

THE FINANCIAL STATEMENTS

FIRST QUARTERLY RESULTS

The board of Directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2014 (the "Period"), together with the comparative unaudited figures for the corresponding period in 2013 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2014

	Notes	Three months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	346,867	271,367
Cost of inventories sold		(243,339)	(177,297)
Staff costs		(27,710)	(26,534)
Depreciation		(4,108)	(3,348)
Other income	4	1,101	1,289
Other operating expenses		(49,436)	(42,786)
Share of results of an associate		6,397	6,016
Finance costs	5	(724)	(858)
Profit before tax		29,048	27,849
Income tax expense	6	(3,329)	(2,757)
Profit for the period		25,719	25,092
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating a foreign operation for the period		(121)	47
Other comprehensive (expense) income for the period		(121)	47
Total comprehensive income for the period		25,598	25,139
Earnings per share (HK\$)			
Basic and diluted	8	0.08	0.08

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2014

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Legal reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
1 April 2013 (Audited)	5,404	—	—	(186)	91	52,981	58,290
Profit for the period	—	—	—	—	—	25,092	25,092
Exchange differences arising on translation of foreign operation	—	—	—	47	—	—	47
Total comprehensive income for the period	—	—	—	47	—	25,092	25,139
At 30 June 2013 (Unaudited)	5,404	—	—	(139)	91	78,073	83,429
1 April 2014 (Audited)	5,404	—	—	(112)	91	133,151	138,534
Profit for the period	—	—	—	—	—	25,719	25,719
Exchange differences arising on translation of foreign operation	—	—	—	(121)	—	—	(121)
Total comprehensive (expense) income for the period	—	—	—	(121)	—	25,719	25,598
Dividends	—	—	—	—	—	(138,000)	(138,000)
Group reorganisation	(5,404)	—	5,404	—	—	—	—
Capitalisation issue (Note b)	3,000	(3,000)	—	—	—	—	—
Issuance of ordinary shares in connection with the listing (Note c)	1,000	99,000	—	—	—	—	100,000
Share issue expenses	—	(8,637)	—	—	—	—	(8,637)
At 30 June 2014 (Unaudited)	4,000	87,363	5,404	(233)	91	20,870	117,495

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) 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.
- (c) 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 the GEM of the Stock Exchange commenced on 30 May 2014.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2014

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 19th Floor, 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 established in Macau is Macau Pataca. For the purpose of presenting the unaudited 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 and the ultimate parent is 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 the 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 Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these unaudited 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 unaudited consolidated statement of profit or loss and other comprehensive income and including the results of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the three months ended 30 June 2014.

The Company is principally engaged in investment holding.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations, issued by the HKICPA as well as with the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual accounts for the year ended 31 March 2014. The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 January 2014. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group’s accounting policies.

3. 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 period is as follows:

	Three months ended 30 June			
	2014		2013	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Retail business	119,480	34.4	121,880	44.9
Distribution business	152,103	43.9	76,546	28.2
Paging and other telecommunication services	28,163	8.1	36,908	13.3
Operation services	47,121	13.6	36,033	13.6
Total revenue	346,867	100.0	271,367	100.0

Segment information

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

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

Geographical information

During the Period, the Group's operations are located in Hong Kong and Macau. More than 99.0% 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 2013.

4. OTHER INCOME

	Three months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income		
Bank interest income	45	10
Interest income from related companies	—	120
	45	130
Consultancy income	75	75
Gain on disposal of plant and equipment	1	13
Rental income	829	982
Warehouse storage income	42	41
Others	109	48
	1,101	1,289

5. FINANCE COST

	Three months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
— Bank borrowings and bank overdrafts wholly repayable within five years	724	858

6. INCOME TAX EXPENSE

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 the BVI.

The applicable Complementary Income Tax in Macau is charged at the progressive rate on the estimate assessable profit.

Hong Kong Profits Tax is calculated at 16.5% (for the three months ended 30 June 2013: 16.5%) of the estimated assessable profits for the Period.

7. INTERIM DIVIDEND

Except for an interim dividend amounting to HK\$138,000,000 which was declared and paid by the Company to its then shareholders on 20 May 2014 before Listing, the Board has resolved not to declare any other interim dividend for the three months ended 30 June 2014 (for the three months ended 30 June 2013: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company for the Period of approximately HK\$25,719,000 (for the three months ended 30 June 2013: HK\$25,092,000), and the weighted average number of 334,444,444 ordinary shares of the Company which were in issue during the Period (three months ended 30 June 2013: 300,000,000 shares) after taking into account the capitalisation issue pursuant to the Reorganisation.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the reporting periods.

USE OF PROCEEDS

The Company was listed on the Stock Exchange on 30 May 2014 and raised net proceeds of approximately HK\$77,709,000. The future plans as stated in the prospectus were derived from the Group's reasonable estimation of the future market conditions based on the information available at the time of preparing the prospectus. As of the date of this report, we have utilised HK\$52,896,000 for expansion of our head office and logistics vehicle fleet. As at 30 June 2014, the unused proceeds were deposited in licensed banks in Hong Kong.

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 telecommunications services; and (iv) provision of operation services to New World Mobility Limited (“NWM”), a 40% owned associate of the Company.

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. It has entered into an agreement with a mobile phone manufacturer in June 2014 to source a brand of mobile phones directly from that manufacturer. It is also negotiating with another mobile phone manufacturer for the distribution of its mobile phones. The management believes that contribution from this sector to the Group’s revenue will have a growth 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 has experienced a decrease during the last few years. The Group is keep facing keen competition against these communication means.

FINANCIAL REVIEW

Revenue

For the period ended 30 June 2014, revenue derived from retail sales and distribution of mobile phones and related services contributed to approximately 78.3% of the Group’s total revenue, amounting to approximately HK\$271,583,000 (three months ended 30 June 2013: HK\$198,426,000) which represents an increase of approximately 36.9% as compared to the corresponding period of the previous year. Such increase was primarily due to an increase in number of mobile phones sold in the Period. Apart from the increase in revenue from retail sales and distribution business, revenue from provision of operation services also increased by approximately 30.8% as compared to the period ended 30 June 2013. Such increase was primarily due to an increase in the number of subscribers of NWM’s mobile telecommunications services during the Period.

Other Income

Other income is mainly contributed by rental income, interest and consultancy income. Other income for the period ended 30 June 2014 was approximately HK\$1,101,000 (three months ended 30 June 2013: HK\$1,289,000), representing a decrease of approximately 14.6% as compared to the corresponding period of the previous year. Such decrease was primarily due to decrease in interest income and rental income.

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\$49,436,000 (three months ended 30 June 2013: HK\$42,786,000), representing an increase of approximately 15.5% over the corresponding period of the previous year.

The increase was mainly brought by the increase in advertising and promotion, rental expenses and the listing expenses incurred in the Listing, and partly off-set by the decrease in information fees. The decrease in information cost was mainly due to the decrease in financial data charged by the HKEx Information Services Limited by reference to the usage of information. Because of the declining number of subscribers, the usage of information decreased accordingly. The increase in rental expenses was mainly due to an increase in the rental rates which were consistent with the then prevailing market rates during the Period.

Share of Results of an Associate

Share of results of an associate for the Period was approximately HK\$6,397,000 (three months ended 30 June 2013: HK\$6,016,000), representing an increase of approximately 6.3% as compared to the corresponding period of the previous year. The amount represents our share of net profit of NWM.

Finance Costs

Except for obtained a new bank loan in July 2014 to finance the purchase of the office premises, there is no significant change in the Group's bank borrowing throughout the period ended 30 June 2014. The finance costs for the Period were approximately HK\$724,000 (three months ended 30 June 2013: HK\$858,000).

Income Tax Expense

Income tax for the Period was approximately HK\$3,329,000 (three months ended 30 June 2013: HK\$2,757,000), representing an increase of approximately 7.2%. The increase was mainly due to the increase in profit before tax and the tax effect of listing expenses not deductible for tax purpose.

Profit for the Period

Profit for the Period was approximately HK\$25,719,000 (three months ended 30 June 2013: HK\$25,092,000), representing an increase of approximately 4.0% as compared to the corresponding period of the previous year. The increase was primarily due to the increase in gross profit in relation to the increase in revenue and improvement in the share of results of an associate.

OUTLOOK

The Company was listed on GEM of the Stock Exchange on 30 May 2014 which enhanced the Group's reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for our further expansion.

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 intends to expand its shops network, head office and logistics vehicle fleet to cope with its growth of business. The Group purchased premises in Kowloon Bay in June and August respectively as its head office and warehouse for its distribution and retail sale operation. It also placed orders to purchase additional trucks to enhance its logistics vehicle fleet along with the expansion of its distribution and retail business. The new trucks have already been used for the Group's operation in the second quarter of 2014.

OTHER INFORMATION

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

During the period from the date of the Listing (i.e. 30 May 2014) to 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2014, 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:

The Company

Long Position:

Name of Directors	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
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 55% of the issued share capital of the Company are held by CKK Investment Limited. CKK Investment Limited is wholly-owned by Amazing Gain Limited. The sole shareholder of Amazing Gain Limited is Asia Square Holdings Limited, which holds the shares in Amazing Gain Limited 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 Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, 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.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executives of the Company had any interests and 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.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by all Shareholders by way of written resolution on 20 May 2014. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's business; to provide additional incentives to employees (full-time and part-time), any person who is seconded to work for any member of the Group or any Affiliates, consultant, agent, representative, adviser, customer, contractor, business partner/ally/alliance, joint venture partner or supplier of the Group (collectively, the "Eligible Person") and any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members and to promote the long term financial success of the Group by aligning the interests of option holders to Shareholders.

No share options were 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 June 2014 and at the date of this report.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the Period was the Company, or any of its holding companies, 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 June 2014, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company 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 shareholders	Capacity/Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
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 June 2014, 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

As at 30 June 2014, none of the Directors or their respective 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.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor any of its directors or employees or associates had any interest in the share capital 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) as at 30 June 2014 and the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (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 Executive Directors and Chief Financial Officer have provided and will continue to provide to all Non-Executive Directors updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.

REVIEW OF RESULTS

The audit committee of the Company (the "Audit Committee") was established on 20 May 2014 with written terms of reference in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

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 first quarterly results for the Period.

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

Hong Kong, 11 August 2014

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