



Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8336)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, 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 the 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 announcement 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 announcement misleading.

FINAL RESULTS

The board of Directors (the “Board”) of the Company announces the audited combined results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2014, together with the comparative figures for the year ended 31 March 2013:

Combined Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	2	1,198,346	1,091,089
Cost of inventories sold		(832,569)	(747,514)
Staff costs	7	(109,882)	(119,051)
Depreciation	7	(17,707)	(12,996)
Other income	4	12,261	6,825
Other operating expenses		(182,454)	(182,089)
Reversal of impairment loss recognised in respect of interest in an associate		—	9,646
Share of results of an associate		23,295	12,983
Finance costs	5	(4,123)	(4,352)
Profit before tax		87,167	54,541
Income tax expense	6	(6,429)	(4,157)
Profit for the year attributable to the owners of the Company	7	80,738	50,384
Other comprehensive (expenses) income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Actuarial loss on long service payment obligations		(568)	(268)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating a foreign operation		74	(45)
Other comprehensive expenses for the year		(494)	(313)
Total comprehensive income for the year attributable to the owners of the Company		80,244	50,071
Earnings per share (HK\$)			
Basic and diluted	9	0.27	0.17

Combined Statement of Financial Position

As at 31 March 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		47,688	37,622
Investment property		—	586
Deferred tax assets		1	1
Deposit paid for acquisition of plant and equipment		—	4,320
Club debenture		1,560	1,560
Interest in an associate		34,044	22,629
		83,293	66,718
Current assets			
Inventories		82,396	66,097
Trade and other receivables	<i>10</i>	43,123	236,792
Amounts due from related companies		55,931	268,595
Amount due from an associate		5,796	7,612
Amounts due from directors		116,366	29,100
Tax recoverable		—	267
Pledged bank deposits		9,761	7,657
Bank balances and cash		12,236	15,374
		325,609	631,494
Current liabilities			
Trade and other payables	<i>11</i>	110,276	310,632
Amounts due to related companies		862	130,825
Bank overdrafts		7,447	6,304
Bank borrowings		143,268	183,942
Tax payables		2,072	3,065
		263,925	634,768
Net current assets (liabilities)		61,684	(3,274)
Total assets less current liabilities		144,977	63,444

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current liabilities			
Long service payment obligations		1,570	1,232
Deferred tax liabilities		<u>4,873</u>	<u>3,922</u>
		<u>6,443</u>	<u>5,154</u>
Net assets		<u><u>138,534</u></u>	<u><u>58,290</u></u>
Capital and reserves			
Share capital	<i>12</i>	5,404	5,404
Reserves		<u>133,130</u>	<u>52,886</u>
		<u><u>138,534</u></u>	<u><u>58,290</u></u>

Notes to the Combined Financial Statements

For the year ended 31 March 2014

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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.

Pursuant to a group reorganisation (the “Reorganisation”) of the Company and its subsidiaries (collectively referred to as the “Group”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”), the Company acquired the equity interests of entities under common control and became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation were set out in the prospectus of the Company dated 26 May 2014 (the “Prospectus”).

The shares of the Company have been listed on the Stock Exchange with effect from 30 May 2014.

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 have 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 2012. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in retail business, distribution business, 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 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 whose functional currency is Macau Pataca (“MOP”), the functional currency of the Company and other subsidiaries is HK\$.

Although the Group resulting from the above mentioned Reorganisation did not exist until 20 May 2014, the directors of the Company consider that meaningful information as regards to the historical performance of the Group, which includes entities under common control, is provided by treating the Group resulting from the Reorganisation as a continuing entity as if the group structure as at 20 May 2014 had been in existence from the beginning of the year ended 31 March 2013.

The combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence since 1 April 2012. The combined statement of financial position of the Group as at 31 March 2013 and 2014 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

2. 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 is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	894,200	796,873
Service income	<u>304,146</u>	<u>294,216</u>
	<u><u>1,198,346</u></u>	<u><u>1,091,089</u></u>

3. 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

Segment revenues and results

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

For the year ended 31 March 2014

	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>
Revenue						
External sales	467,975	436,985	133,469	159,917	—	1,198,346
Inter-segment sales	<u>—</u>	<u>206,291</u>	<u>—</u>	<u>—</u>	<u>(206,291)</u>	<u>—</u>
Segment revenue	<u><u>467,975</u></u>	<u><u>643,276</u></u>	<u><u>133,469</u></u>	<u><u>159,917</u></u>	<u><u>(206,291)</u></u>	<u><u>1,198,346</u></u>
Segment results	<u><u>35,625</u></u>	<u><u>13,683</u></u>	<u><u>12,220</u></u>	<u><u>14,717</u></u>		76,245
Interest income						579
Finance costs						(4,123)
Share of results of an associate						23,295
Gain on disposal of investment property						5,434
Corporate expenses						<u>(14,263)</u>
Profit before tax						<u><u>87,167</u></u>

For the year ended 31 March 2013

	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>
Revenue						
External sales	479,775	318,971	179,147	113,196	—	1,091,089
Inter-segment sales	—	148,617	—	—	(148,617)	—
Segment revenue	<u>479,775</u>	<u>467,588</u>	<u>179,147</u>	<u>113,196</u>	<u>(148,617)</u>	<u>1,091,089</u>
Segment results	<u>34,832</u>	<u>7,950</u>	<u>29,102</u>	<u>(26,475)</u>		45,409
Interest income						385
Finance costs						(4,352)
Reversal of impairment loss recognised in respect of interest in an associate						9,646
Share of results of an associate						12,983
Corporate expenses						<u>(9,530)</u>
Profit before tax						<u>54,541</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represented the profit earned/loss from each segment without allocation of interest income, finance costs, reversal of impairment loss recognised in respect of interest in an associate, share of results of an associate, gain on disposal of investment property, corporate expenses and directors' salaries. This is the measure reported to the chief operating decision maker 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Segment assets		
Retail business	75,005	69,140
Distribution business	58,698	44,854
Paging and other telecommunications services	35,781	227,094
Operation services	<u>6,016</u>	<u>11,357</u>
Total segment assets	175,500	352,445
Unallocated corporate assets	<u>233,402</u>	<u>345,767</u>
Total assets	<u><u>408,902</u></u>	<u><u>698,212</u></u>
Segment liabilities		
Retail business	15,850	7,587
Distribution business	48,116	68,095
Paging and other telecommunications services	35,339	228,970
Operation services	<u>774</u>	<u>5,580</u>
Total segment liabilities	100,079	310,232
Unallocated corporate liabilities	<u>170,289</u>	<u>329,690</u>
Total liabilities	<u><u>270,368</u></u>	<u><u>639,922</u></u>

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

- all assets are allocated to segments other than investment property, deferred tax assets, club debenture, interest in an associate, amounts due from directors and related companies, tax recoverable, other receivables, pledged bank deposits, bank balances managed on central basis and corporate assets; and
- all liabilities are allocated to segments other than other payables, tax payables, deferred tax liabilities, amounts due to related companies, bank overdrafts and bank borrowings, long services 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 its non-current assets is presented based on the geographical location of these assets.

Revenue from external customers

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong (country of domicile)	1,195,522	1,087,159
Macau	<u>2,824</u>	<u>3,930</u>
	<u><u>1,198,346</u></u>	<u><u>1,091,089</u></u>

Non-current assets

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong (country of domicile)	83,100	66,061
Macau	<u>192</u>	<u>656</u>
	<u><u>83,292</u></u>	<u><u>66,717</u></u>

Note: Non-current assets excluded deferred tax assets.

Information about major customers

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A ¹	<u><u>159,917</u></u>	<u><u>113,786</u></u>
Customer B ²	<u><u>148,048</u></u>	<u><u>N/A</u></u> ³

¹ Revenue from operation services.

² Revenue from distribution business.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

4. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income:		
Bank interest income	47	26
Interest income from related companies	<u>532</u>	<u>359</u>
	579	385
Consultancy income	300	300
Gain on disposal of plant and equipment	1,208	160
Gain on disposal of an investment property	5,434	—
Rental income	3,480	3,559
Warehouse storage income	344	95
Others	<u>916</u>	<u>2,326</u>
	<u><u>12,261</u></u>	<u><u>6,825</u></u>

5. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest expenses on:		
— bank borrowings and bank overdrafts wholly repayable within five years	4,123	4,230
— amount due to a related company	<u>—</u>	<u>122</u>
	<u><u>4,123</u></u>	<u><u>4,352</u></u>

6. INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Macau Complementary Income Tax		
— current year	683	288
Hong Kong Profits Tax		
— current year	4,831	3,805
— over-provision in prior years	<u>(36)</u>	<u>(49)</u>
	5,478	4,044
Deferred tax		
— current year	<u>951</u>	<u>113</u>
Total income tax expense for the year	<u>6,429</u>	<u>4,157</u>

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.

During the both years ended 31 March 2014 and 2013, Macau Complementary Income Tax is charged at the progressive rate on the estimate assessable profit.

During the both years ended 31 March 2014 and 2013, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

7. PROFIT FOR THE YEAR

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year is arrived at after charging (crediting):		
Directors' emoluments		
— salaries, allowances and other benefits	3,388	8,738
— contribution to retirement benefits scheme	<u>120</u>	<u>106</u>
	<u>3,508</u>	<u>8,844</u>
Other staff costs		
— salaries and other allowance	101,631	105,976
— contribution to retirement benefits scheme	4,378	3,795
— provision for long service payments	<u>365</u>	<u>436</u>
	<u>106,374</u>	<u>110,207</u>
Total staff costs	<u>109,882</u>	<u>119,051</u>
Auditors' remuneration	820	609
Depreciation of plant and equipment	17,690	12,979
Depreciation of investment property	<u>17</u>	<u>17</u>
	17,707	12,996
Loss on written off of plant and equipment	1,668	1,892
Allowance for inventories (included in cost of inventories sold)	—	2,163
Reversal of allowances for inventories (included in cost of inventories sold)	—	(1,490)
Exchange losses, net	41	164
Share of income tax expense of an associate	3,298	3,243
Operating lease rentals in respect of:		
— rented premises	40,037	34,219
— transmission stations	<u>13,431</u>	<u>14,655</u>
	<u>53,468</u>	<u>48,874</u>

8. DIVIDENDS

Pursuant to the resolution passed on 20 May 2014, an interim dividend of HK\$138,000,000 was declared and paid by the Company to its then shareholders.

The directors of the Company did not recommend the payment of a final dividend in respect of the year ended 31 March 2014 (2013: nil).

9. EARNINGS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share	<u>80,738</u>	<u>50,384</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>300,000</u>	<u>300,000</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2014 and 2013.

The weighted average number of ordinary shares in issue during the year ended 31 March 2014 and 2013 represents 300,000,000 ordinary shares in issue before the Listing as if such shares were issued during the two years ended 31 March 2014 after taking into account the capitalisation issue pursuant to the Reorganisation as stated in the Prospectus and placing of shares as stated in note 12.

10. TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	13,039	19,115
Other receivables	5,390	8,686
Deposits	17,544	205,323
Prepayment	<u>7,214</u>	<u>3,732</u>
	43,187	236,856
Less: impairment loss recognised in respect of trade receivables	<u>(64)</u>	<u>(64)</u>
	<u>43,123</u>	<u>236,792</u>

The Group does not hold any collateral over these balances.

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

	2014	2013
	HK\$'000	HK\$'000
Within 90 days	12,783	18,703
91–180 days	146	289
181–365 days	1	44
Over 365 days	45	15
	<u>12,975</u>	<u>19,051</u>

At 31 March 2013, included in deposits were refundable deposit paid to manufacturer (the “Manufacturer”) for acquisition of specialised equipment for an independent third party of approximately HK\$190,080,000. In relation of the transaction, the Group had also received HK\$192,000,000 as receipt in advance (note 11). The transaction was terminated and deposit was refunded during the year ended 31 March 2014.

11. TRADE AND OTHER PAYABLES

	2014	2013
	HK\$'000	HK\$'000
Trade payables	55,008	70,843
Receipt in advance	25,740	221,238
Accrued expenses and other payables	29,528	18,551
	<u>110,276</u>	<u>310,632</u>

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

	2014	2013
	HK\$'000	HK\$'000
Within 60 days	52,564	69,921
61–90 days	1,012	65
Over 90 days	1,432	857
	<u>55,008</u>	<u>70,843</u>

At 31 March 2013, included in receipt in advance were receipt from an independent third party for acquisition of plant and equipment on its behalf of approximately HK\$192,000,000. In relation of the transaction, the Group had also paid HK\$190,080,000 to the Manufacturer as prepayment (note 10). The transaction was terminated and the receipt in advance was refunded to the independent third party during the year ended 31 March 2014.

12. SHARE CAPITAL

As at 31 March 2014 and 2013, the share capital of the Group represented the sum of amount of share capital of the Company and the subsidiaries now comprising the Group.

Pursuant to the written resolution passed on 20 May 2014, the authorised share capital of the Company was increased to HK\$100,000,000 with 10,000,000,000 shares of HK\$0.01 each by the creation of an additional 9,962,000,000 new shares of HK\$0.01 each.

On 7 May 2014, CKK Investment, the immediate holding company of the Company, entered into a subscription agreement with the Company pursuant to which CKK Investment agreed to subscribe for 43 new shares of HK\$0.01 each, at par value, at a total subscription price of HK\$0.43.

On 20 May 2014, the Company acquired the entire interests in TD Investment in consideration of and in exchange for which the Company allotted and issued 16 shares in aggregate, credited as fully paid, to Cheung Brothers.

On 20 May 2014, pursuant to the resolution of the then shareholders of the Company, it was approved to issue 299,999,940 ordinary shares of HK\$0.01 each to the shareholders by way of capitalisation of HK\$2,999,999 from the share premium account arose from the placing of 100,000,000 ordinary shares of the Company. Such shares were issued on 27 May 2014, being the date of completion of placing.

On 27 May 2014, the Company issued a total of 100,000,000 ordinary shares HK\$0.01 each at a price of HK\$1.0 per share as a result of the completion of the placing. Of the total gross proceeds, HK\$100,000,000, HK\$1,000,000 representing the par value credit to the Company's share capital and HK\$99,000,000, before the share issue expenses, credit to the share premium account. The Company's total number of issued shares was increased to 400,000,000 shares upon completion of the placing.

13. OPERATING LEASES

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	44,873	29,929
In the second to fifth year, inclusive	<u>29,446</u>	<u>13,569</u>
	<u><u>74,319</u></u>	<u><u>43,498</u></u>

The Group leases certain of its office premises, cell sites and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to three years with fixed rentals as at 31 March 2014 and 2013.

The Group as lessor

Sub-letting income earned during the year ended 31 March 2014 was HK\$3,480,000 (2013: HK\$3,559,000). The office premises, transmission stations, warehouse and service outlets are sub-let to third parties under operating lease with leases negotiated for a term of one to three years as at 31 March 2014.

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,800	2,088
In the second to fifth year, inclusive	<u>1,838</u>	<u>868</u>
	<u><u>3,638</u></u>	<u><u>2,956</u></u>

14. CAPITAL COMMITMENTS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the combined financial statements	<u>—</u>	<u>1,080</u>

15. EVENTS AFTER THE REPORTING PERIOD

(a) Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange. Details of the Reorganisation are set out in the section headed "Reorganisation" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 20 May 2014.

(b) Increase authorised share capital and issuance of shares

As detailed in note 12, there were increase in authorised share capital and issuance of shares by way of capitalisation and placing.

(c) Share option scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 20 May 2014, the Company has conditionally adopted a share option scheme, details of which are set out in section headed "Share Option Scheme" in Appendix V to the Prospectus dated 26 May 2014.

(d) Interim dividend

Subsequent to 31 March 2014, an interim dividend of HK\$138,000,000 was declared and paid by the Company to its then shareholders in accordance with a resolution passed on 20 May 2014.

(e) Completion of listing

On 30 May 2014, the shares of the Company have been listed on the GEM of the Stock Exchange.

(f) Acquisition of office premises

Pursuant to the announcement made by the Company on 12 June 2014, the Group had entered into sales and purchase agreements with an independent third party to purchase certain office premises with aggregated considerations of approximately HK\$86,870,000. As at the date of this announcement, the transaction was not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Mobile phone usage, especially the usage of smartphones, has been surging. Such surge has been powered by the frequent update of product models by mobile phone manufacturers or brand owners. Due to keen competition amongst mobile phone manufacturers, new models of mobile phones with new features are being put to the market every 3 to 6 months to stimulate consumers' demand. In addition, along with the continuous advancement of technology, smartphone apps are becoming more popular, user experience is continuously enhanced, and more and more types of smartphones are available at affordable pricing. Accordingly, featured phones are tended to be replaced by smartphones, which drives the surge of the shipment of mobile phone in Hong Kong.

Due to the increasing customer demand for fast mobile network service and advancing mobile wireless technology, the mobile service market of Hong Kong is developing rapidly in terms of application of technology and services offered. Over the years, Hong Kong has developed comprehensive and efficient information and communication technology infrastructure which facilitates the rapid take-up of communication and online services. The number of mobile subscribers in Hong Kong was experienced a fast increase during the past few years.

The Group is confident that the above factors will support the effective business development of the Group.

Business Review

The Group maintained its market position as one of the leading comprehensive telecommunication service providers in Hong Kong and Macau. The business segments of the Group include (i) retail sales of mobile phones and pre-paid SIM cards and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to NWM.

For the year ended 31 March 2014, revenue derived from retail sales and distribution of mobile phones and related services contributed to approximately 75.6% of the Group's total revenue, amounting to approximately HK\$904,960,000 (2012/13: HK\$798,746,000) which represents an increase of approximately 13.3% as compared to previous year. Apart from the increase in revenue from retail sales and distribution business, revenue from provision of operation services also increased by approximately 41.3% as compared to the year ended 31 March 2013.

Moving forward, the Group will continue to focus on their core business of retail sales and distribution of mobile phones. The Group has been actively expanding the scale of retail sales of mobile phones business. It has targeted to identify more brands of mobile phones and offer to sell such new brands identified at its retail shops. The Group will further expand their sales network by opening more retail shops. The Directors believe that these sectors will be having significant growth in the years to come.

Financial Review

Segment analysis:

	2013/14		2012/13	
	HK\$'000	%	HK\$'000	%
Retail business	467,975	39.1	479,775	44.0
Distribution business	436,985	36.5	318,971	29.2
Paging and other telecommunication services	133,469	11.1	179,147	16.4
Operation services	<u>159,917</u>	<u>13.3</u>	<u>113,196</u>	<u>10.4</u>
Total revenue	<u><u>1,198,346</u></u>	<u><u>100.0</u></u>	<u><u>1,091,089</u></u>	<u><u>100.0</u></u>

Revenue

The Group's revenue for the year ended 31 March 2014 was approximately HK\$1,198,346,000 (2012/13: HK\$1,091,089,000), representing an increase of approximately 9.8% over the previous year. The increase in the Group's revenue was mainly due to higher revenue generated from the distribution business.

Revenue from retail sales of mobile phones and pre-paid SIM cards and provision of related services was one of the main source of revenue, representing approximately 39.1% of the Group's total revenue for the year ended 31 March 2014. As boosted by the strong market demand for smartphones and the keen competition amongst mobile phone manufacturers, updated and new models of smartphones have been put to the market by the manufacturers at a fast pace. With new models put to the market, consumers are stimulated to purchase the latest models of smartphones, leading to the increase in market demand and our revenue.

Revenue from distribution of mobile phones and provision of related services for the year ended 31 March 2014 was approximately HK\$436,985,000 (2012/13: HK\$318,971,000), representing an increase of approximately 37.0% as compared to previous year. Apart from retail business, it is also the main source of revenue of the Group and expected to continue to be in the years to come.

Revenue from provision of paging and other telecommunication services decreased by approximately 25.5% to HK\$133,469,000 (2012/13: HK\$179,147,000). The decrease was mainly because there is a decline in number of users of the Group's paging services and Mobitex based service. Due to the development of technology, nowadays there are lots of alternative communication services and the use

of internet and other wireless communication become affordable and popular. These alternative means of communication are substitutes of paging services, Mobitex based services and the Group's other telecommunication services. These communication means may offer better features and user experience at affordable price. The Group is facing keen competition against these communication means.

Revenue from provision of operation services for the year ended 31 March 2014 was approximately HK\$159,917,000 (2012/13: HK\$113,196,000), representing an increase of approximately 41.3% as compared to previous year. The increase was mainly due to the increase in customers of NWM. With an enlarged and stable customer base, the Group's administrative and operational work became more cost efficient and therefore it is expected to have further increase in the service fee in coming years.

Other Income

Other income mainly contributed by rental income, bank interest and gain on disposal of investment property, plant and equipment. Other income for the year ended 31 March 2014 was approximately HK\$12,261,000 (2012/13: HK\$6,825,000), representing an increase of approximately 79.6% as compared to previous year. Such increase was primarily due to a gain on disposal of investment property, plant and equipment.

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 year ended 31 March 2014 were approximately HK\$182,454,000 (2012/13: HK\$182,089,000), representing a slight increase of approximately 0.2% over the previous year.

The slight increase was mainly brought by the increase in advertising and promotion, rental expenses and the listing expenses incurred in the Listing, and partly off-set by the decrease in information fees and operation fees for paging centre and customer service centre. The decrease in information cost was mainly due to the decrease in financial data charged by the HKEx Information Services Limited by reference to the usage of information. Because of the declining number of subscribers, the usage of information decreased accordingly. In addition, the Group ceased to appoint a third party for carrying out the telemarketing activities which also led to the decrease in operation fee. The increase in rental expenses was mainly due to the increase in market rental during the year.

Share of Results of an Associate

Share of result of an associate for the year was approximately HK\$23,295,000 (2012/13: HK\$12,983,000), representing an increase of approximately 79.4% as compared to the previous year. The amount represents our share of net profit of NWM.

Finance Costs

There is no significant change in the Group's bank borrowing throughout year ended 31 March 2014. The finance costs for the year ended 31 March 2014 were approximately HK\$4,123,000 (2012/13: HK\$4,352,000). As of the date of this announcement, the Group planned to obtain around HK\$40 million new bank loans to finance the purchase of the office premises.

Income Tax Expenses

Income tax for the year ended 31 March 2014 was approximately HK\$6,429,000 (2012/13: HK\$4,157,000), representing an increase of approximately 54.7%. The increase was mainly due to the increase in profit before tax and the tax effect of listing expenses not deductible for tax purpose.

Profit for the Year

Profit for the year ended 31 March 2014 was approximately HK\$80,738,000 (2012/13: HK\$50,384,000), representing an increase of approximately 60.2% as compared to the previous year. The increase was primarily due to the increase in gross profit in relation to the increase in revenue and improvement in the share of results of an associate.

Liquidity and Financial Resources

The Group generally finances its operation by its own working capital and bank borrowings. As at 31 March 2014, the Group had net current assets of approximately HK\$61,684,000 (2012/13: net current liabilities of approximately HK\$3,274,000) and had cash and cash equivalents of approximately HK\$4,789,000 (2012/13: HK\$9,070,000).

The Group has a current ratio of approximately 1.2 as at 31 March 2014 comparing to that of 1.0 as at 31 March 2013. As at 31 March 2014, the Group's gearing ratio was 109.4% as compared to 550.8% as at 31 March 2013, which is calculated based on the Group's total borrowings of approximately HK\$151,577,000 (2012/13: HK\$321,071,000) and the Group's total equity of approximately HK\$138,534,000 (2012/13: HK\$58,290,000). The Group's total cash at banks as at 31 March 2014 amounted to approximately HK\$12,236,000 (2012/13: HK\$15,374,000). 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 2014, the Group has financial guarantees given to banks in respect of mortgage loans granted to certain related companies for acquisition of properties of approximately HK\$87,460,000 (2012/13: HK\$87,460,000). The financial guarantees provided by the Group were released upon Listing.

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

As at 31 March 2014, the Group did not have any significant capital commitments (2012/13: HK\$1,080,000).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014 (2012/13: nil).

Interim Dividend

Subsequent to 31 March 2014, an interim dividend amounted of HK\$138,000,000 was declared and paid by the Company to its then shareholders on 20 May 2014.

Capital Structure

The Group's shares were successfully listed on GEM of the Stock Exchange on 30 May 2014. There has been no change in the capital structure since that date.

The capital structure of the Group consists of bank borrowings net of bank balances and cash and equity attributable to owners of the Group, 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 Acquisitions and Disposal

Pursuant to the group reorganisation (the "Reorganisation") in preparation of the Listing, the Company became the holding company of the Group formed after completion of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History and Development" of the prospectus dated 26 May 2014 issued by the Company.

Save as aforesaid, during the year ended 31 March 2014, the Group had no material acquisitions and disposals of subsidiaries.

Employees and Remuneration Policies

As at 31 March 2014, the Group employed approximately 445 (31 March 2013: 472) 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.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

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

Use	Approximate percentage or amount of net proceed to be applied
Expansion of the Group's shop network and opening of flagship stores to strengthen its business of retail sales of mobile phones	12.9% or HK\$10.0 million
Expansion of the Group's head office and logistics vehicle fleet to cope with its growth of business	72.1% or HK\$56.0 million
Implementation of an ERP system to enhance management capacity and efficiency	6.4% or HK\$5.0 million
General working capital	8.6% or HK\$6.7 million

As the date of this announcement, the Directors do not anticipate any change to the plan as to use of proceeds. Up to the date of this announcement, approximately HK\$52,122,000 has been used for acquisition of properties on 12 June 2014 out of the net proceeds from the Listing.

As at the date of this announcement, the unused net proceeds were placed with banks in Hong Kong as short-term deposits.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the period from the date of listing of shares of the Company on GEM of the Stock Exchange (i.e. 30 May 2014) to the date of this announcement (the "Period"), the Company has maintained the public float required by the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2014.

PURCHASE, SALE OR REDEMPTION

As the shares of the Company were not yet listed on the GEM as at 31 March 2014, the Company is not required to disclose the details of purchase, sale or redemption of the shares of the Company by the Group during the period in accordance with Rule 18.78(2) of the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the period from 7 to 11 August 2014 (both dates inclusive) to ascertain the shareholders entitled to attend and vote at the forthcoming annual general meeting of the Company scheduled to be held on 11 August 2014. In order to attend and vote at the forthcoming annual general meeting, 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 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 6 August 2014.

No transfer of shares will be registered during the period mentioned above.

CORPORATE GOVERNANCE PRACTICES

During the Period, the Company has complied with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, 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 Period, the Executive Directors and Chief Financial Officer have provided and will continue to provide to all Non-Executive Directors updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.

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.

REVIEW OF RESULTS

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 combined financial statements and final results for the year ended 31 March 2014.

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

Hong Kong, 24 June 2014

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

This announcement will remain on the “Latest Company Announcements” page on the GEM website at <http://www.hkgem.com> for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at <http://www.tdhl.cc>.