



Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8336

Interim Report
2015/16



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 report, 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 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 report 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 report misleading.

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

THE FINANCIAL STATEMENTS

INTERIM RESULTS

The board of Directors (the "Board") of the Company announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2015 (the "Period"), together with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	<i>Notes</i>	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	240,294	215,672
Club debenture		1,560	1,560
Interest in an associate		24,281	24,996
		266,135	242,228
Current assets			
Inventories		212,090	216,709
Trade and other receivables	12	80,312	99,544
Amount due from a related company	17	167	57
Amount due from an associate		3,172	4,534
Pledged bank deposits		4,613	4,609
Bank balances and cash		33,205	27,584
		333,559	353,037

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*As at 30 September 2015*

	<i>Notes</i>	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Current liabilities			
Trade and other payables	13	107,193	92,648
Amount due to a related company	17	3,364	618
Bank overdrafts	14	994	—
Bank borrowings	14	265,913	322,710
Tax payable		8,673	2,594
		386,137	418,570
Net current liabilities		(52,578)	(65,533)
Total assets less current liabilities		213,557	176,695
Non-current liabilities			
Long service payment obligations		1,430	1,314
Deferred tax liabilities		3,362	4,092
		4,792	5,406
Net assets		208,765	171,289
Capital and reserves			
Share capital	15	4,001	4,000
Reserves		204,764	167,289
Total equity		208,765	171,289

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2015

Notes:

- (i) Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.
- (ii) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reach 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders.
- (iii) In connection with the Company's placing and listing, the Company issued 100,000,000 ordinary shares of HK\$0.01 each at a price of HK\$1.0 each for a total consideration (before expenses) of approximately HK\$100,000,000. Dealing of the Company's shares on GEM of the Stock Exchange commenced on 30 May 2014.
- (iv) Pursuant to the written resolutions passed by the shareholders of the Company on 20 May 2014, the Directors were authorised to capitalise a sum of HK\$2,999,999.40 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 299,999,940 shares for allotment and issue to the then shareholders of the Company as at 20 May 2014 in proportion to their then respective shareholdings in the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)*For the six months ended 30 September 2015*

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. GENERAL

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

The functional currency of the Company is Hong Kong dollars (“HK\$”) while that of the subsidiary in Macau is Macau Pataca. For the purpose of presenting the condensed consolidated financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

The Directors consider the immediate holding company is CKK Investment Limited (“CKK Investment”) and the ultimate parent is the Cheung Family Trust.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation of the listing of the Company’s shares on GEM of the Stock Exchange (the “Listing”), the Company became the holding company of the Group on 20 May 2014. Details of the Reorganisation were set out in the section headed “History and Development — Reorganisation” of the prospectus of the Company dated 26 May 2014 (the “Prospectus”).

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these condensed consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the companies comprising the Group before the completion of Reorganisation, using the principles of merger accounting as prescribed in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated statement of profit or loss and other comprehensive income including the results of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the corresponding period of the previous year.

1. GENERAL (continued)

The Company is principally engaged in investment holding.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by HKICPA as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The Group had net current liabilities of approximately HK\$52,578,000 as at 30 September 2015. The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

- (i) the banking facilities are readily available to the Group;
- (ii) bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause and shown under current liabilities amounted to approximately HK\$57,770,000. The Directors are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements; and
- (iii) the Group is able to generate adequate cash flows to maintain its operations.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the consolidated financial statements for the year ended 31 March 2015. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 April 2015. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the condensed consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

4. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts. An analysis of the Group's revenue for the periods is as follows:

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

5. SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the executive directors of the Company. The information reported to the chief operating decision maker for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

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

5. SEGMENT INFORMATION (continued)

Geographical information

During the six months ended 30 September 2015, the Group's operations were located in Hong Kong and Macau (2014: Hong Kong and Macau). More than 99% of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong during the Period and the corresponding period in 2014.

Information about major customer

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

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Customer I ¹	73,143	51,382	137,093	102,293

¹ Revenue from operation services.

6. OTHER INCOME

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

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for each periods.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated taxable profits.

9. DIVIDEND

At a meeting held on 9 November 2015, the Board declared an interim dividend of HK\$0.05 per share for the six months ended 30 September 2015 (2014 second interim dividend: HK\$0.02).

10. EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Earnings				
Earnings for the purpose of basic earnings per share for the period attributable to the owners of the Company	19,816	16,960	43,129	42,679

10. EARNINGS PER SHARE (continued)

	Three months ended 30 September		Six months ended 30 September	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,041,304	400,000,000	400,020,765	368,306,011

The weighted average number of 368,306,011 ordinary shares were in issue during the six months ended 30 September 2014 after taking into account the capitalisation issue pursuant to the Reorganisation.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares during the Period.

11. PROPERTY, PLANT AND EQUIPMENT

The Group paid approximately HK\$39,480,000 on acquisition of property, plant and equipment during the six months ended 30 September 2015 (2014: HK\$190,802,000).

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

12. TRADE AND OTHER RECEIVABLES

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Trade receivables	29,865	34,492
Other receivables	5,161	5,082
Deposits	26,593	22,400
Prepayment	18,757	37,634
	80,376	99,608
Less: Impairment loss recognised in respect of trade receivables	(64)	(64)
Trade and other receivables	80,312	99,544

The Group does not hold any collateral over these balances.

The Group grants an average credit period of 7 days to 30 days to its trade customers.

12. TRADE AND OTHER RECEIVABLES (continued)

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

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

13. TRADE AND OTHER PAYABLES

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Trade payables	53,314	48,426
Receipt in advance	29,326	30,143
Accrued expenses and other payables	24,553	14,079
Trade and other payables	107,193	92,648

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

13. TRADE AND OTHER PAYABLES (continued)

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

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

14. BANK OVERDRAFTS/BANK BORROWINGS

Bank Overdrafts

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

Bank Borrowings

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

14. BANK OVERDRAFTS/BANK BORROWINGS (continued)

Bank Borrowings (continued)

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

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Within one year	208,143	267,926
After one year but within two years	5,347	4,778
After two years but within five years	16,241	14,463
After five years	36,182	35,543
	265,913	322,710
Carrying amount of bank borrowings that are repayable on demand or within one year	208,143	267,926
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	57,770	54,784
	265,913	322,710

14. 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:

	30 September 2015 (unaudited)	31 March 2015 (audited)
Variable rate bank borrowings	1.60%–2.49%	0.81%–2.50%

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

15. SHARE CAPITAL

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

15. SHARE CAPITAL (continued)

Notes:

- (i) Pursuant to the resolutions in writing of the shareholders of the Company passed on 20 May 2014, the authorised share capital of the Company was increased to HK\$100,000,000 by creation of 9,962,000,000 new shares of HK\$0.01 each.
- (ii) On 7 May 2014, CKK Investment, the immediate holding company of the Company, entered into a subscription agreement with the Company pursuant to which CKK Investment agreed to subscribe for 43 new shares of HK\$0.01 each, at par value, at a total subscription price of HK\$0.43.
- (iii) On 20 May 2014, the Company acquired the entire interests in Telecom Digital Investment Limited in consideration of and in exchange for which the Company allotted and issued 16 shares in aggregate, credited as fully paid, to the Cheung Brothers.
- (iv) On 20 May 2014, pursuant to the resolution of the then shareholders of the Company, it was approved to issue 299,999,940 ordinary shares of HK\$0.01 each to the shareholders by way of capitalisation of HK\$2,999,999 from the share premium account arose from the placing of 100,000,000 ordinary shares of the Company. Such shares were issued on the date of completion of placing.
- (v) In connection with the Company's placing and listing, the Company issued a total of 100,000,000 ordinary shares HK\$0.01 each at a price of HK\$1.0 per share. Of the total gross proceeds, HK\$100,000,000, HK\$1,000,000 representing the par value credit to the Company's share capital and HK\$99,000,000, before the share issue expenses, credit to the share premium account. The Company's total number of issued shares was increased to 400,000,000 shares upon completion of the placing. Dealing of the Company's shares on GEM of the Stock Exchange commenced on 30 May 2014.

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

16. OPERATING LEASE COMMITMENTS

The Group as lessee

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

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

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

The Group as lessor

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

16. 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 payment:

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

17. RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Group had the following material transactions and balances with related parties during the periods:

Name of company	Nature of transaction	Notes	Three months ended 30 September		Six months ended 30 September	
			2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	1,009	939	2,017	1,728
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	208	189	416	369
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	26	17	51	17
Radiotex International Limited	Purchases of goods therefrom	(i) & (iii)	—	6,119	9,111	9,513
Silicon Creation Limited	Rental expenses paid thereto	(ii) & (iii)	1,270	1,250	2,539	2,176
Sun Mobile Limited	Service fee income received therefrom	(i) & (iii)	73,143	51,382	137,093	102,293

17. RELATED PARTY TRANSACTIONS AND BALANCES

(a) (continued)

Name of company	Nature of transaction	Notes	Three months ended 30 September		Six months ended 30 September	
			2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Telecom Digital Securities Limited	Subscription fee income received therefrom	(i) & (iii)	294	266	570	535
	Consultancy fee income received therefrom	(i) & (iii)	75	75	150	150
	Sub-letting income received therefrom	(ii) & (iii)	51	56	95	117
	Technical support service income received therefrom	(i) & (iii)	30	30	60	60
Telecom Properties Investment Limited	Rental expenses paid thereto	(ii) & (iii)	440	440	879	879
Telecom Service Limited	Rental expenses paid thereto	(ii) & (iii)	208	208	416	416
Telecom Service One Limited	Repairing service fee paid thereto	(i) & (iii)	4,707	1,800	5,528	3,130
	Consignment fee received therefrom	(i) & (iii)	329	666	859	1,218
	Logistic fee income received therefrom	(i) & (iii)	384	318	822	547
	Licensing fee received therefrom	(i) & (iii)	—	—	—	6

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

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

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) (continued)

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

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

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the related parties.
 - (ii) The rental income, sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the related parties.
 - (iii) The Cheung Brothers, directors of the Company, have beneficial interests in the related parties.
 - (iv) The amounts were arisen from normal sales and purchase transactions. The amounts are unsecured, interest-free and expected to be settled according to their respective credit terms which are similar to those with third parties.
- (b)** The amount due from an associate is trade in nature, unsecured, interest-free with 7 days credit term and aged within 30 days.

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management personnel

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

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

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

18. SHARE-BASED PAYMENT

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

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

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

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

18. SHARE-BASED PAYMENT (continued)

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

	Expiry date	2015		2014	
		Exercise price in HK\$ per share	Number of share options	Exercise price in HK\$ per share	Number of share options
As at 1 April		—	—	—	—
Granted		2.22	4,596,000	—	—
Exercised		2.22	(50,000)	—	—
Lapsed		2.22	(706,000)	—	—
As at 30 September	6 July 2018	2.22	3,840,000	—	—

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group maintained its market position as one of the leading comprehensive telecommunication service providers in Hong Kong and Macau. The business segments of the Group include (i) retail sales of mobile phones and pre-paid SIM cards and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunication services; and (iv) provision of operation services to Sun Mobile Limited ("SUN Mobile"), an associate owned as to 40% by the Group and as to 60% by HKT Limited.

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

FINANCIAL REVIEW

Segment Analysis

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

Revenue

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

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

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

FINANCIAL REVIEW (continued)

Revenue (continued)

Revenue from provision of paging and other telecommunication services in the second quarter of the financial year 2015/16 experienced a drop of approximately 34.4% from the first quarter of the financial year 2015/16. This is primarily due to the popularity of various channels of mobile communication, the total number of paging and Mobitex based services subscribers has continued to experience a decrease during the Period.

Revenue from provision of operation services continues its healthy growth and hit a new record of approximately HK\$108,309,000 for the Period, representing an increase of approximately 12.6% as compared to the same period last year. The increase was mainly due to the adjustment on mobile service monthly plan fees and the increase in customers of SUN Mobile.

Other Income

Other income is mainly contributed by rental income, interest income and consultancy income. Other income was approximately HK\$3,341,000 for the six months ended 30 September 2015 (2014: HK\$2,660,000), representing an increase of approximately 25.6% from the corresponding period of the previous year. Such increase was primarily due to increase in exchange gain.

Other Operating Expenses

The Group's other operating expenses are mainly consisted of rental and building management fees, information fees in respect of horse racing, football matches and stock market, advertising and promotion expenses, operation fees for paging centre and customer service centre, repair cost for pagers and Mobitex devices, roaming charges, bank charges, audit and professional fees and other office expenses. Other operating expenses for the six months ended 30 September 2015 were approximately HK\$93,791,000 (2014: HK\$98,112,000), representing a decrease of approximately 4.4% over the corresponding period of the previous year.

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

FINANCIAL REVIEW (continued)

Share of Results of an Associate

Share of results of an associate was approximately HK\$15,804,000 for the six months ended 30 September 2015 (2014: HK\$12,999,000), representing an increase of approximately 21.6% as compared to the corresponding period of the previous year. The amount represents the Group's share of net profit of SUN Mobile. The increase was also mainly due to the adjustment on mobile service monthly plan fees and the increase in customers of SUN Mobile.

Finance Costs

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

Income Tax Expense

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

Profit before Tax

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

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the Listing to meet potential needs for business expansion and development. As at 30 September 2015, the Group has the unutilised banking facilities of HK\$246,553,000 available for further drawdown should it have any further capital needs. The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have any material contingent liabilities (31 March 2015: nil).

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENTS

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

INTERIM DIVIDEND

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

CAPITAL STRUCTURE

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 15 to the condensed consolidated financial statements, there was no change in the capital structure during the Period. The capital structure of the Group consists of bank overdrafts, bank borrowings net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves. The management reviews the capital structure regularly. As part of the review, they consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debt or the redemption of existing debt.

SIGNIFICANT INVESTMENTS HELD

Except for investments in subsidiaries and an associate, the Group did not hold any significant investment in equity interest in any other company during the six months ended 30 September 2015 (2014: nil).

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2015, the Group employed 463 (31 March 2015: 459) full-time employees including management, administration, operation and technical staff. The employees' remuneration, promotion and salary increments are assessed based on both individual's and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. The Group regards quality staff as one of the key factors to corporate success.

OUTLOOK

The objective of the Group is to focus on the telecommunications market in Hong Kong. It aims to continue to enhance its service quality, strengthen its market position, increase its market share and strengthen the brand recognition of the Group. To achieve such objectives, the Group will continue to expand its shop network. During the Period, the Group has already opened 7 new shops and reached 57 shops. It plans to open more new retail shops in 2015 and 2016. The Group believes that this will enable the Group to enlarge its revenue and brand recognition in the telecommunication industries.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

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

BUSINESS OBJECTIVES FOR THE PERIOD

ACTUAL BUSINESS PROGRESS FOR THE PERIOD

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

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

USE OF PROCEEDS

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

Use	Planned use of proceeds as stated in the Prospectus during the Period HK\$'000	Actual use of proceeds during the Period HK\$'000
Expansion of the retail sales network	2,536	2,500

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 report, approximately HK\$68.2 million out of the net proceeds from the Listing has been used.

As at the date of this report, the unused net proceeds were placed with banks in Hong Kong as short-term deposits. The unused net proceeds amounted to HK\$9.5 million, of which HK\$5.0 million is intended to implement an Enterprise Resource Planning system and HK\$4.5 million is intended to expand the Group's shop network and logistics vehicle fleet, respectively.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

OTHER INFORMATION

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares the payment of an interim dividend of HK\$0.05 per share for the Period. The interim dividend will be payable in cash to shareholders on the register of members as at 25 November 2015.

The register of members of the Company will be closed from 24 to 25 November 2015 (both dates inclusive), for the purpose of determining shareholders' entitlement to the interim dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 23 November 2015.

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

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

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

SHARE OPTION SCHEME

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

SHARE OPTION SCHEME (continued)

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

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

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

Grantees	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2015	Changes during the Period			Balance as at 30 September 2015
					Granted	Exercised	Lapsed	
Eligible employees (Note (i))	7 July 2015	HK\$2.22 (Note (iii))	7 July 2015– 6 July 2018 (Note (iii))	—	4,596,000	(50,000) (Note (iv))	(706,000)	3,840,000

Notes:

- (i) Share options were granted to certain eligible employees (two of them being present Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with share options not exceeding the respective individual limits. Details of the Company's share options granted to Directors of the Company and the relevant movement(s) during the Period are set out in the section headed "(b) Rights to acquire shares of the Company" on page 45.
- (ii) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 6 July 2015) was HK\$1.96.
- (iii) All share options granted do not have any vesting period.
- (iv) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$2.24.

Except as disclosed above, no share option lapsed or was granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 30 September 2015.

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

As at 30 September 2015, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) Long position in the shares of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue
Mr. Cheung King Shek	Beneficial owner	20,000,000	5%
	Beneficiary of a trust ^{Note A}	220,000,000	55%
Mr. Cheung King Shan	Beneficial owner	20,000,000	5%
	Beneficiary of a trust ^{Note A}	220,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,000,000	5%
	Beneficiary of a trust ^{Note A}	220,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	20,000,000	5%
	Beneficiary of a trust ^{Note A}	220,000,000	55%

Note A:

The 220,000,000 shares representing approximately 55% of the Company's shares in issue are held by CKK Investment. CKK Investment is wholly-owned by Amazing Gain Limited ("Amazing Gain"). The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company held by the Cheung Family Trust under the SFO.

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

(b) Rights to acquire shares of the Company

Pursuant to the Share Option Scheme, two Directors were granted share options to subscribe for the shares of the Company, details of which (all being personal interests) as at 30 September 2015 were as follows:

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

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

Save as disclosed above, as at 30 September 2015, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the Period, they were in compliance with the required provisions set out in the Required Standard of Dealings. All Directors declared that they have complied with the Required Standard of Dealings throughout the Period.

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

As at 30 September 2015, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Long Position

Name of substantial shareholders	Capacity/ Nature of interest	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue
CKK Investment Limited ^{Note A above}	Beneficial owner	220,000,000	55%
Amazing Gain Limited ^{Note A above}	Interest in a controlled corporation	220,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Limited ^{Note A above}	Trustee (other than a bare trustee)	220,000,000	55%
Ms. Law Lai Ying Ida ^{Note B}	Interest of spouse	240,000,000	60%
Ms. Tang Fung Yin Anita ^{Note B}	Interest of spouse	240,000,000	60%
Ms. Yeung Ho Ki ^{Note B}	Interest of spouse	240,000,000	60%

Note B:

Ms. Law Lai Ying Ida is the wife of Mr. Cheung King Shek. Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Law Lai Ying Ida, Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 240,000,000 shares which are interested by their respective husbands.

Save as disclosed above, as at 30 September 2015, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, as at 30 September 2015, none of the Directors nor their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Name of Company	Nature of Interest	Competing Business
Mr. Ho Nai Man Paul	Wiyo Company Limited	director and shareholder	These two companies are engaged in the business of rental of mobile data to outbound travelers from Hong Kong as well as inbound travelers to Hong Kong. Accordingly, these two companies may indirectly compete with the Group's business of sale of SIM cards and with SUN Mobile's business of provision of roaming data services.
	Yoyou Mobile Technology Limited	director and shareholder	

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), as at 30 September 2015, neither Guotai Junan nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules except for the compliance adviser agreement entered into between the Company and Guotai Junan in May 2014.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules throughout the Period except the deviation mentioned in the following paragraph.

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

UPDATE ON DIRECTORS’ INFORMATION UNDER RULE 17.50A OF THE GEM LISTING RULES

Changes of Directors’ information since the Company’s last published annual report required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules are set out below:

- On 7 July 2015, share options were granted to Mr. Wong Wai Man and Ms. Mok Ngan Chu pursuant to the Share Option Scheme, details are set out in the section headed “(b) Rights to acquire shares of the Company” on page 45.
- On 31 August 2015, discretionary bonuses were paid to the following Directors:

Name of Director	Discretionary bonus
Mr. Wong Wai Man	HK\$31,800
Ms. Mok Ngan Chu	HK\$23,580

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 17.50A OF THE GEM LISTING RULES (continued)

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

Save as disclosed above, the Company is not aware of other changes of the Directors' information which is required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

REVIEW OF RESULTS

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam Yu Lung, Mr. Hui Ying Bun and Mr. Ho Nai Man Paul. Mr. Lam Yu Lung is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited interim results for the Period.

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

Hong Kong, 9 November 2015

As at the date of this 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. Ho Nai Man Paul and Mr. Lam Yu Lung.