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## Telecom Digital Holdings Limited

### 電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6033)

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

The board of directors (the “Board”) of Telecom Digital Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company together with its subsidiaries (the “Group”) for the year ended 31 March 2018 together with the comparative figures for the previous year as follows:

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

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	2	1,297,573	1,092,263
Cost of inventories sold		(745,637)	(630,220)
Staff costs		(190,841)	(169,153)
Depreciation		(30,253)	(24,846)
Other income	4	6,034	6,078
Other operating expenses		(201,990)	(193,775)
Share of result of an associate		20,728	32,502
Finance costs	5	(3,708)	(3,448)
Profit before tax		151,906	109,401
Income tax expense	6	(24,428)	(13,659)
Profit for the year	7	127,478	95,742

	<i>Note</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i>
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gain on long service payment obligations		<u>1,134</u>	<u>294</u>
Other comprehensive income for the year		<u>1,134</u>	<u>294</u>
Total comprehensive income for the year		<u><b>128,612</b></u>	<u>96,036</u>
Profit (loss) for the year attributable to:			
Owners of the Company		128,168	95,593
Non-controlling interests		<u>(690)</u>	<u>149</u>
		<u><b>127,478</b></u>	<u>95,742</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		129,302	95,887
Non-controlling interests		<u>(690)</u>	<u>149</u>
		<u><b>128,612</b></u>	<u>96,036</u>
Earnings per share ( <i>HK\$</i> )	9		
Basic		<u><b>0.32</b></u>	<u>0.24</u>
Diluted		<u><b>0.32</b></u>	<u>0.24</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Re-presented)
Non-current assets			
Property, plant and equipment		<b>238,341</b>	226,528
Investment properties		<b>72,302</b>	41,537
Club membership		<b>1,560</b>	1,560
Interest in an associate		<b>22,610</b>	24,853
Rental deposits	<i>10</i>	<b>9,026</b>	7,147
Prepayments for purchase of property, plant and equipment		<b>3,682</b>	10,354
		<b>347,521</b>	311,979
Current assets			
Inventories		<b>129,034</b>	45,749
Trade and other receivables	<i>10</i>	<b>55,811</b>	61,119
Amounts due from related companies		<b>132</b>	1,204
Amount due from an associate		<b>26,685</b>	26,550
Pledged bank deposits		<b>5,065</b>	5,065
Bank balances and cash		<b>41,841</b>	42,907
		<b>258,568</b>	182,594
Current liabilities			
Trade and other payables	<i>11</i>	<b>125,916</b>	62,231
Amounts due to related companies		<b>243</b>	2,286
Bank overdrafts		<b>568</b>	6,201
Bank borrowings		<b>144,446</b>	150,976
Tax payables		<b>13,459</b>	2,194
		<b>284,632</b>	223,888
Net current liabilities		<b>(26,064)</b>	(41,294)
Total assets less current liabilities		<b>321,457</b>	270,685

	<i>Note</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i> (Re-presented)
Non-current liabilities			
Long service payment obligations		<b>1,083</b>	2,240
Deferred tax liabilities		<b>1,662</b>	3,209
		<b>2,745</b>	5,449
Net assets		<b>318,712</b>	265,236
Capital and reserves			
Share capital	<i>12</i>	<b>4,038</b>	4,030
Reserves		<b>315,216</b>	261,058
Equity attributable to owners of the Company		<b>319,254</b>	265,088
Non-controlling interests		<b>(542)</b>	148
Total equity		<b>318,712</b>	265,236

*NOTES:*

**1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

**Corporate information**

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company (the “Shares”) have been listed on the GEM of the Stock Exchange with effect from 30 May 2014 and have been transferred from the GEM to Main Board of the Stock Exchange on 10 May 2017.

The directors of the Company consider the immediate holding company and ultimate holding company are CKK Investment Limited and Amazing Gain Limited respectively, which are incorporated in the British Virgin Islands (the “BVI”). The Group has been under the control and beneficially owned by Cheung Family Trust, Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (the “Cheung Brothers”) since 1 April 2013. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in retail business in sales of mobile phones and pre-paid SIM cards, distribution business in mobile phones, provision of paging and other telecommunications services and provision of operation services.

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional and presentation currency. Other than the subsidiary established in Macau which functional currency is Macau Pataca, the functional currency of the Company and other subsidiaries is HK\$.

**Basis of preparation**

As at 31 March 2018, the Group had net current liabilities of approximately HK\$26,064,000. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis since the following:

- (i) the unutilised banking facilities readily available to the Group amounted to approximately HK\$406,912,000 at 31 March 2018;

- (ii) bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause and shown under current liabilities amounted to approximately HK\$55,672,000. The directors of the Company are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low provided that the Group does not breach covenants imposed by the banks; and
- (iii) the Group is expected to generate adequate cash flows to maintain its operations.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

## 2. REVENUE

Revenue represents revenue arising from sales of goods and service income for the year. An analysis of the Group's revenue is as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Sales of goods	<b>873,451</b>	713,181
Service income	<b>424,122</b>	379,082
	<b><u>1,297,573</u></b>	<b><u>1,092,263</u></b>

## 3. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the executive directors of the Company. The information reported to the CODM for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the Group's CODM have been aggregated in arising at the reporting segments of the Group. The Group's operating and reportable segments are as follows:

Retail business	–	Sales of mobile phones and pre-paid SIM cards and related services
Distribution business	–	Distribution of mobile phones and related services
Paging and other telecommunications services	–	Provision of paging services and two-way wireless data services
Operation services	–	Provision of operation services including sale management services, marketing operation services, customer services, billing payment and debt collection services, and customer data compilation and analysis services

## Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

### For the year ended 31 March 2018

	Retail business <i>HK\$'000</i>	Distribution business <i>HK\$'000</i>	Paging and other tele- communications services <i>HK\$'000</i>	Operation services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>						
External sales	773,795	104,842	69,504	349,432	-	1,297,573
Inter-segment sales	368	708,622	2,637	-	(711,627)	-
<b>Segment revenue</b>	<u>774,163</u>	<u>813,464</u>	<u>72,141</u>	<u>349,432</u>	<u>(711,627)</u>	<u>1,297,573</u>
<b>Segment results</b>	<u>57,583</u>	<u>9,307</u>	<u>6,599</u>	<u>74,802</u>		148,291
Bank interest income						241
Finance costs						(3,708)
Share of result of an associate						20,728
Corporate expenses						<u>(13,646)</u>
<b>Profit before tax</b>						<u>151,906</u>

**For the year ended 31 March 2017**

	Retail business <i>HK\$'000</i>	Distribution business <i>HK\$'000</i>	Paging and other tele- communications services <i>HK\$'000</i>	Operation services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>						
External sales	524,628	195,882	81,317	290,436	–	1,092,263
Inter-segment sales	345	445,072	3,111	–	(448,528)	–
<b>Segment revenue</b>	<u>524,973</u>	<u>640,954</u>	<u>84,428</u>	<u>290,436</u>	<u>(448,528)</u>	<u>1,092,263</u>
<b>Segment results</b>	<u>25,678</u>	<u>11,894</u>	<u>1,637</u>	<u>49,647</u>		88,856
Bank interest income						205
Finance costs						(3,448)
Share of result of an associate						32,502
Corporate expenses						(8,714)
<b>Profit before tax</b>						<u>109,401</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represented the profits earned by each segment without allocation of bank interest income, finance costs, share of result of an associate, certain corporate expenses and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.



## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Segment assets</b>		
Retail business	239,403	158,860
Distribution business	74,519	40,614
Paging and other telecommunications services	53,490	61,697
Operation services	44,210	39,983
	<hr/>	<hr/>
Total segment assets	411,622	301,154
Unallocated corporate assets	194,467	193,419
	<hr/>	<hr/>
Total assets	<b>606,089</b>	<b>494,573</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
Retail business	15,960	14,199
Distribution business	81,827	14,914
Paging and other telecommunications services	25,268	29,785
Operation services	1,015	2,470
	<hr/>	<hr/>
Total segment liabilities	124,070	61,368
Unallocated corporate liabilities	163,307	167,969
	<hr/>	<hr/>
Total liabilities	<b>287,377</b>	<b>229,337</b>
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to segments other than certain property, plant and equipment, investment properties, club membership, interest in an associate, certain other receivables, amounts due from related companies, pledged bank deposits and certain bank balances and cash managed on central basis and corporate assets; and
- all liabilities are allocated to segments other than certain other payables, deferred tax liabilities, amounts due to related companies, bank overdrafts, bank borrowings, tax payables, long service payment obligations and corporate liabilities.

## Geographical information

The Group's operations are located in Hong Kong and Macau.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of these assets.

### Revenue from external customers

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong (place of domicile)	1,296,231	1,090,739
Macau	<u>1,342</u>	<u>1,524</u>
	<u><u>1,297,573</u></u>	<u><u>1,092,263</u></u>

### Non-current assets

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Re-presented)
Hong Kong (place of domicile)	347,509	311,962
Macau	<u>12</u>	<u>17</u>
	<u><u>347,521</u></u>	<u><u>311,979</u></u>

### Information about major customer

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A <sup>1</sup>	<u><u>348,735</u></u>	<u><u>289,943</u></u>

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

#### 4. OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank interest income	241	205
Consultancy income	300	300
Rental and sub-letting income ( <i>note</i> )	4,427	4,256
Net exchange gains	–	435
Others	<u>1,066</u>	<u>882</u>
	<u><b>6,034</b></u>	<u><b>6,078</b></u>

*Note:* Included in rental and sub-letting income was approximately HK\$1,728,000 (2017: HK\$680,000) arising from the operating leases of investment properties of the Group in which direct operating expenses of approximately HK\$330,000 (2017: HK\$139,000) were incurred during the year ended 31 March 2018.

#### 5. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest expenses on bank borrowings and bank overdrafts	<u><b>3,708</b></u>	<u><b>3,448</b></u>

#### 6. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong Profits Tax		
– current year	25,970	14,800
– under (over)-provision in prior years	<u>5</u>	<u>(193)</u>
	<u><b>25,975</b></u>	<u><b>14,607</b></u>
Deferred tax		
– current year	<u>(1,547)</u>	<u>(948)</u>
	<u><b>24,428</b></u>	<u><b>13,659</b></u>

During the years ended 31 March 2018 and 2017, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

During the years ended 31 March 2018 and 2017, no Macau Complementary Income Tax has been provided since the subsidiary of the Company incorporated in Macau is exempted from Macau Complementary Income Tax.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax expense can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Profit before tax	<b><u>151,906</u></b>	<u>109,401</u>
Tax expense at rates applicable to profits in the jurisdictions concerned	<b>25,035</b>	18,050
Adjustments in respect of current tax of previous periods	<b>5</b>	(193)
Tax effect of share of result of an associate	<b>(3,420)</b>	(5,363)
Tax effect of expenses not deductible for tax purpose	<b>2,086</b>	841
Tax effect of income not taxable for tax purpose	<b>(39)</b>	(37)
Tax effect of tax losses not recognised	<b>1,136</b>	601
Utilisation of deductible temporary difference not recognised	<b>(38)</b>	(32)
Tax exemption ( <i>note</i> )	<b>(240)</b>	(140)
Utilisation of tax losses previously not recognised	<b><u>(97)</u></b>	<u>(68)</u>
Income tax expense for the year	<b><u>24,428</u></b>	<u>13,659</u>

*Note:* During the year ended 31 March 2018, eight (2017: seven) Hong Kong subsidiaries were entitled to 75% tax deduction on Hong Kong Profits Tax with a cap at HK\$30,000 (2017: HK\$20,000).

## 7. PROFIT FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year is arrived at after charging:		
Directors' emoluments		
– fees	360	360
– salaries, allowances and other benefits	7,506	7,471
– discretionary bonuses	159	136
– contributions to retirement benefits scheme	232	232
– equity-settled share option expense	36	–
	<u>8,293</u>	<u>8,199</u>
Other staff costs		
– salaries, allowances and other benefits	171,216	154,024
– contributions to retirement benefits scheme	7,497	6,617
– provision for long service payments	372	313
– equity-settled share option expense	3,463	–
	<u>182,548</u>	<u>160,954</u>
Total staff costs	<u><u>190,841</u></u>	<u><u>169,153</u></u>
Auditor's remuneration	1,010	950
Depreciation of property, plant and equipment	28,302	24,068
Depreciation of investment properties	1,951	778
Loss on written off of property, plant and equipment	1,510	4,948
Loss on disposal of property, plant and equipment	–	76
Share of income tax expense of an associate	4,019	6,379
Operating lease rentals in respect of:		
– rented premises	77,506	68,184
– transmission stations	11,528	13,615
	<u>89,034</u>	<u>81,799</u>

## 8. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2015/16 second interim dividend of HK\$0.05 per share	–	20,010
2016/17 first interim dividend of HK\$0.03 per share	–	12,008
2016/17 second interim dividend of HK\$0.05 per share	–	20,139
2016/17 third interim dividend of HK\$0.05 per share	–	20,146
2016/17 fourth interim dividend of HK\$0.05 per share	<b>20,154</b>	–
2017/18 first interim dividend of HK\$0.05 per share	<b>20,177</b>	–
2017/18 second interim dividend of HK\$0.05 per share	<b>20,180</b>	–
2017/18 third interim dividend of HK\$0.05 per share	<b>20,185</b>	–
	<b>80,696</b>	<b>72,303</b>

Subsequent to the end of the reporting period, the fourth interim dividend of HK\$0.06 per share in respect of the year ended 31 March 2018 has been declared by the directors of the Company.

## 9. EARNINGS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	<b>128,168</b>	<b>95,593</b>
	<b>2018</b>	<b>2017</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>403,395</b>	401,402
Effect of dilutive potential ordinary shares:		
Share options	<b>499</b>	654
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>403,894</b>	<b>402,056</b>

## 10. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Re-presented)
Trade receivables	6,398	8,871
<i>Less:</i> Allowance for doubtful debts recognised in respect of trade receivables	<u>(64)</u>	<u>(64)</u>
	6,334	8,807
Other receivables ( <i>note</i> )	14,059	11,827
Rental deposits	26,320	23,989
Utility and other deposits	3,936	5,098
Prepayments to suppliers	11,004	11,731
Other prepayments	<u>3,184</u>	<u>6,814</u>
	64,837	68,266
<i>Less:</i> Rental deposits classified as non-current assets	<u>(9,026)</u>	<u>(7,147)</u>
Current portion included in trade and other receivables	<u><u>55,811</u></u>	<u><u>61,119</u></u>

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

The Group does not hold any collateral over these balances.

The Group allows an average credit period of ranged from 7 to 30 days (2017: 7 to 30 days) to its trade customers. The following is an ageing analysis of trade receivables, net of accumulated impairment loss, presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition date.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 90 days	5,512	8,435
91-180 days	625	301
181-365 days	75	51
Over 365 days	<u>122</u>	<u>20</u>
	<u><u>6,334</u></u>	<u><u>8,807</u></u>

As at 31 March 2018 and 2017, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	Within 30 days <i>HK\$'000</i>	31 – 90 days <i>HK\$'000</i>	91 – 180 days <i>HK\$'000</i>	181 – 365 days <i>HK\$'000</i>	Over 365 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2018	1,713	1,293	445	75	122	3,648
As at 31 March 2017	1,865	295	351	1	20	2,532

The Group's trade receivables neither past due nor impaired of approximately HK\$2,686,000 (2017: HK\$6,275,000) mainly represent sales made to recognised and creditworthy customers with good repayment history. The Group regularly monitored the credit quality of these customers who trade on credit terms.

Trade receivables which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

The movement in the allowance for doubtful debts of trade receivables was as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At the beginning and the end of the year	<b>64</b>	64

Included in the allowance for doubtful debts of trade receivables at 31 March 2018 was individually impaired trade receivables with an aggregate balance of approximately HK\$64,000 (2017: HK\$64,000) which have been placed in severe financial difficulties.



## 11. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	87,309	17,968
Receipts in advance	17,751	23,054
Accrued expenses and other payables	<u>20,856</u>	<u>21,209</u>
	<u><b>125,916</b></u>	<u><b>62,231</b></u>

The average credit period on trade payables is 30 days (2017: 30 days). The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 60 days	84,195	15,299
61 – 90 days	38	38
Over 90 days	<u>3,076</u>	<u>2,631</u>
	<u><b>87,309</b></u>	<u><b>17,968</b></u>

The Group's trade and other payables that are denominated in currencies other than the functional currency of relevant group entity to which they related are set out below:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
United States dollars	<u><b>2</b></u>	<u><b>–</b></u>

## 12. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
<b>Ordinary shares of HK\$0.01 each</b>			
<b>Authorised:</b>			
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018		<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>			
At 1 April 2016		400,050,000	4,001
<b>Issue of shares upon:</b>			
Exercise of share options	<i>(a)</i>	<u>2,891,000</u>	<u>29</u>
At 31 March 2017 and 1 April 2017		402,941,000	4,030
<b>Issue of shares upon:</b>			
Exercise of share options	<i>(b)</i>	<u>760,000</u>	<u>8</u>
At 31 March 2018		<u><u>403,701,000</u></u>	<u><u>4,038</u></u>

### *Notes:*

- (a) 2,891,000 share options were exercised during the year and resulted in the issue of 2,891,000 ordinary shares of the Company and increase in share capital of approximately HK\$29,000.
- (b) 760,000 share options were exercised during the year and resulted in the issue of 760,000 ordinary shares of the Company and increase in share capital of approximately HK\$8,000.

All shares issued during the years ended 31 March 2018 and 2017 rank pari passu with existing shares in all respects.

### 13. 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 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 options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the 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 "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.

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

At 31 March 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 5,662,000 (2017: 741,000), representing approximately 1.40% (2017: 0.18%) of the ordinary shares of the Company in issue at that date.

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

### For the year ended 31 March 2018

	Date of grant	Exercisable period	Exercise price	Number of share options				Outstanding at 31 March 2018
				Outstanding at 1 April 2017	Granted during the year <i>(note)</i>	Exercised during the year	Lapsed during the year	
Directors	7 July 2015	7 July 2015 – 6 July 2018	HK\$2.22	30,000	–	(30,000)	–	–
Directors	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	–	60,000	–	–	60,000
Employees	7 July 2015	7 July 2015 – 6 July 2018	HK\$2.22	711,000	–	(280,000)	(19,000)	412,000
Employees	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	–	5,830,000	(450,000)	(190,000)	5,190,000
<b>Total</b>				<b>741,000</b>	<b>5,890,000</b>	<b>(760,000)</b>	<b>(209,000)</b>	<b>5,662,000</b>
Exercisable at the end of the year								<b>5,662,000</b>
Weighted average exercise price				<b>HK\$2.22</b>	<b>HK\$3.05</b>	<b>HK\$2.71</b>	<b>HK\$2.97</b>	<b>HK\$2.99</b>

### For the year ended 31 March 2017

	Date of grant	Exercisable period	Exercise price	Number of share options				Outstanding at 31 March 2017
				Outstanding at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	
Directors	7 July 2015	7 July 2015 – 6 July 2018	HK\$2.22	60,000	–	(30,000)	–	30,000
Employees	7 July 2015	7 July 2015 – 6 July 2018	HK\$2.22	3,736,000	–	(2,861,000)	(164,000)	711,000
<b>Total</b>				<b>3,796,000</b>	<b>–</b>	<b>(2,891,000)</b>	<b>(164,000)</b>	<b>741,000</b>
Exercisable at the end of the year								<b>741,000</b>
Weighted average exercise price				<b>HK\$2.22</b>	<b>HK\$2.22</b>	<b>HK\$2.22</b>	<b>HK\$2.22</b>	<b>HK\$2.22</b>

*Note:* The number of share options granted during the year ended 31 March 2018 excluded 410,000 share options that were not accepted by the employees at the date of grant.

In respect of the share options exercised during the year ended 31 March 2018, the weighted average share price at the dates of exercise is HK\$3.44 (2017: HK\$3.56).

The Group recognised the total expense of approximately HK\$3,499,000 for the year ended 31 March 2018 in relation to share options granted by the Company. No share option was granted during the year ended 31 March 2017.

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

	<b>Options granted on 6 July 2017</b>
Underlying stock price	HK\$3.05
Exercise price	HK\$3.05
Contractual option life	2 years
Risk-free rate	0.911%
Expected dividend yield	4.433%
Expected volatility of underlying share	44.516%
Exercise multiple	Directors: 1.47 Employees: 1.62
Exit rate	Directors: 0% Employees: 10.43%
Estimated fair value for each share option	Directors: HK\$0.596 Employees: HK\$0.594

Expected volatility was determined by using the historical volatility of the historical share prices of the Company 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 behavioral considerations.

## 14. OPERATING LEASES COMMITMENTS

### The Group as lessee

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	<b>54,972</b>	52,557
In the second to fifth year, inclusive	<b>39,359</b>	27,940
Over five years	<b>280</b>	–
	<b>94,611</b>	80,497

The Group leases certain of its office premises, transmission stations and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to six years (2017: one to three years) with fixed rentals as at 31 March 2018.

### The Group as lessor

Rental and sub-letting income earned during the year ended 31 March 2018 was approximately HK\$4,427,000 (2017: HK\$4,256,000). The investment properties, transmission stations and service outlets are rented and sub-let to third parties under operating leases with leases negotiated for a term of one to three years (2017: one to two years) as at 31 March 2018.

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	<b>1,498</b>	499
In the second to fifth year, inclusive	<b>580</b>	–
	<b>2,078</b>	499

## 15. CAPITAL COMMITMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>188</u>	<u>22,181</u>

## 16. EVENT AFTER THE REPORTING PERIOD

On 27 April 2018, a wholly-owned subsidiary of the Company entered into the agreement for sale and purchase to acquire a property with an independent third party at a consideration of HK\$29,000,000 (the "Acquisition"). On 15 June 2018, all of the conditions of the agreement for sale and purchase were fulfilled and the Acquisition was completed.

## 17. COMPARATIVE FIGURES

Certain comparative figures have been re-presented to conform with changes in presentation in the current year. The changes included the reclassification of rental deposits of approximately HK\$7,147,000 previously classified under "Trade and other receivables" in current assets to "Rental deposits" in non-current assets.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY OVERVIEW**

Throughout the year, the mobile telecommunications services industry became increasingly crowded and competitive, with more and more new players entering the market while still engaging in price wars. The mobile subscription rate in Hong Kong is exceptionally high. Leveraging its well-established shop network, professional sales team and close relations with suppliers and customers, the Group has successfully improved the profit and maintained market share under the highly competitive business environment.

### **BUSINESS REVIEW**

The Group is among the leading comprehensive telecommunications services providers in Hong Kong. It is principally involved in (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 40% owned by the Group and 60% by HKT Limited.

The Group has delivered satisfactory financial results in the past year. As at 31 March 2018, retail sales of mobile phones and provision of operation services to SUN Mobile remained as the Group’s major revenue contributors, recording approximately HK\$1,123,227,000 (2017: HK\$815,064,000) in total, accounting for approximately 86.5% of the Group’s total revenue and increasing approximately 37.8% year-on-year. However, the performance of paging and other telecommunications services remained stable and due to the ongoing migration of the users to mobile communications services, the Group continues to scale down this business segment. On the other hand, the revenue of the distribution business declined due to the fierce competition, thus the Group will continue to shift the focus to retail business but will maintain a portion of its business in this segment in the coming years.

With respect to the retail network, as at 31 March 2018, the Group had 75 retail shops in operation. Benefitting from the increasing revenue, together with the significantly positive effect brought by the strong retail network, the profit attributable to owners of the Company recorded substantial growth to approximately HK\$128,168,000 (2017: HK\$95,593,000), increasing approximately 34.1% year-on-year.



## FINANCIAL REVIEW

### Segment Analysis

	2017/18		2016/17	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Retail business	<b>773,795</b>	<b>59.6</b>	524,628	48.0
Distribution business	<b>104,842</b>	<b>8.1</b>	195,882	17.9
Paging and other telecommunication services	<b>69,504</b>	<b>5.4</b>	81,317	7.5
Operation services	<b>349,432</b>	<b>26.9</b>	290,436	26.6
Total revenue	<b><u>1,297,573</u></b>	<b><u>100.0</u></b>	<b><u>1,092,263</u></b>	<b><u>100.0</u></b>

### Revenue

The Group's revenue for the year ended 31 March 2018 was approximately HK\$1,297,573,000 (2017: HK\$1,092,263,000), representing an increase of approximately 18.8% over the previous year. The increase in the Group's revenue was mainly due to increase in revenue generated from retail business and operation services and partly off-set by decrease in revenue generated from distribution business.

During the year ended 31 March 2018, revenue from retail business increased approximately 47.5% as compared to the corresponding period of the previous year to approximately HK\$773,795,000 (2017: HK\$524,628,000). This is the major source of revenue of the Group.

Revenue from distribution of mobile phones and related business for the year ended 31 March 2018 decreased approximately 46.5% as compared to the corresponding period of the previous year. It was mainly due to fierce competition.

Revenue from provision of paging and other telecommunications services for the year ended 31 March 2018 dropped approximately 14.5% as compared to the corresponding period of the previous year. This was primarily due to the popularity of various channels of mobile communication, the total number of paging and Mobitex based services subscribers has continued to decrease during the year ended 31 March 2018.

Revenue from provision of operation services continues its healthy growth and hit a new record of approximately HK\$349,432,000 for the year ended 31 March 2018, representing an increase of approximately 20.3% as compared to the corresponding period of the previous year. The increase was mainly due to the adjustment on mobile service monthly plan fees and the increase in customers of SUN Mobile.

### **Other Income**

Other income mainly contributed by rental and sub-letting income and exchange difference. Other income for the year ended 31 March 2018 was approximately HK\$6,034,000 (2017: HK\$6,078,000), representing a slight decrease of approximately 0.7% as compared to previous year.

### **Other Operating Expenses**

The Group's other operating expenses are mainly consisted of rental, building management fees, utilities and other shops running expenses, information fees in respect of horse racing, football matches and stock market, advertising and promotion expenses, operation fees for paging centre and customer service centre, repair cost for pagers and Mobitex devices, roaming charges, bank charges, audit and professional fees and other office expenses. Other operating expenses for the year ended 31 March 2018 were approximately HK\$201,990,000 (2017: HK\$193,775,000), representing an increase of approximately 4.2% over the previous year.

The increase was mainly brought by the increase in rental expenses and bank charges, and partly off-set by the decrease in information fees, repair and write-off of obsoleted paging devices. The increase in rental expenses was primarily due to the expansion of retail shops and the increase in market rental during the year. 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 paging and Mobitex-based service subscribers, the usage of information decreased accordingly. In addition, due to a prolonged decline in market value of paging devices, write-off of obsoleted paging devices was recognised.

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

Share of result of an associate for the year was approximately HK\$20,728,000 (2017: HK\$32,502,000), representing a decrease of approximately 36.2% as compared to the previous year. The amount represents our share of net profit of SUN Mobile. The decrease was mainly due to the increase in operating cost of SUN Mobile.

### **Finance Costs**

There is no significant change in the Group's bank borrowings throughout year ended 31 March 2018. The finance costs for the year ended 31 March 2018 were approximately HK\$3,708,000 (2017: HK\$3,448,000). It was mainly consisted of interest expenses on interest-bearing bank borrowings for supporting the Group's daily operation and business expansion.

### **Income Tax Expense**

Income tax for the year ended 31 March 2018 was approximately HK\$24,428,000 (2017: HK\$13,659,000), representing an increase of approximately 78.8%. The increase was mainly due to the increase in profit before tax.

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

Profit attributable to the owners of the Company for the year ended 31 March 2018 was approximately HK\$128,168,000 (2017: HK\$95,593,000), representing an increase of approximately 34.1% as compared to the previous year.

### **Liquidity and Financial Resources**

As at 31 March 2018, the Group had net current liabilities of approximately HK\$26,064,000 (2017: HK\$41,294,000) and had cash and cash equivalents of approximately HK\$41,273,000 (2017: HK\$36,706,000).

The Group has a current ratio of approximately 0.9 as at 31 March 2018 comparing to that of 0.8 as at 31 March 2017. As at 31 March 2018, the Group's gearing ratio was approximately 45.6% as compared to approximately 60.1% as at 31 March 2017, which is calculated based on the Group's total borrowings of approximately HK\$145,257,000 (2017: HK\$159,463,000) and the Group's total equity of approximately HK\$318,712,000 (2017: HK\$265,236,000). The Group's total cash at banks as at 31 March 2018 amounted to approximately HK\$41,841,000 (2017: HK\$42,907,000).

Apart from providing working capital to support its business development, the Group also has available banking facilities to meet potential needs for business expansion and development. As at 31 March 2018, the Group has the unutilised banking facilities of approximately HK\$406,912,000 available for further drawdown should it have any further capital needs. The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

### **Contingent Liabilities**

At 31 March 2018, the Group did not have any material contingent liabilities (2017: 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 of the Group continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **Capital Commitments**

Details of the Group's capital commitments are set out in note 15 to this announcement.

## Dividends

	Year ended 31 March			
	2018		2017	
	<i>HK\$</i> <i>per share</i>	<i>HK\$'000</i> (audited)	<i>HK\$</i> <i>per share</i>	<i>HK\$'000</i> (audited)
Dividends recognised as distribution during the year:				
2015/16 second interim dividend	–	–	0.05	20,010
2016/17 second interim dividend	–	–	0.05	20,139
2016/17 third interim dividend	–	–	0.05	20,146
2016/17 fourth interim dividend	<b>0.05</b>	<b>20,154</b>	–	–
2017/18 first interim dividend	<b>0.05</b>	<b>20,177</b>	–	–
2017/18 second interim dividend	<b>0.05</b>	<b>20,180</b>	–	–
2017/18 third interim dividend	<b>0.05</b>	<b>20,185</b>	–	–
		<b>80,696</b>		<b>72,303</b>

At a meeting held on 26 June 2018, the Board declared the fourth interim dividend of HK\$0.06 per share for the year ended 31 March 2018 (2017: HK\$0.05 per share).

## Capital Structure

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 13 to this announcement, there was no change in the capital structure during the year ended 31 March 2018.

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

## **Material Acquisition and Disposal**

Except for purchase of properties for commercial use amounted to HK\$55,000,000 (2017: HK\$38,800,000), the Group did not hold any significant investment in equity interest in any other company during the year ended 31 March 2018 (2017: nil).

As at 31 March 2018, the Group's properties in Hong Kong with carrying values of approximately HK\$270,431,000 (2017: HK\$223,168,000).

## **Employees and Remuneration Policies**

As at 31 March 2018, the Group employed 569 (2017: 557) 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**

Looking ahead, the Group is expanding and strengthening the retail network. The Group continues to relocate the existing shops to prime locations together with renovation in specific current shops in order to attract new customers and improve the customer experience. In order to enhance customer satisfaction, the Group is also utilising the newly-launched CRM system enabling it to effectively understand the emerging needs of customers and thereby improve its service quality.

While likely to face fierce competition, the Group will continue to explore potential business opportunities through different approaches together with enhancing all aspects of its operation in order to strengthen the brand position and seize greater market share, ultimately leading to long-term growth.

## **SUFFICIENCY OF PUBLIC FLOAT**

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2018 and up to the date of this announcement, the Company has maintained the public float required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

## **DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 March 2018 or at any time during that year.

## **OTHER INFORMATION**

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

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

### **Fourth Interim Dividend**

On 26 June 2018, the Board declared a fourth interim dividend of HK\$0.06 per Share for the year ended 31 March 2018. The fourth interim dividend will be payable in cash to the Shareholders whose names appear on the register of members on Friday, 13 July 2018.

The fourth interim dividend is expected to be paid on or about Friday, 20 July 2018.

### **Annual General Meeting**

An Annual General Meeting (the “AGM”) of the Company will be convened to be held on Tuesday, 28 August 2018. The Notice of the AGM will be published on the websites of the Stock Exchange and the Company, and despatched to the Shareholders of the Company in July 2018.

## **Closure of Register of Members**

The register of members of the Company will be closed during the following periods:

- (a) from Thursday, 12 July 2018 to Friday, 13 July 2018 (both dates inclusive), for the purpose of determining Shareholders' entitlement to the fourth interim dividend. In order to qualify for the fourth interim dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at 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 Wednesday, 11 July 2018; and
- (b) from Wednesday, 22 August 2018 to Tuesday, 28 August 2018 (both dates inclusive), for the purpose of determining Shareholders who are entitled to attend and vote at the AGM. In order to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at their address as mentioned above for registration not later than 4:00 p.m. on Tuesday, 21 August 2018.

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

## **Corporate Governance Practices**

During the year ended 31 March 2018, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code"), except the deviation as disclosed below:

- According to the Code Provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 March 2018, 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 of CG Code.



## **Review of Results**

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam Yu Lung, Mr. Hui Ying Bun and Mr. Lau Hing Wah. Mr. Lam Yu Lung is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the consolidated financial statements and final results for the year ended 31 March 2018.

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

Hong Kong, 26 June 2018

*As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah, MH, JP.*

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