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 May 2014 and have been transferred of listing from GEM to Main Board of the Stock Exchange on 10 May 2017.

The functional currency of the Company is Hong Kong dollars ("HK\$") while the functional currencies for certain subsidiaries are Renminbi and Macau Patacas. For the purpose of presenting the condensed consolidated financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

The directors of the Company (the "Directors") consider the immediate holding company and ultimate holding company are CKK Investment Limited ("CKK Investment") and Amazing Gain Limited ("Amazing Gain") respectively, which are incorporated in the British Virgin Islands (the "BVI").

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are principally engaged in retail business in sales of mobile phones and pre-paid SIM cards, distribution business in mobile phones, provision of paging and other telecommunications services and provision of operation services.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Group had net current liabilities of approximately HK\$37,702,000 as at 30 September 2018. The condensed consolidated financial statements have been prepared by the Directors on a going concern basis since the following:

- (i) the unutilised banking facilities readily available to the Group amounted to approximately HK\$327,700,000 as at 30 September 2018;
- (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\$45,448,000. The Directors 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 does not breach covenants imposed by the banks; and
- (iii) the Group is able to generate adequate cash flows to maintain its operations.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements do not include 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.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical costs basis and presented in HK\$, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

Except for HKFRS 9 and HKFRS 15 as set out below, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 March 2018.

#### **Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. In particular, the expected credit loss model may result in earlier recognition of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

Considered that the major debtors are large scale retailers and authorised financial institutions with high credit ratings and there is no history of default or late payment, the Directors assessed the implementation of the expected credit loss model would not result in any significant impact on the amounts reported in respect of the Group's financial performance and position upon initial adoption of HKFRS 9.

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)**

The management of the Group considered that the performance obligations that identified under HKFRS 15 are similar to the identification of revenue components under the Group's revenue recognition policy developed under HKAS 18 and therefore, the adoption of HKFRS 15 had no significant impact on recognition of revenue.

The Group has elected to apply the modified transitional provisions whereby the effect of adopting HKFRS 15 for uncompleted contracts with customers as at 31 March 2018 are adjusted at the opening retained profits as at 1 April 2018 and prior period comparatives are not restated. The effect of the adoption of HKFRS 15 are set out below.

#### ***Presentation of contract liabilities***

Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Such balances are recognised as contract liabilities rather than payables. As a result of this new presentation, the Group has reclassified "Trade and other payables" amounting to HK\$15,242,000 as at 1 April 2018 to "Contract liabilities".



### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (continued)

Except for HKFRS 9 and HKFRS 15 as mentioned above, the adoption of the following new/revised HKFRSs that effective from the current period had no significant effects on the financial performance and financial position of the Group for the current and prior periods.

HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKAS 28	As part of Annual Improvements to HKFRS 2014-2016 Cycle

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial period beginning on 1 April 2018.

#### 4. REVENUE

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

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
Retail business	<b>377,789</b>	363,498
Distribution business	<b>19,698</b>	122,353
Paging and other telecommunications services	<b>30,881</b>	36,652
Operation services	<b>190,643</b>	170,310
	<b>619,011</b>	692,813

## 5. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the executive directors of the Company. The information reported to the CODM for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the Group's CODM 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	–	Provision of paging services and two-way wireless data services
Operation services	–	Provision of operation services





## 5. SEGMENT INFORMATION (continued)

### Geographical information

During the Period, the Group's operations were located in Hong Kong, the PRC and Macau (2017: Hong Kong and Macau). More than 99% of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong during the Period and the corresponding period in 2017.

### Information about major customer

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

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
Customer I ( <i>note</i> )	<b>190,580</b>	213,762

*Note:* Revenue from operation services.

## 6. OTHER INCOME

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Bank interest income	119	132
Consultancy income	150	150
Rental and sub-letting income ( <i>note</i> )	1,890	1,913
Net exchange gains	–	206
Handling income	417	–
Others	323	122
	<b>2,899</b>	2,523

*Note:* Included in rental and sub-letting income was approximately HK\$1,229,000 (2017: HK\$634,000) arising from the operating leases of investment properties of the Group in which direct operating expenses of approximately HK\$186,000 (2017: HK\$97,000) were incurred during the Period.

## 7. FINANCE COSTS

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest expenses on bank borrowings and bank overdrafts	1,985	1,600

## 8. INCOME TAX EXPENSE

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
Hong Kong Profits Tax – current period	<b>13,480</b>	12,079
Deferred tax – current period	<b>(90)</b>	438
	<b>13,390</b>	12,517

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 BVI.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the Period, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.



## 8. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax is provided at 16.5% on the estimated assessable profits for the six months ended 30 September 2017.

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No provision for taxation has been made for the Group’s PRC subsidiaries as there were no assessable profits for the Period since the incorporation date to 30 September 2018.

During the Period and the corresponding period in 2017, no Macau Complementary Income Tax has been provided since the subsidiary of the Company incorporated in Macau is exempted from Macau Complementary Income Tax.

## 9. DIVIDENDS

	Six months ended 30 September			
	2018		2017	
	HK\$ per share	HK\$'000 (unaudited)	HK\$ per share	HK\$'000 (unaudited)
Dividends recognised as distribution during the periods:				
2016/17 fourth interim dividend	–	–	0.05	20,154
2017/18 first interim dividend	–	–	0.05	20,177
2017/18 fourth interim dividend	<b>0.06</b>	<b>24,225</b>	–	–
2018/19 first interim dividend	<b>0.06</b>	<b>24,225</b>	–	–
		<b>48,450</b>		40,331

At a meeting held on 22 November 2018, the Board declared the second interim dividend of HK\$0.06 per share for the Period (2017: HK\$0.05 per share).

## 10. EARNINGS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	<b>64,241</b>	61,730
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>403,734,049</b>	403,147,656
Effect of dilutive potential ordinary shares: – share options	<b>34,374</b>	884,203
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>403,768,423</b>	404,031,859

## 11. PROPERTY, PLANT AND EQUIPMENT

The Group paid approximately HK\$36,128,000 on acquisition of property, plant and equipment during the Period (2017: HK\$33,939,000). Items of property, plant and equipment with a carrying amount of approximately HK\$1,283,000 (2017: HK\$745,000) were written off during the Period.

During the Period, the Group disposed of certain property, plant and equipment with carrying amount of zero (2017: HK\$1,000) at a consideration of approximately HK\$40,000 (2017: HK\$1,000).

## 12. INVESTMENT PROPERTIES

The Group paid approximately HK\$28,092,000 on acquisition of an investment property during the six months ended 30 September 2017 (2018: nil).

## 13. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade receivables	3,461	6,398
Less: Allowance for doubtful debts recognised in respect of trade receivables	(64)	(64)
	3,397	6,334
Other receivables ( <i>note</i> )	15,389	14,059
Rental deposits	27,035	26,320
Utility and other deposits	5,381	3,936
Prepayments to suppliers	17,193	11,004
Other prepayments	2,531	3,184
	70,926	64,837
Less: Rental deposits classified as non-current portion	(8,218)	(9,026)
Current portion included in trade and other receivables	62,708	55,811

*Note:* The amounts are expected to be recovered within one year from the end of the reporting period.

### 13. TRADE AND OTHER RECEIVABLES (continued)

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 7 days to 30 days to its trade customers (31 March 2018: 7 days to 30 days).

The following is an ageing analysis of trade receivables, net of accumulated impairment loss, presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition date:

	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Within 90 days	<b>2,538</b>	5,512
91-180 days	<b>732</b>	625
181-365 days	<b>55</b>	75
Over 365 days	<b>72</b>	122
	<b>3,397</b>	6,334

## 14. TRADE AND OTHER PAYABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade payables	46,554	87,309
Receipt in advance	1,861	17,751
Accrued expenses and other payables	19,778	20,856
	<b>68,193</b>	125,916

The average credit period on trade payables is 30 days (31 March 2018: 30 days). The Group has financial risk management policies to ensure that all payables are settled within credit time-frame.

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

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Within 60 days	43,029	84,195
61-90 days	306	38
Over 90 days	3,219	3,076
	<b>46,554</b>	87,309

## 15. BANK OVERDRAFTS/BANK BORROWINGS

### Bank overdrafts

During the Period, bank overdrafts carried interest at 1-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.25% (30 September 2017: 1-month HIBOR plus 1.25%) per annum.

### Bank borrowings

	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Variable rate bank borrowings:		
– Mortgage loans	<b>49,587</b>	60,926
Variable rate trust receipt borrowings	<b>133,322</b>	83,520
	<b>182,909</b>	144,446
Secured	<b>115,415</b>	80,138
Unsecured	<b>67,494</b>	64,308
	<b>182,909</b>	144,446

**15. BANK OVERDRAFTS/BANK BORROWINGS (continued)****Bank borrowings (continued)**

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

	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Within one year	<b>137,461</b>	88,774
After one year but within two years	<b>4,200</b>	5,302
After two years but within five years	<b>12,993</b>	16,214
After five years	<b>28,255</b>	34,156
	<b>182,909</b>	144,446
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	<b>137,461</b>	88,774
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<b>45,448</b>	55,672
	<b>182,909</b>	144,446

## 15. BANK OVERDRAFTS/BANK BORROWINGS (continued)

### Bank borrowings (continued)

- (a) All the bank borrowings carried interest at floating rates. The ranges of effective interest rates per annum on the Group's bank borrowings are as follows:

	<b>30 September 2018 (unaudited)</b>	30 September 2017 (unaudited)
Variable rate bank borrowings	<b>1.98%-3.62%</b>	1.72%-2.17%

- (b) The bank borrowings are all denominated in HK\$.
- (c) As at 30 September 2018, secured bank borrowings of approximately HK\$115,415,000 (31 March 2018: HK\$80,138,000) were secured by leasehold land and buildings included in property, plant and equipment and investment properties with carrying amounts of approximately HK\$114,797,000 (31 March 2018: HK\$155,563,000) and HK\$71,074,000 (31 March 2018: HK\$72,302,000) respectively.



## 16. SHARE CAPITAL

	30 September 2018 (unaudited)		31 March 2018 (audited)	
	Number of shares '000	Share capital HK\$'000	Number of shares '000	Share capital HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>				
<i>Authorised</i>				
At the beginning and end of the period/year	<b>10,000,000</b>	<b>100,000</b>	10,000,000	100,000
<i>Issued and fully paid</i>				
At the beginning of the period/year	<b>403,701</b>	<b>4,038</b>	402,941	4,030
Issue of shares upon:				
Exercise of share options	<b>52</b>	<b>1</b>	760	8
At the end of the period/year	<b>403,753</b>	<b>4,039</b>	403,701	4,038

All shares issued during the Period/year rank pari passu with existing shares in all respects.

## 17. OPERATING LEASE COMMITMENTS

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Within one year	<b>56,623</b>	54,972
In the second to fifth year, inclusive	<b>33,286</b>	39,359
Over five years	–	280
	<b>89,909</b>	94,611

The Group leases its certain office premises, transmission stations and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to six years with fixed rentals as at the end of the reporting period (31 March 2018: one to six years).

### The Group as lessor

Rental and sub-letting income earned during the Period was approximately HK\$1,890,000 (2017: HK\$1,913,000). The investment properties, transmission stations and service outlets are rented and sub-let to third parties under operating leases with leases negotiated for a term of one to three years as at 30 September 2018 (31 March 2018: one to three years).

**17. OPERATING LEASE COMMITMENTS (continued)****The Group as lessor (continued)**

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

	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Within one year	<b>3,106</b>	1,498
In the second to fifth year, inclusive	<b>1,975</b>	580
	<b>5,081</b>	2,078

**18. CAPITAL COMMITMENTS**

	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment and an investment property contracted for but not provided in the condensed consolidated financial statements	<b>44,149</b>	188

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods:

Name of company	Nature of transaction	Notes	Six months ended 30 September	
			2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Related companies</b>				
Glossy Enterprises Limited ("GEL")	Rental expenses paid thereto	(ii) & (iii)	2,659	2,312
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	383	361
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	60	55
Silicon Creation Limited ("SCL")	Rental expenses paid thereto	(ii) & (iii)	3,071	2,849
	Repair service fee paid thereto	(i) & (ii)	360	360

## 19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods: (continued)

Name of company	Nature of transaction	Notes	Six months ended 30 September	
			2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Related companies</b>				
Telecom Digital Securities Limited ("TD Securities")	Subscription fee income received therefrom	(i) & (iii)	637	620
	Consultancy fee income received therefrom	(i) & (ii)	150	150
	Technical support service income received therefrom	(i) & (iii)	60	60
Telecom Properties Investment Limited ("TPIL")	Rental expenses paid thereto	(ii) & (iii)	1,017	957
Telecom Service Limited ("TSL")	Rental expenses paid thereto	(ii) & (iii)	543	548

**19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods: (continued)

Name of company	Nature of transaction	Notes	Six months ended 30 September	
			2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Related companies</b>				
Telecom Service One Limited ("TSO")	Repairs and maintenance fees paid thereto	(i) & (iii)	2,030	1,991
	Consignment fees received therefrom	(i) & (ii)	470	436
	Logistic fee income received therefrom	(i) & (iii)	335	415
	Sub-letting income received therefrom	(ii) & (iii)	-	251
	Sales of goods thereto	(i) & (ii)	-	57
<b>An associate</b>				
Sun Mobile Limited	Service fee income received therefrom	(i) & (iii)	190,580	213,762

## 19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods: (continued)

Details of amounts due from related companies are as follows:

		Maximum amount outstanding during the period/year ended			
<i>Notes</i>		30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Chief Link Limited	(iii) & (iv)	11	20	22	82
SCL	(iii) & (iv)	-	-	-	9
TD Securities	(iii) & (iv)	94	110	163	179
Telecom Paging Limited	(iii) & (iv)	-	2	2	2
TSL		-	-	-	1,136
		<b>105</b>	132		

## 19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods: (continued)

Details of amounts due to related companies are as follows:

	<i>Notes</i>	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Marina Trading Inc.	(iii) & (iv)	<b>300</b>	–
SCL	(iii) & (iv)	<b>58</b>	–
TPIL	(iii) & (iv)	<b>12</b>	–
TSL	(iii) & (iv)	<b>7</b>	–
TSO	(iii) & (iv)	<b>173</b>	243
		<b>550</b>	243

*Notes:*

- (i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.
- (ii) The sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant parties.
- (iii) Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the “Cheung Brothers”), the directors of the Company, have direct or indirect beneficial interests in, and control over, the relevant parties.
- (iv) The amounts are unsecured, interest-free and repayable on demand.



**19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- (b) The loan to an associate is unsecured, interest-free and have no fixed term of repayment.
- (c) The amount due from an associate is trade in nature, unsecured, interest-free with 7 days (31 March 2018: 7 days) credit term and aged within 30 days (31 March 2018: 30 days). The amount is neither past due nor impaired as at 30 September 2018 and 31 March 2018.

**(d) Compensation of key management personnel**

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

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
Short-term benefits	<b>6,546</b>	6,390
Post-employment benefits	<b>152</b>	153
Share-based payment expenses	<b>–</b>	107
	<b>6,698</b>	6,650

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

## 20. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option 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 Share Option Scheme, the Board 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 Share Option 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 Board, 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 2nd anniversary of the date of grant.

On 6 July 2017, the Company granted an aggregate of 6,300,000 (2018: nil) share options to directors and eligible employees of the Company, to subscribe, in aggregate, for up to 6,300,000 ordinary shares of HK\$0.01 each of the share capital of the Company under the Share Option Scheme.

During the Period, a total of 360,000 share options (2017: nil) granted on 7 July 2015 have been lapsed on 6 July 2018 upon the expiry of option period.

As at 30 September 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 4,970,000 shares (31 March 2018: 5,662,000 shares), representing approximately 1.23% (31 March 2018: 1.40%) of the total number of shares of the Company in issue at that date.

## 20. SHARE OPTION SCHEME (continued)

Details of the share options outstanding during the periods are as follows:

*For the six months ended 30 September 2018*

	Date of grant	Exercisable period	Exercise price	Number of share options				
				Outstanding at 1 April 2018	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding at 30 September 2018
Directors	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	60,000	–	–	–	60,000
Employees	7 July 2015	7 July 2015 – 6 July 2018	HK\$2.22	412,000	–	(52,000)	(360,000)	–
Employees	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	5,190,000	–	–	(280,000)	4,910,000
Total				5,662,000	–	(52,000)	(640,000)	4,970,000
Exercisable at the end of the period								4,970,000
Weighted average exercise price				HK\$2.99	–	HK\$2.22	HK\$2.58	HK\$3.05

## 20. SHARE OPTION SCHEME (continued)

Details of the share options outstanding during the periods are as follows: (continued)

*For the six months ended 30 September 2017*

	Date of grant	Exercisable period	Exercise price	Number of share options				
				Outstanding at 1 April 2017	Granted during the period <sup>(note)</sup>	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2017
Directors	7 July 2015	7 July 2015 – 6 July 2018	HK\$2.22	30,000	–	(30,000)	–	–
Directors	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	–	60,000	–	–	60,000
Employees	7 July 2015	7 July 2015 – 6 July 2018	HK\$2.22	711,000	–	(252,000)	(11,000)	448,000
Employees	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	–	5,830,000	(370,000)	(90,000)	5,370,000
<b>Total</b>				<b>741,000</b>	<b>5,890,000</b>	<b>(652,000)</b>	<b>(101,000)</b>	<b>5,878,000</b>
Exercisable at the end of the period								5,878,000
Weighted average exercise price				HK\$2.22	HK\$3.05	HK\$2.69	HK\$2.96	HK\$2.99

*Note:* The number of share options granted during the six months ended 30 September 2017 excluded 410,000 share options that were not accepted by the employees at the date of grant.

In respect of the share options exercised during the Period, the weighted average share price before the dates of exercise is HK\$2.70 (2017: HK\$3.51).

The Group recognised the total expense of approximately HK\$3,499,000 for the six months ended 30 September 2017 in relation to share options granted by the Company. No share option was granted during the six months ended 30 September 2018.

**20. SHARE OPTION SCHEME (continued)**

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

	<b>Options granted on 6 July 2017</b>
Underlying stock price	HK\$3.05
Exercise price	HK\$3.05
Contractual Option Life	2 years
Risk-free rate	0.91%
Expected dividend yield	4.43%
Expected volatility of underlying share	44.52%
Exercise multiple	Directors: 1.47 Employees: 1.62
Exit rate	Directors: 0% Employees: 10.4%
Estimated fair value for each share option	Directors: HK\$0.60 Employees: HK\$0.59

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.

**21. EVENT AFTER THE REPORTING PERIOD**

On 19 July 2018, a wholly-owned subsidiary of the Company entered into the agreement for sale and purchase to acquire a property with an independent third party at a consideration of HK\$48,000,000 (the "Acquisition"). On 16 October 2018, all of the conditions of the agreement for sale and purchase were fulfilled and the Acquisition was completed.

Further details of the Acquisition are set out in the announcement of the Company dated 19 July 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in (i) retail sales of mobile phones and prepaid SIM cards and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; (iv) provision of operation services to Sun Mobile Limited (“SUN Mobile”), an associate in which 40% owned by the Group and 60% by HKT Limited.

During the six months ended 30 September 2018 (the “Period”), the mobile service industry remained highly competitive, characterised by intense competition and price wars. Nonetheless, the Group was able to deliver encouraging results, with profit rose to approximately HK\$64.2 million (2017: HK\$61.7 million), representing year-on-year growth of approximately 4.1%. Such growth was primarily the result of healthy contributions from the retail business and operation services.

As at the date of this report, the Group’s retail operation consisted of 76 shops, representing an increase of six shops over the corresponding period last year. All the shops can be found in key locations across Hong Kong. Besides opening new retail outlets, the Group has continued to implement its strategy of relocating shops to prime locations and renovating existing shops to attract new customers as well as improve the overall customer experience. As a consequence, the retail business contributed revenue of approximately HK\$377.8 million (2017: HK\$363.5 million), representing a year-on-year increase of approximately 3.9% and accounting for around 61.0% of the Group’s total revenue.

The operation services business, which derives income from provision of operation services to SUN Mobile continued to perform satisfactorily. The segment contributed revenue of approximately HK\$190.6 million (2017: HK\$170.3 million) to the Group during the Period, representing a year-on-year increase of approximately 11.9%, and accounting for approximately 30.8% of the Group's total revenue.

With regard to the distribution of mobile phones and related services business, due to the force competition, the Group and the manufacturers have mutually agreed not to renew the distribution agreements upon expiration, hence the revenue decreased approximately 83.9% to approximately HK\$19.7 million (2017: HK\$122.4 million). As for the provision of paging and other telecommunications services, the Group has continued to scale down operations in view of the ongoing migration of users to mobile communications devices and the internet.

## FINANCIAL REVIEW

### Segment Analysis

	<b>Six months ended 30 September</b>	
	<b>2018 HK\$'000 (unaudited)</b>	2017 HK\$'000 (unaudited)
Retail business	<b>377,789</b>	363,498
Distribution business	<b>19,698</b>	122,353
Paging and other telecommunications services	<b>30,881</b>	36,652
Operating services	<b>190,643</b>	170,310
<b>Total revenue</b>	<b>619,011</b>	692,813

## Revenue

The Group's revenue for the Period was approximately HK\$619.0 million (2017: HK\$692.8 million, representing an decrease of approximately 10.7% over the corresponding period of the previous year. The decrease in the Group's revenue was mainly due to the decrease in revenue generated from distribution business.

During the Period, revenue from retail sales of mobile phones and pre-paid SIM cards and related services increased approximately 3.9% as compared to the corresponding period of the previous year to approximately HK\$377.8 million (2017: HK\$363.5 million). This is the major source of revenue of the Group.

The business of mobile phone distribution and provision of related services for the Period decreased approximately 83.9% as compared to the corresponding period of the previous year. It was mainly due to fierce competition.

Revenue from provision of paging and other telecommunication services for the Period dropped approximately 15.8% as compared to the corresponding period of the previous year. This was primarily due to the popularity of various channels of mobile communication, the total number of paging and Mobitex based services subscribers has continued to decrease during the Period.

Revenue from provision of operation services continues its healthy growth and hit a new record of approximately HK\$190.6 million for the Period, representing an increase of approximately 11.9% as compared to the corresponding period of the previous year. The increase was mainly due to the adjustment on mobile service monthly plan fees and the increase in customers of SUN Mobile.

## Other Income

Other income is mainly contributed by rental and sub-letting income, bank interest income, handling income and consultancy income. Other income was approximately HK\$2.9 million for the Period (2017: HK\$2.5 million), representing an increase of approximately 16.0% as compared to the corresponding period of the previous year.



### **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 Period were approximately HK\$101.6 million (2017: HK\$97.2 million), representing an increase of approximately 4.5% over the corresponding period of the previous year.

### **Share of Results of Associates**

Share of results of associates was approximately HK\$8.0 million for the Period (2017: HK\$10.3 million), representing a decrease of approximately 22.3% as compared to the corresponding period of the previous year. The amount mainly represents the Group's share of net profit of SUN Mobile. The decrease was mainly due to the increase in operating costs of SUN Mobile.

### **Finance Costs**

There is no significant change in the Group's bank borrowings throughout the Period. The finance costs for the Period were approximately HK\$2.0 million (2017: HK\$1.6 million).

### **Income Tax Expense**

Income tax during the Period was approximately HK\$13.4 million (2017: HK\$12.5 million), representing an increase of approximately 7.2%.

### **Profit before Tax**

The Group had recorded a profit before tax for the Period of approximately HK\$76.6 million (2017: HK\$73.0 million), representing an increase of approximately 4.9% as compared to the corresponding period of the previous year. The increase was primarily due to the increase in retail and operation services income.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had net current liabilities of approximately HK\$37.7 million (31 March 2018: HK\$26.1 million) and had cash and cash equivalents of approximately HK\$74.7 million (31 March 2018: HK\$41.3 million).

The Group has a current ratio of approximately 0.9 as at 30 September 2018 comparing to that of approximately 0.9 as at 31 March 2018. As at 30 September 2018, the Group's gearing ratio was approximately 55.0% as compared to approximately 45.6% as at 31 March 2018, which is calculated based on the Group's total borrowings (bank overdrafts, bank borrowings and amounts due to related companies) of approximately HK\$183.5 million (31 March 2018: HK\$145.3 million) and the Group's total equity of approximately HK\$333.6 million (31 March 2018: HK\$318.7 million). The Group's total cash at banks as at 30 September 2018 amounted to approximately HK\$74.7 million (31 March 2018: HK\$41.8 million).

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 30 September 2018, the Group has the unutilised banking facilities of approximately HK\$327.7 million available for further drawdown should it have any further capital needs. The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

## CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: nil).

## FOREIGN CURRENCY RISK

The majority of the Group's business are in Hong Kong and are denominated in Hong Kong dollars, Renminbi and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## CAPITAL COMMITMENTS

Details of the Group's capital commitments are set out in note 18 to the condensed consolidated financial statements.

## SECOND INTERIM DIVIDEND

The second interim dividend of HK\$0.06 per share (2017: HK\$0.05 per share) will be paid on or about 18 December 2018 to shareholders whose names appear on the register of members of the Company on 10 December 2018.

## CAPITAL STRUCTURE

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 16 to the condensed consolidated financial statements, there was no change in the capital structure during the Period.

The capital structure of the Group consists of amounts due to related companies, bank overdrafts, bank borrowings net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves. The management reviews the capital structure regularly. As part of the review, they consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debt or the redemption of existing debt.

## MATERIAL ACQUISITION AND DISPOSAL

Except for purchase of properties for commercial use amounted to HK\$29.0 million (31 March 2018: HK\$55.0 million), the Group did not make any material acquisition or disposal of subsidiaries or significant investments during the Period (31 March 2018: nil).

As at 30 September 2018, the Group's properties in Hong Kong with carrying values of approximately HK\$294.9 million (31 March 2018: HK\$270.4 million).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 552 (31 March 2018: 569) 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

Going forward, the Group will continue to strengthen and expand its retail network, as this is in line with the Group's focus on developing the retail business. Besides network expansion, the Group will also seek to improve services in order to enhance the overall experience for its customers.

The Group always strive to improve customer experience. The Group has launched a new online shop, "MangoMall" which will be complemented by the "MangoFun" marketing programme commencing from 30 October 2018. Customers who make purchases via the Group's brick-and-mortar stores will be able to gain MangoFun points that can be redeemed at the MangoMall. Besides allowing customers to enjoy a new shopping experience and acting as the customer retention measures, the MangoMall will enable the Group to establish an omnichannel business that results in synergy between operations and greater revenue.

Apart from the core business, the Group will continue to examine different investment opportunities that both complement its existing businesses and facilitate further diversification, leading to long-term sustainable growth.

## OTHER INFORMATION

### SECOND INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares the payment of the second interim dividend of HK\$0.06 per share for the Period. The second interim dividend will be payable in cash to shareholders whose names appear on the register of members of the Company on Monday, 10 December 2018.

The register of members of the Company will be closed from Friday, 7 December 2018 to Monday, 10 December 2018 (both days inclusive), for the purpose of determining shareholders' entitlement to the second interim dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the second interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 6 December 2018.

The second interim dividend is expected to be paid on or about Tuesday, 18 December 2018.

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

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

## SHARE OPTION SCHEME

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

On 6 July 2017, share options to subscribe for a total of 6,300,000 ordinary shares of HK\$0.01 each of the Company were granted under the Share Option Scheme. The shares which may be issued upon exercise of such share options by a grantee shall be subject to a non-disposal period of 90 days (including the exercise date) from the relevant exercise date of the share options, during which period the option shares are not allowed to be transferred.

As at 30 September 2018, an aggregate of 4,970,000 shares were issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 1.23% of the Company's shares in issue.

## SHARE OPTION SCHEME (continued)

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

Grantees	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2018	Changes during the Period		Balance as at 30 September 2018
					Exercised	Lapsed	
Eligible employees <i>Note (i)</i>	7 July 2015	HK\$2.22 <i>Note (ii)</i>	7 July 2015 – 6 July 2018 <i>Note (iii)</i>	412,000	(52,000) <i>Note (iv)</i>	(360,000) <i>Note (iv)</i>	–
Eligible employees <i>Note (i)</i>	6 July 2017	HK\$3.05 <i>Note (ii)</i>	6 July 2017 – 5 July 2019 <i>Note (iii)</i>	5,250,000	–	(280,000)	4,970,000
				5,662,000	(52,000)	(640,000)	4,970,000

### Notes:

- (i) Share options were granted to certain eligible employees (two of them being present Directors), all working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance and are participants with share options not exceeding the respective individual limits. Details of the Company’s share options granted to Directors and the relevant movement(s) during the Period are set out in the section headed “(c) Long position in the share options of the Company” on page 58.
- (ii) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 6 July 2015) was HK\$1.96.
- (iii) All share options granted on 7 July 2015 do not have any vesting period.
- (iv) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$2.70.
- (v) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 5 July 2017) was HK\$3.05.

## SHARE OPTION SCHEME (continued)

*Notes: (continued)*

- (vi) All the share options granted on 6 July 2017 do not have any vesting period.
- (vii) The share options to subscribe for a total of 360,000 ordinary shares of HK\$0.01 each of the Company under the Share Option Scheme have been lapsed due to expiry of option period on 6 July 2018.

Save as disclosed above, no share option lapsed or was granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 30 September 2018.

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

As at 30 September 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:



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

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

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue <sup>Note A</sup>
Mr. Cheung King Shek	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust <sup>Note B</sup>	220,000,000	54.49%
Mr. Cheung King Shan	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust <sup>Note B</sup>	220,000,000	54.49%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust <sup>Note B</sup>	220,000,000	54.49%
Mr. Cheung King Fung Sunny	Beneficial owner	20,401,000	5.05%
	Beneficiary of a trust <sup>Note B</sup>	220,000,000	54.49%
Mr. Wong Wai Man	Beneficial owner	30,000	0.0074%
Ms. Mok Ngan Chu	Beneficial owner	30,000	0.0074%

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

### (b) Long position in the shares of associated corporations

Amazing Gain is one of the controlling shareholders of the Company and the holding company of the Company. The companies listed in the table below (apart from Amazing Gain) are subsidiaries of Amazing Gain. Hence, Amazing Gain and the rest of the companies listed in the table below are associated corporations of the Company under the SFO. Each of the Cheung Brothers is deemed to have interests in the said associated corporations under the SFO.

Name of associated corporations	Capacity	Number of shares/ Amount of share capital	Approximate percentage of interests
Amazing Gain Limited	Beneficiary of a trust <i>Note B</i>	100	100%
CKK Investment Limited	Beneficiary of a trust <i>Note B</i>	1	100%
Pin International Holdings Limited	Beneficiary of a trust <i>Note B</i>	12	100%
Key Winner Limited	Beneficiary of a trust <i>Note B</i>	1,000	84%
Joyful Workplace Limited	Beneficiary of a trust <i>Note B</i>	1	84%
Peaceful Star Limited	Beneficiary of a trust <i>Note B</i>	1	84%

*Note A:* The calculation is based on 403,753,000 shares of the Company in issue as at 30 September 2018.

*Note B:* The 220,000,000 shares representing approximately 54.49% of the Company's shares in issue are held by CKK Investment. CKK Investment is wholly-owned by Amazing Gain. The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company and the associated corporations held by the Cheung Family Trust under the SFO.

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

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

Pursuant to the Share Option Scheme, two Directors were granted share options to subscribe for the shares of the Company, details of which (all being personal interests) as at 30 September 2018 were as follows:

Name of Directors	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2018	Changes during the Period		Balance as at 30 September 2018	Approximate percentage of the Company's shares in issue <sup>Note A</sup>
					Exercised	Lapsed		
Mr. Wong Wai Man	6 July 2017	HK\$3.05 <sup>Note (i)</sup>	6 July 2017 – 5 July 2019 <sup>Note (ii)</sup>	30,000	–	–	30,000	0.0074%
Ms. Mok Ngan Chu	6 July 2017	HK\$3.05 <sup>Note (i)</sup>	6 July 2017 – 5 July 2019 <sup>Note (ii)</sup>	30,000	–	–	30,000	0.0074%
				60,000	–	–	60,000	0.0148%

Save as disclosed above, as at 30 September 2018, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

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

Save as disclosed above, at no time during the Period was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the Period, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they have complied with the Model Code throughout the Period.

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

As at 30 September 2018, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

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

### Long Position

Name of substantial shareholders	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue <sup>Note A</sup>
CKK Investment Limited <sup>Note B</sup>	Beneficial owner	220,000,000	54.49%
Amazing Gain Limited <sup>Note B</sup>	Interest in a controlled corporation	220,000,000	54.49%
J. Safra Sarasin Trust Company (Singapore) Limited <sup>Note B</sup>	Trustee (other than a bare trustee)	220,000,000	54.49%
Ms. Tang Fung Yin Anita <sup>Note C</sup>	Interest of spouse	240,500,000	59.57%
Ms. Yeung Ho Ki <sup>Note C</sup>	Interest of spouse	240,401,000	59.54%

Note C: Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 240,500,000 shares and 240,401,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at 30 September 2018, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Listing Rules throughout the Period except the deviation mentioned in the following paragraph.

According to the Code Provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Period, the chief executive officer and chief financial officer of the Company have provided and will continue to provide to all members of the Board with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company’s performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision C.1.2.

## UPDATE ON DIRECTORS’ INFORMATION UNDER RULE 13.51B OF THE LISTING RULES

Changes of Directors’ information since the Company’s last published annual report required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

- On 31 July 2018, discretionary bonuses were paid to the following Directors:

Name of Director	Discretionary bonus
Mr. Wong Wai Man	HK\$38,000
Ms. Mok Ngan Chu	HK\$28,000

Save as disclosed above, the Company is not aware of other changes of the Directors’ information which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

## REVIEW OF RESULTS

The audit committee of the Company (the “Audit Committee”) was established on 20 May 2014 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee 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. Mr. Lam Yu Lung is the chairman of the Audit Committee. The Audit Committee has reviewed the Group’s unaudited interim results for the Period.

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

Hong Kong, 22 November 2018

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