

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2016 (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 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	295,489	374,651	586,445	765,874
Cost of inventories sold		(180,251)	(266,249)	(362,124)	(555,106)
Staff cost		(40,635)	(38,755)	(77,671)	(72,405)
Depreciation		(5,778)	(5,768)	(11,501)	(11,330)
Other income	6	1,362	1,419	2,606	3,341
Other operating expenses		(47,046)	(49,645)	(92,582)	(93,791)
Share of results of an associate		8,007	7,612	16,685	15,804
Finance costs	7	(899)	(1,888)	(1,852)	(3,163)
Profit before tax		30,249	21,377	60,006	49,224
Income tax expense	8	(3,539)	(1,561)	(7,841)	(6,095)
Profit and total comprehensive income for the period		26,710	19,816	52,165	43,129
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		26,599	19,816	51,892	43,129
Non-controlling interest		111	—	273	—
		26,710	19,816	52,165	43,129
Earnings per share (HK\$)	10				
Basic		0.07	0.05	0.13	0.11
Diluted		0.07	0.05	0.13	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	<i>Notes</i>	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	272,379	236,715
Club membership		1,560	1,560
Interest in an associate		24,676	24,413
Deposit for purchase of property, plant and equipment		2,660	5,312
		301,275	268,000
Current assets			
Inventories		76,203	187,585
Trade and other receivables	12	78,530	68,853
Amounts due from related companies	17	187	62
Amount due from an associate		19,005	21,611
Pledged bank deposits		5,065	5,065
Bank balances and cash		29,931	15,819
		208,921	298,995

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2016

	Notes	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Current liabilities			
Trade and other payables	13	67,788	107,890
Amount due to a related company	17	393	60
Bank overdrafts	14	7,379	3,820
Bank borrowings	14	159,818	211,054
Tax payable		10,765	2,765
		246,143	325,589
Net current liabilities		(37,222)	(26,594)
Total assets less current liabilities		264,053	241,406
Non-current liabilities			
Long service payment obligations		2,221	2,163
Deferred tax liabilities		3,998	4,157
		6,219	6,320
Net assets		257,834	235,086
Capital and reserves			
Share capital	15	4,013	4,001
Reserves		253,821	231,085
Total equity		257,834	235,086

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital	Share premium	Other reserve	Share option reserve	Exchange reserve	Legal reserve	Retained profits	Total	Non- controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			Note (i)			Note (i)				
At 1 April 2015 (audited)	4,000	87,363	5,404	—	(233)	91	74,664	171,289	—	171,289
Profit and total comprehensive income for the period	—	—	—	—	—	—	43,129	43,129	—	43,129
Equity-settled share-based expense	—	—	—	2,242	—	—	—	2,242	—	2,242
Effect of share option										
— shares issued upon exercise										
— of share option	1	133	—	(28)	—	—	—	106	—	106
— lapse of share option	—	—	—	(28)	—	—	28	—	—	—
Payment of dividend ^{Note 9}	—	—	—	—	—	—	(8,001)	(8,001)	—	(8,001)
At 30 September 2015 (unaudited)	4,001	87,496	5,404	2,186	(233)	91	109,820	208,765	—	208,765
At 1 April 2016 (audited)	4,001	87,502	5,404	2,177	(233)	91	136,144	235,086	—	235,086
Profit and total comprehensive income for the period	—	—	—	—	—	—	51,892	51,892	273	52,165
Non-controlling interest arising on acquisition of a subsidiary	—	—	—	—	—	—	—	—	1,399	1,399
Effect of capital reduction	—	—	—	—	—	—	—	—	(1,400)	(1,400)
Effect of share option										
— issue of shares upon exercise										
— of share option	12	3,258	—	(668)	—	—	—	2,602	—	2,602
— lapse of share option	—	—	—	(58)	—	—	58	—	—	—
Payment of dividends ^{Note 9}	—	—	—	—	—	—	(32,018)	(32,018)	—	(32,018)
At 30 September 2016 (unaudited)	4,013	90,760	5,404	1,451	(233)	91	156,076	257,562	272	257,834

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2016

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 reaches 50% of the relevant subsidiary's registered capital. Legal reserve is not distributable to shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	120,780	92,084
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(47,929)	(39,480)
Advance to related companies	(125)	(110)
Placement of pledged bank deposits	—	(4)
Dividend received from an associate	16,422	16,519
Proceeds from disposal of property, plant and equipment	—	573
Interest received	103	154
Net cash inflow on acquisition of a subsidiary	3,473	—
NET CASH USED IN INVESTING ACTIVITIES	(28,056)	(22,348)
FINANCING ACTIVITIES		
Bank borrowings raised	238,717	505,894
Advance from related companies	333	2,746
Repayments of bank borrowings	(289,953)	(562,691)
Proceeds from the issue of share option	—	1
Proceeds from the exercise of share option	2,602	105
Interest paid	(1,852)	(3,163)
Dividend paid	(32,018)	(8,001)
NET CASH USED IN FINANCING ACTIVITIES	(82,171)	(65,109)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)*For the six months ended 30 September 2016*

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,553	4,627
CASH AND CASH EQUIVALENTS AT 1 APRIL	11,999	27,584
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	22,552	32,211
ANALYSIS OF COMPONENT OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	29,931	33,205
Bank overdrafts	(7,379)	(994)
	22,552	32,211

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

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, as defined in the section headed “Definition” to the prospectus of the Company dated 26 May 2014 (the “Prospectus”).

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\$37,222,000 as at 30 September 2016. 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\$67,065,000. 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 2016. 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 2016. 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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Retail business	128,168	121,439	240,967	247,808
Distribution business	70,888	173,198	156,358	357,617
Paging and other telecommunications services	20,318	20,659	41,320	52,140
Operation services	76,115	59,355	147,800	108,309
Total revenue	295,489	374,651	586,445	765,874

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 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 |

5. SEGMENT INFORMATION (continued)

Geographical information

During the six months ended 30 September 2016, the Group's operations were located in Hong Kong and Macau (2015: 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 2015.

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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Customer I ¹	87,410	73,143	172,758	137,093

¹ Revenue from operation services.

6. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Bank interest income	42	68	103	154
Consultancy income	75	75	150	150
Rental income	1,093	680	2,051	1,435
Warehouse storage income	—	58	—	155
Exchange gain	150	418	295	1,300
Others	2	120	7	147
Other income	1,362	1,419	2,606	3,341

7. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest expenses on bank borrowings and bank overdrafts	899	1,888	1,852	3,163

8. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Hong Kong Profits Tax — current period	4,929	2,001	8,000	6,413
Deferred tax — current period	(1,390)	(440)	(159)	(318)
Total income tax expense for the period	3,539	1,561	7,841	6,095

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 period.

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

9. DIVIDENDS

	Six months ended 30 September			
	2016		2015	
	HK\$ per share	HK\$'000 (unaudited)	HK\$ per share	HK\$'000 (unaudited)
Dividends recognised as distribution during the periods:				
2014/15 final dividend	—	—	0.02	8,001
2015/16 second interim dividend	0.05	20,010	—	—
2016/17 first interim dividend	0.03	12,008	—	—
		32,018		8,001

At a meeting held on 8 November 2016, the Board declared the second interim dividend of HK\$0.05 per share for the six months ended 30 September 2016 (2015: HK\$0.05).

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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Earnings				
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	26,599	19,816	51,892	43,129

10. EARNINGS PER SHARE (continued)

	Three months ended 30 September		Six months ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,488,587	400,041,304	400,281,508	400,020,765
Effect of dilutive potential ordinary shares:				
— share option	579,248	—	341,718	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	401,067,835	400,041,304	400,623,226	400,020,765

The weighted average number of ordinary shares in issue during the six months ended 30 September 2016 represented 400,050,000 ordinary shares in issue during the year ended 31 March 2016 and the weighted average of 1,172,000 ordinary shares issued upon the share option exercised during the Period.

The computation of diluted earnings per share for the six months ended 30 September 2015 does not assume the exercise of the Company's outstanding share option because the exercise price of those share options during the period was higher than the average market price for shares.

11. PROPERTY, PLANT AND EQUIPMENT

The Group paid approximately HK\$47,929,000 on acquisition of property, plant and equipment during the six months ended 30 September 2016 (2015: HK\$39,480,000).

During the six months ended 30 September 2015, the Group disposed certain property, plant and equipment with carrying amount of approximately HK\$733,000 (2016: nil) at consideration of approximately HK\$573,000 (2016: nil).

12. TRADE AND OTHER RECEIVABLES

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Trade receivables	14,341	29,634
Less: impairment loss recognised in respect of trade receivables	(64)	(64)
	14,277	29,570
Other receivables	20,660	6,931
Deposits	31,057	25,100
Prepayment	12,536	7,252
Trade and other receivables	78,530	68,853

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.

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 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within 90 days	9,086	28,478
91–180 days	3,750	1,058
181–365 days	1,409	10
Over 365 days	32	24
	14,277	29,570

13. TRADE AND OTHER PAYABLES

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Trade payables	19,010	51,094
Receipt in advance	29,335	32,566
Accrued expenses and other payables	19,443	24,230
Trade and other payables	67,788	107,890

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 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within 60 days	15,908	47,548
61–90 days	663	1,335
Over 90 days	2,439	2,211
	19,010	51,094

14. BANK OVERDRAFTS/BANK BORROWINGS

Bank Overdrafts

During the Period, bank overdrafts carried interest at 1-month HIBOR plus 1.25% (31 March 2016: 1-month HIBOR plus 1.25%) per annum.

Bank Borrowings

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Variable rate bank borrowings		
— Mortgage loans	73,310	60,441
— Others	16,822	19,500
Variable rate trust receipt borrowings	69,686	131,113
	159,818	211,054
Secured	101,931	119,500
Unsecured	57,887	91,554
Bank borrowings	159,818	211,054

14. BANK OVERDRAFTS/BANK BORROWINGS (continued)**Bank Borrowings (continued)**

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

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within one year	92,753	155,918
After one year but within two years	6,293	5,338
After two years but within five years	19,183	16,223
After five years	41,589	33,575
	159,818	211,054
Carrying amount of bank borrowings that are repayable on demand or within one year	92,753	155,918
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)	67,065	55,136
	159,818	211,054

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 2016 (unaudited)	31 March 2016 (audited)
Variable rate bank borrowings	1.69%–2.01%	1.52%–2.24%

- (b) The bank borrowings are all denominated in HK\$.
- (c) As at 30 September 2016, secured bank borrowings of approximately HK\$101,931,000 (31 March 2016: HK\$119,500,000) were secured by property, plant and equipment with carrying amounts of approximately HK\$226,676,000 (31 March 2016: HK\$187,635,000).

15. SHARE CAPITAL

	30 September 2016 (unaudited)		31 March 2016 (audited)	
	Number of shares '000	Share capital HK\$'000	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each				
<i>Authorised</i>				
At the beginning and end of period/year	10,000,000	100,000	10,000,000	100,000
<i>Issued and fully paid</i>				
At the beginning of period/year	400,050	4,001	400,000	4,000
Issue of shares upon:				
Exercise of share option	1,172	12	50	1
At the end of the period/year	401,222	4,013	400,050	4,001

All shares issued during the reporting period/year 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 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within one year	45,302	39,000
In the second to fifth year inclusive	24,044	33,046
	69,346	72,046

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 2016: one to three years).

The Group as lessor

Sub-letting income earned during the six months ended 30 September 2016 was approximately HK\$2,051,000 (2015: HK\$1,435,000). 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 2016 (31 March 2016: one to two years).

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 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within one year	1,186	2,408
In the second to fifth year inclusive	—	1,234
	1,186	3,642

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	
			2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Glossy Enterprises Limited	Rental expenses paid thereto	(ii) & (iii)	1,197	1,009	2,394	2,017
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	214	208	427	416
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	26	26	51	51
Radiotex International Limited	Purchase of goods therefrom	(iii) & (iv)	—	—	—	9,111
Silicon Creation Limited	Rental expenses paid thereto	(ii) & (iii)	1,325	1,270	2,650	2,539
	Repair service fee paid thereto	(i) & (iii)	180	—	360	—
Sun Mobile Limited	Service fee income received therefrom	(i) & (iii)	86,885	73,143	169,596	137,093
	Promotion income received therefrom	(i) & (iii)	525	—	3,161	—
Telecom Digital Securities Limited	Subscription fee income received therefrom	(i) & (iii)	307	294	610	570
	Consultancy fee income received therefrom	(i) & (iii)	75	75	150	150
	Technical support service income received therefrom	(i) & (iii)	30	30	60	60
	Sub-letting income received therefrom	(ii) & (iii)	39	51	79	95
Telecom Properties Investment Limited	Rental expenses paid thereto	(ii) & (iii)	466	440	932	879
Telecom Service Limited	Rental expenses paid thereto	(ii) & (iii)	229	208	458	416
Telecom Service One Limited	Repair and maintenance fee paid thereto	(i) & (iii)	680	4,707	2,208	5,528
	Consignment fee received therefrom	(i) & (iii)	638	329	719	859
	Logistic fee income received therefrom	(i) & (iii)	209	384	401	822
	Sub-letting income received therefrom	(ii) & (iii)	125	—	251	—

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) (continued)

Details of amounts due from related companies are as follows:

	<i>Notes</i>	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Telecom Digital Securities Limited	(iii) & (iv)	187	8
Telecom Service One Limited	(iii) & (iv)	—	54
		187	62

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

	<i>Notes</i>	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Silicon Creation Limited	(iii) & (iv)	—	60
Telecom Service One Limited	(iii) & (iv)	393	—
		393	60

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) Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, 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.

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) The amount due from an associate is trade in nature, unsecured, interest-free with 7 days credit term and aged within 30 days.

(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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Short-term benefits	2,929	2,878	5,620	5,539
Post-employment benefits	71	71	143	143
Share-based payment expenses	—	100	—	100
	3,000	3,049	5,763	5,782

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

18. SHARE OPTION SCHEME

The Company's share option scheme (the "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 Scheme, the Board of Directors of the Company 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 option 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 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 directors of the Company, 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 3 anniversary of the date of grant. The exercise price is determined by the directors of the Company.

18. SHARE OPTION SCHEME (continued)

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

	Options granted on 7 July 2015
Underlying stock price	HK\$1.98
Exercise price	HK\$2.22
Contractual Option Life	3 years
Risk-free rate	0.62%
Expected dividend yield	2.60%
Expected volatility of underlying share	78.48%
Exercise multiple	Directors: 2.47 Employees: 1.6
Exit rate	Directors: 0% Employees: 10%
Estimated fair value for each share option	Directors: HK\$0.81 Employees: HK\$0.57

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group has been actively expanding the scale of retail and operation business. In the Period under review, the revenue from retail and operation business increased approximately 9.2% as compared to the corresponding period of the previous year. The management believes that contribution from these sectors to the Group's revenue will continue to grow in the near future. However, due to the popularisation of internet and other wireless communication, revenue from paging services was kept decreasing during the last few years. The Group will continue to prudently manage its business, implementing stricter financial control, streamlining operation and expenditure austerity.

In addition, due to the change of distribution model of a mobile phone manufacturer, revenue from distribution business decreased approximately 56.3% to approximately HK\$156,358,000 as compared to the corresponding period of the previous year. The distributor agreement was expired in August 2016. As the Group continues to seek for other business opportunities, it did not have any material adverse impact on the financial position and operation of the Group.

FINANCIAL REVIEW

Segment Analysis

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Retail business	128,168	121,439	240,967	247,808
Distribution business	70,888	173,198	156,358	357,617
Paging and other telecommunications services	20,318	20,659	41,320	52,140
Operating services	76,115	59,355	147,800	108,309
Total revenue	295,489	374,651	586,445	765,874

Revenue

The Group's revenue for the six months ended 30 September 2016 was approximately HK\$586,445,000 (2015: HK\$765,874,000), representing a decrease of approximately 23.4% over the corresponding period of the previous year. The decrease in the Group's revenue was mainly due to decrease in revenue generated from distribution business.

For the six months ended 30 September 2016, revenue from retail sales of mobile phones and pre-paid SIM cards and provision of related services decreased approximately 2.8% as compared to the same period last year to approximately HK\$240,967,000 (2015: HK\$247,808,000). 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 56.3% as compared to the same period last year. It was mainly due to the expiry of a distributor agreement in August 2016.

FINANCIAL REVIEW (continued)

Revenue (continued)

Revenue from provision of paging and other telecommunication services for the Period dropped approximately 20.8% as compared to the same period last year. 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\$147,800,000 for the Period, representing an increase of approximately 36.5% 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\$2,606,000 for the six months ended 30 September 2016 (2015: HK\$3,341,000), representing a decrease of approximately 22.0% as compared to the corresponding period of the previous year. Such decrease was primarily due to decrease 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 2016 were approximately HK\$92,582,000 (2015: HK\$93,791,000), representing a slight decrease of approximately 1.3% over the corresponding period of the previous year.

FINANCIAL REVIEW (continued)

Share of Results of an Associate

Share of results of an associate was approximately HK\$16,685,000 for the six months ended 30 September 2016 (2015: HK\$15,804,000), representing an increase of approximately 5.6% 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 2016 were approximately HK\$1,852,000 (2015: HK\$3,163,000).

Income Tax Expense

Income tax for the six months ended 30 September 2016 was approximately HK\$7,841,000 (2015: HK\$6,095,000), representing an increase of approximately 28.6%.

Profit before Tax

The Group had recorded a profit before tax of approximately HK\$60,006,000 for the six months ended 30 September 2016 (2015: HK\$49,224,000), representing an increase of approximately 21.9% as compared to the corresponding period of the previous year. The increase was primarily due to the increase in operation services income.

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

Except for purchase of a real property for commercial use in the amount of HK\$38,800,000, the Group did not make any material acquisition or disposal of subsidiaries or significant investments during the six months ended 30 September 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group had net current liabilities of approximately HK\$37,222,000 (31 March 2016: HK\$26,594,000) and had cash and cash equivalents of approximately HK\$22,552,000 (31 March 2016: HK\$11,999,000).

The Group has a current ratio of approximately 0.8 as at 30 September 2016 comparing to that of 0.9 as at 31 March 2016. As at 30 September 2016, the Group's gearing ratio was 65.0% as compared to 91.4% as at 31 March 2016, which is calculated based on the Group's total borrowings of approximately HK\$167,590,000 (31 March 2016: HK\$214,934,000) and the Group's total equity of approximately HK\$257,834,000 (31 March 2016: HK\$235,086,000).

Apart from providing working capital to support its business development, the Group also has available banking facilities and the net proceeds from the listing of the Company's shares on GEM of the Stock Exchange (the "Listing") to meet potential needs for business expansion and development. As at 30 September 2016, the Group has the unutilised banking facilities of approximately HK\$373,314,000 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 2016, the Group did not have any material contingent liabilities (31 March 2016: 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 30 September 2016, the Group did not have any significant capital commitment (31 March 2016: HK\$3,431,000).

SECOND INTERIM DIVIDEND

The second interim dividend of HK\$0.05 per share (2015: HK\$0.05) will be paid on or about 30 November 2016 to shareholders whose names appear on the register of members of the Company on 25 November 2016.

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 2016 (31 March 2016: nil).

As at 30 September 2016, the Group is holding properties of approximately HK\$226,676,000 in Hong Kong (31 March 2016: HK\$187,635,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group employed 527 (31 March 2016: 463) 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. As at 30 September 2016, the Group had 66 shops in operation. It plans to open more new retail shops in 2016. The Group believes that this will enable the Group to enlarge its revenue and brand recognition in the telecommunications industries.

As announced on 25 August 2016, the Company had submitted a formal application to the Stock Exchange of the proposed transfer of listing from GEM to the Main Board of the Stock Exchange. The application is currently under the vetting of the Stock Exchange. We hope the proposed transfer of listing, if approved by the Stock Exchange, will enhance the corporate profile of the Company and provide increased visibility and recognition of the Group.

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 15 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 3 new shops | <p>The Company opened 6 new shops at Tsimshatsui, Tuen Mun, Tseung Kwan O, Yau Tong, Kau Yuk Road, Yuen Long and Yoho Mall, Yuen Long during the Period.</p> |

Expansion of the Group's head office and logistics vehicle fleet to cope with its growth of business

- | | |
|---|--|
| <ul style="list-style-type: none"> • Purchase 2 new trucks | <p>The Group had purchased 7 new motor vans and a new truck for its logistic team during the last two years.</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 applied such net proceeds as follows:

Use	Planned use of proceeds as stated in the Prospectus HK\$ million	Actual use of proceeds during the Period HK\$ million
Expansion of the retail sales network	10.0	2.2
Expansion of the Group's head office and logistics vehicle fleet	56.0	—
Implementation of ERP system	5.0	—
General working capital	6.7	—
	77.7	2.2

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, the whole amount of the net proceeds from the Listing has been used. The Company applied the net proceeds in the manner as stated in the Prospectus.

OTHER INFORMATION

SECOND INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares the payment of the second interim dividend of HK\$0.05 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 25 November 2016.

The register of members of the Company will be closed from 24 to 25 November 2016 (both dates 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 23 November 2016.

The payment date of the second interim dividend is expected to be on or about 30 November 2016.

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, no share option was granted under the Share Option Scheme.

As at 30 September 2016, an aggregate of 2,522,000 shares were issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 0.63% 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 2016	Changes during the Period		Balance as at 30 September 2016
					Exercised	Lapsed	
Eligible employees <small>Note (i)</small>	7 July 2015	HK\$2.22 <small>Note (ii)</small>	7 July 2015– 6 July 2018 <small>Note (iii)</small>	3,796,000	(1,172,000) <small>Note (iv)</small>	(102,000)	2,522,000

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) Long position in the share options 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\$2.82.

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 2016.

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

As at 30 September 2016, 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 <small>Note A</small>
Mr. Cheung King Shek	Beneficial owner	20,000,000	5%
	Beneficiary of a trust <small>Note B</small>	220,000,000	55%
Mr. Cheung King Shan	Beneficial owner	20,000,000	5%
	Beneficiary of a trust <small>Note B</small>	220,000,000	55%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,000,000	5%
	Beneficiary of a trust <small>Note B</small>	220,000,000	55%
Mr. Cheung King Fung Sunny	Beneficial owner	20,000,000	5%
	Beneficiary of a trust <small>Note B</small>	220,000,000	55%

Note A: The calculation is based on 401,222,000 shares of the Company in issue as at 30 September 2016.

Note B: 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) 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 2016 were as follows:

Name of Directors	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2016	Changes during the Period	Balance as at 30 September 2016	Approximate percentage of the Company's shares in issue <small>Note A above</small>
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, as at 30 September 2016, 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 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 2016, 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 <small>Note A above</small>
CKK Investment Limited <small>Note B above</small>	Beneficial owner	220,000,000	55%
Amazing Gain Limited <small>Note B above</small>	Interest in a controlled corporation	220,000,000	55%
J. Safra Sarasin Trust Company (Singapore) Limited <small>Note B above</small>	Trustee (other than a bare trustee)	220,000,000	55%
Ms. Tang Fung Yin Anita <small>Note C</small>	Interest of spouse	240,000,000	60%
Ms. Yeung Ho Ki <small>Note C</small>	Interest of spouse	240,000,000	60%

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 240,000,000 shares which are interested by their respective husbands.

Save as disclosed above, as at 30 September 2016, 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 2016, 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	Wiyu 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 pre-paid SIM cards and with SUN Mobile's business of provision of roaming data services.
	Youyou Mobile Technology Limited	director and shareholder	

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), other than disclosed below, as at 30 September 2016, 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:

- (i) the compliance adviser agreement entered into between the Company and Guotai Junan in May 2014; and
- (ii) the financial adviser agreement in relation to the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange entered into between the Company and Guotai Junan in August 2016.

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 31 July 2016, discretionary bonuses were paid to the following Directors:

Name of Director	Discretionary bonus
Mr. Wong Wai Man	HK\$46,070
Ms. Mok Ngan Chu	HK\$24,180

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 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. 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, 8 November 2016

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.