

THE FINANCIAL STATEMENTS

INTERIM RESULTS

The board of directors (the “Board”) of Telecom Digital Holdings Limited (the “Company”) announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2017 (the “Period”), together with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
	<i>Notes</i>	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	692,813	586,445
Cost of inventories sold		(425,549)	(362,124)
Staff costs		(95,190)	(77,671)
Depreciation		(13,111)	(11,501)
Other income	6	2,523	2,606
Other operating expenses		(97,221)	(92,582)
Share of result of an associate		10,349	16,685
Finance costs	7	(1,600)	(1,852)
Profit before tax		73,014	60,006
Income tax expense	8	(12,517)	(7,841)
Profit and total comprehensive income for the period		60,497	52,165

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME** (continued)

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
	<i>Note</i>		
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		61,730	51,892
Non-controlling interests		(1,233)	273
		60,497	52,165
Earnings per share (HK\$)	10		
Basic		0.15	0.13
Diluted		0.15	0.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	<i>Notes</i>	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	251,018	226,528
Investment properties	12	73,476	41,537
Club membership		1,560	1,560
Interest in an associate		20,939	24,853
Prepayments for purchase of property, plant and equipment		5,643	10,354
		352,636	304,832
Current assets			
Inventories		104,848	45,749
Trade and other receivables	13	71,898	68,266
Amounts due from related companies	19(a)	288	1,204
Amount due from an associate	19(b)	25,411	26,550
Pledged bank deposits		5,066	5,065
Bank balances and cash		44,009	42,907
		251,520	189,741

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

As at 30 September 2017

	<i>Notes</i>	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Current liabilities			
Trade and other payables	14	94,992	62,231
Amounts due to related companies	19(a)	387	2,286
Bank overdrafts	15	3,629	6,201
Bank borrowings	15	194,332	150,976
Tax payable		14,273	2,194
		307,613	223,888
Net current liabilities		(56,093)	(34,147)
Total assets less current liabilities		296,543	270,685
Non-current liabilities			
Long service payment obligations		2,240	2,240
Deferred tax liabilities		3,647	3,209
		5,887	5,449
Net assets		290,656	265,236

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 September 2017

	<i>Note</i>	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Capital and reserves			
Share capital	16	4,036	4,030
Reserves		287,705	261,058
Equity attributable to owners of the Company		291,741	265,088
Non-controlling interests		(1,085)	148
Total equity		290,656	265,236

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>Note 14</i>	Share option reserve HK\$'000	Exchange reserve HK\$'000	Legal reserve HK\$'000 <i>Note 15</i>	Retained profits HK\$'000			
At 1 April 2016 (audited)	4,001	87,502	5,404	2,177	(233)	91	136,144	235,086	-	235,086
Profit and total comprehensive income for the period	-	-	-	-	-	-	51,892	51,892	273	52,165
Non-controlling interest arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,399	1,399
Effect of capital reduction <i>Note 12</i>	-	-	-	-	-	-	-	-	(1,400)	(1,400)
Effect of share options										
- shares issue upon exercise	12	3,258	-	(668)	-	-	-	2,602	-	2,602
- lapse	-	-	-	(58)	-	-	58	-	-	-
Dividends <i>Note 9</i>	-	-	-	-	-	-	(32,018)	(32,018)	-	(32,018)
At 30 September 2016 (unaudited)	4,013	90,760	5,404	1,451	(233)	91	156,076	257,562	272	257,834
At 1 April 2017 (audited)	4,030	95,546	5,404	429	(233)	91	159,821	265,088	148	265,236
Profit and total comprehensive income for the period	-	-	-	-	-	-	61,730	61,730	(1,233)	60,497
Equity-settled share options expense <i>Note 20</i>	-	-	-	3,499	-	-	-	3,499	-	3,499
Effect of share options										
- shares issue upon exercise	6	2,137	-	(388)	-	-	-	1,755	-	1,755
- lapse	-	-	-	(60)	-	-	60	-	-	-
Dividends <i>Note 9</i>	-	-	-	-	-	-	(40,331)	(40,331)	-	(40,331)
At 30 September 2017 (unaudited)	4,036	97,683	5,404	3,480	(233)	91	181,280	291,741	(1,085)	290,656

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2017

Notes:

- (a) Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.
- (b) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the relevant subsidiary's registered capital. Legal reserve is not distributable to shareholders.
- (c) On 22 April 2016, a special resolution has been passed by the shareholders of Distribution One Limited ("Distribution One"), a non-wholly owned subsidiary of the Company, for the reduction of share capital of Distribution One by approximately HK\$5,000,000. As a result, approximately HK\$1,400,000 has been settled with the amount due from the non-controlling shareholder in accordance with section 210 of the Hong Kong Companies Ordinance.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and represented)
NET CASH FROM OPERATING ACTIVITIES	52,656	124,378
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(33,939)	(5,614)
Purchase of investment property	(28,092)	(42,315)
Prepayment for purchases of property, plant and equipment	(3,544)	–
Placement of pledged bank deposits	(1)	–
Dividend received from an associate	14,263	16,422
Proceeds from disposal of property, plant and equipment	1	–
Bank interest received	132	103
Net cash outflow on acquisition of a subsidiary	–	(125)
Repayment from (advanced to) related companies	916	(125)
NET CASH USED IN INVESTING ACTIVITIES	(50,264)	(31,654)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and represented)
FINANCING ACTIVITIES		
Bank borrowings raised	244,195	238,717
(Repayment to) advance from related companies	(1,899)	333
Repayments of bank borrowings	(200,839)	(289,953)
Proceeds from the issue of share options	1	–
Proceeds from the exercise of share options	1,755	2,602
Interest paid	(1,600)	(1,852)
Dividend paid	(40,331)	(32,018)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,282	(82,171)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,674	10,553
CASH AND CASH EQUIVALENTS AT 1 APRIL	36,706	11,999
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, represented by	40,380	22,552
Bank balances and cash	44,009	29,931
Bank overdrafts	(3,629)	(7,379)
	40,380	22,552

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the address of the principal place of business is 19/F., YHC Tower, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 30 May 2014 and have been transferred from GEM to Main Board of the Stock Exchange on 10 May 2017.

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

The directors of the Company (the "Directors") consider the immediate holding company is CKK Investment Limited ("CKK Investment") and the ultimate parent is the Cheung Family Trust, as defined in the section headed "Definitions" to the prospectus of the Company dated 26 May 2014 (the "Prospectus").

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are telecommunications and related business in Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure provision of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Group had net current liabilities of approximately HK\$56,093,000 as at 30 September 2017. The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

- (i) the banking facilities are readily available to the Group;
- (ii) bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause and shown under current liabilities amounted to approximately HK\$80,601,000. The Directors are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements; and
- (iii) the Group is able to generate adequate cash flows to maintain its operations.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements do not include 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.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and method of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 March 2017. During the Period, the Group has adopted new or revised standards, amendments and interpretations of Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA which are effective for accounting periods commencing on or after 1 April 2017. The application of such new or revised standards, amendments and interpretations of HKFRSs does not have material impact on the condensed consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

4. REVENUE

Revenue represents revenue arising on sales of goods and services income during the Period. An analysis of the Group’s revenue is as follows:

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Retail business	363,498	240,967
Distribution business	122,353	156,358
Paging and other telecommunications services	36,652	41,320
Operation services	170,310	147,800
	692,813	586,445

5. SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the executive directors of the Company. The information reported to the chief operating decision maker for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the Group's chief operating decision maker 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	–	Sales of pagers and Mango devices and provision of paging services, maintenance services and two-way wireless data services
Operation services	–	Provision of operation services

5. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 September 2016

	Retail business HK\$'000 (unaudited)	Distribution business HK\$'000 (unaudited)	Paging and other tele- communications services HK\$'000 (unaudited)	Operation services HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue						
External sales	240,967	156,358	41,320	147,800	–	586,445
Inter-segment sales	–	206,953	1,848	–	(208,801)	–
Segment revenue	240,967	363,311	43,168	147,800	(208,801)	586,445
Segment results	8,749	2,864	615	37,039		49,267
Bank interest income						103
Finance costs						(1,852)
Share of result of an associate						16,685
Corporate expenses						(4,197)
Profit before tax						60,006

5. SEGMENT INFORMATION (continued)

Geographical information

During the Period, the Group's operations were located in Hong Kong and Macau (2016: Hong Kong and Macau). More than 99% of the Group's revenue was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong during the Period and the corresponding period in 2016.

Information about major customer

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

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Customer I ¹	213,762	172,758

¹ Revenue from operation services.

6. OTHER INCOME

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Bank interest income	132	103
Consultancy income	150	150
Rental income	1,913	2,051
Exchange gain	206	295
Others	122	7
	2,523	2,606

7. FINANCE COSTS

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest expenses on bank borrowings and bank overdrafts	1,600	1,852

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Hong Kong Profits Tax – current period	12,079	8,000
Deferred tax – current period	438	(159)
	12,517	7,841

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Period and the corresponding period in 2016.

During the Period and the corresponding period in 2016, no Macau Complementary Income Tax has been provided since there were no assessable profits generated.

9. DIVIDENDS

	Six months ended 30 September			
	2017		2016	
	HK\$ per share	HK\$'000 (unaudited)	HK\$ per share	HK\$'000 (unaudited)
Dividends recognised as distribution during the periods:				
2015/16 second interim dividend	-	-	0.05	20,010
2016/17 first interim dividend	-	-	0.03	12,008
2016/17 fourth interim dividend	0.05	20,154	-	-
2017/18 first interim dividend	0.05	20,177	-	-
		40,331		32,018

At a meeting held on 7 November 2017, the Board declared the second interim dividend of HK\$0.05 per share for the Period (2016: HK\$0.05).

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the period attributable to owners of the Company	61,730	51,892
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	403,147,656	400,281,508
Effect of dilutive potential ordinary shares: – share options	884,203	341,718
Weighted average number of ordinary shares for the purpose of diluted earnings per share	404,031,859	400,623,226

The weighted average number of ordinary shares in issue during the Period represented 402,941,000 ordinary shares in issue during the year ended 31 March 2017 and the weighted average of 652,000 ordinary shares issued upon the share options exercised during the Period.

11. PROPERTY, PLANT AND EQUIPMENT

The Group paid approximately HK\$33,939,000 on acquisition of property, plant and equipment during the Period (2016: HK\$5,614,000). Items of property, plant and equipment with a net book value of approximately HK\$745,000 (2016: HK\$3,416,000) were written off during the Period.

During the Period, the Group disposed of certain property, plant and equipment with carrying amount of approximately HK\$1,000 (2016: nil) at consideration of approximately HK\$1,000 (2016: nil).

12. INVESTMENT PROPERTIES

The Group paid approximately HK\$28,092,000 on acquisition of an investment property during the Period (2016: HK\$42,315,000).

13. TRADE AND OTHER RECEIVABLES

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade receivables	11,264	8,871
Less: impairment loss recognised in respect of trade receivables	(64)	(64)
	11,200	8,807
Other receivables	12,031	11,827
Deposits	30,037	29,087
Prepayments	18,630	18,545
	71,898	68,266

The Group does not hold any collateral over these balances.

13. TRADE AND OTHER RECEIVABLES (continued)

The Group allows an average credit period of 7 days to 30 days to its trade customers (31 March 2017: 7 days to 30 days).

The following is an ageing 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:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within 90 days	10,923	8,435
91–180 days	117	301
181–365 days	143	51
Over 365 days	17	20
	11,200	8,807

14. TRADE AND OTHER PAYABLES

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade payables	59,712	17,968
Receipt in advance	19,073	23,054
Accrued expenses and other payables	16,207	21,209
	94,992	62,231

The average credit period on trade payables is 30 days (31 March 2017: 30 days). The Group has financial risk management policies to ensure that all payables are settled within credit time-frame.

14. TRADE AND OTHER PAYABLES (continued)

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

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within 60 days	56,590	15,299
61–90 days	199	38
Over 90 days	2,923	2,631
	59,712	17,968

15. BANK OVERDRAFTS/BANK BORROWINGS

Bank overdrafts

During the Period, bank overdrafts carried interest at 1-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.25% (31 March 2017: 1-month HIBOR plus 1.25%) per annum.

Bank borrowings

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Variable rate bank borrowings:		
– Mortgage loans	89,097	70,209
– Others	10,360	28,043
Variable rate trust receipt borrowings	94,875	52,724
	194,332	150,976
Secured	145,854	101,369
Unsecured	48,478	49,607
	194,332	150,976

15. BANK OVERDRAFTS/BANK BORROWINGS (continued)**Bank borrowings (continued)**

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

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within one year	113,731	86,981
After one year but within two years	8,550	6,267
After two years but within five years	25,984	19,142
After five years	46,067	38,586
	194,332	150,976
Carrying amount of bank borrowings that are repayable on demand or within one year	113,731	86,981
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	80,601	63,995
	194,332	150,976

15. BANK OVERDRAFTS/BANK BORROWINGS (continued)

Bank borrowings (continued)

- (a) All the bank borrowings carried interest at floating rates. The ranges of effective interest rates per annum on the Group's bank borrowings are as follows:

	30 September 2017 (unaudited)	31 March 2017 (audited)
Variable rate bank borrowings	1.72%–2.17%	1.71%–2.24%

- (b) The bank borrowings are all denominated in HK\$.
- (c) As at 30 September 2017, secured bank borrowings of approximately HK\$145,854,000 (31 March 2017: HK\$101,369,000) were secured by leasehold land and buildings included in property, plant and equipment and investment properties with carrying amounts of approximately HK\$205,520,000 (31 March 2017: HK\$181,631,000) and HK\$73,476,000 (31 March 2017: HK\$41,537,000) respectively.

16. SHARE CAPITAL

	30 September 2017 (unaudited)		31 March 2017 (audited)	
	Number of shares '000	Share capital HK\$'000	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each				
<i>Authorised</i>				
At the beginning and end of the period/year	10,000,000	100,000	10,000,000	100,000
<i>Issued and fully paid</i>				
At the beginning of the period/year	402,941	4,030	400,050	4,001
Issue of shares upon:				
Exercise of share options	652	6	2,891	29
At the end of the period/year	403,593	4,036	402,941	4,030

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

17. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within one year	54,790	52,557
In the second to fifth year inclusive	32,089	27,940
Over five years	837	–
	87,716	80,497

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

The Group as lessor

Sub-letting income earned during the Period was approximately HK\$1,913,100 (2016: HK\$2,051,000). The office premises, transmission stations and service outlets are sub-letted to third parties under operating leases with leases negotiated for a term of one to three years as at 30 September 2017 (31 March 2017: one to two years).

17. OPERATING LEASE COMMITMENTS (continued)**The Group as lessor (continued)**

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

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within one year	2,316	499
In the second to fifth year inclusive	476	–
	2,792	499

18. CAPITAL COMMITMENTS

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Property, plant and equipment: Contracted, but not provided for	2,392	22,181

19. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods:

Name of company	Nature of transaction	Notes	Six months ended 30 September	
			2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Related companies				
Glossy Enterprises Limited ("Glossy Enterprises")	Rental expenses paid thereto	(ii) & (iii)	2,312	2,394
Glossy Investment Limited	Rental expenses paid thereto	(ii) & (iii)	361	427
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	55	51
Silicon Creation Limited ("Silicon Creation")	Rental expenses paid thereto	(ii) & (iii)	2,849	2,650
	Repair service fee paid thereto	(i) & (ii)	360	360

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods: (continued)

Name of company	Nature of transaction	Notes	Six months ended 30 September	
			2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Related companies				
Sun Mobile Limited	Service fee income received therefrom	(i) & (iii)	213,762	169,597
	Promotion income received therefrom	(i) & (ii)	-	3,161
Telecom Digital Securities Limited ("Telecom Securities")	Subscription fee income received therefrom	(i) & (iii)	620	610
	Consultancy fee income received therefrom	(i) & (iii)	150	150
	Technical support service income received therefrom	(i) & (iii)	60	60
	Sub-letting income received therefrom	(ii) & (iii)	-	79
Telecom Properties Investment Limited ("Telecom Properties")	Rental expenses paid thereto	(ii) & (iii)	957	932
Telecom Service Limited ("Telecom Service")	Rental expenses paid thereto	(ii) & (iii)	548	458

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods: (continued)

Name of company	Nature of transaction	Notes	Six months ended 30 September	
			2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Related companies				
Telecom Service One Limited ("TSO")	Repair and maintenance fee paid thereto	(i) & (iii)	1,991	2,208
	Consignment fee received therefrom	(i) & (ii)	436	719
	Logistic fee income received therefrom	(i) & (iii)	415	401
	Sub-letting income received therefrom	(ii) & (iii)	251	251
	Sales of goods thereto	(i) & (ii)	57	–

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods: (continued)

Details of amounts due from related companies are as follows:

	<i>Notes</i>	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Chief Link Limited	(iii) & (iv)	54	–
Silicon Creation	(iii) & (iv)	–	9
Telecom Securities	(iii) & (iv)	91	59
Telecom Properties	(iii) & (iv)	15	–
Telecom Service	(iii) & (iv)	127	1,136
Telecom Service One (Macau) Limited	(iii) & (iv)	1	–
		288	1,204

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (a) In addition to the balances elsewhere in the condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the periods: (continued)

Details of amounts due to related companies are as follows:

	<i>Notes</i>	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Glossy Enterprises	(iii) & (iv)	8	12
Silicon Creation	(iii) & (iv)	49	–
TSO	(iii) & (iv)	330	2,274
		387	2,286

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the related parties.
 - (ii) The sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the related parties.
 - (iii) Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby and Mr. Cheung King Fung Sunny (collectively, the “Cheung Brothers”), directors of the Company, have beneficial interests in the related parties.
 - (iv) The amounts are unsecured, interest free and repayable on demand.
- (b) The amount due from an associate is trade in nature, unsecured, interest-free with 7 days (31 March 2017: 7 days) credit term and aged within 30 days (31 March 2017: 30 days). The amount was neither past due nor impaired as at 30 September 2017 and 31 March 2017.

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management personnel

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

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	6,390	5,620
Post-employment benefits	153	143
Share-based payment expenses	107	—
	6,650	5,763

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

20. SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option 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 Share Option Scheme, the Directors may grant options to eligible employees, including directors of the Company and its subsidiaries, subject to the acceptance from them to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share option to outside third parties for settlement in respect of goods or services provided to the Company.

20. SHARE OPTION SCHEME (continued)

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within twenty-eight days from the date of the offer, upon payment of HK\$1 per acceptance of offer. Option periods of the options granted shall not be greater than a period of ten years from the date of grant of the options. The exercise price is determined by the Directors, 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 third anniversary of the date of grant. The exercise price is determined by the Directors.

On 6 July 2017, a total of 6,300,000 share options (the "Share Options") were granted to certain eligible persons, of which 60,000 Share Options were granted to executive directors, with exercise price of HK\$3.05. Details of number of Share Options granted to executive directors are set out as follows:

Name of Directors	Number of Share Options granted
Mr. Wong Wai Man	30,000
Ms. Mok Ngan Chu	30,000

20. SHARE OPTION SCHEME (continued)

The validity period of the Share Options is from 6 July 2017 to 5 July 2019, both days inclusive, and subject to a non-disposal period of 90 days (including the exercise date) from the relevant exercise date of the Share Options, during which period the Share Options are not allowed to be transferred.

The fair values of share options granted on 7 July 2015 and 6 July 2017 were calculated using the Binomial model. The inputs into the model were as follows:

	Date of grant	
	7 July 2015	6 July 2017
Underlying stock price	HK\$1.98	HK\$3.05
Exercise price	HK\$2.22	HK\$3.05
Contractual Option Life	3 years	2 years
Risk-free rate	0.62%	0.91%
Expected dividend yield	2.60%	4.43%
Expected volatility of underlying share	78.48%	44.52%
Exercise multiple	Directors: 2.47 Employees: 1.6	Directors: 1.47 Employees: 1.62
Exit rate	Directors: 0% Employees: 10%	Directors: 0% Employees: 10%
Estimated fair value for each share option	Directors: HK\$0.81 Employees: HK\$0.57	Directors: HK\$0.60 Employees: HK\$0.59

Expected volatility was determined by using the historical volatility of the similar industry as the Company's share price over the previous years. The exit rate in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

20. SHARE OPTION SCHEME (continued)

The Group recognised a share option expense of approximately HK\$3,499,000 (2016: nil) for the Period in respect of Share Options granted by the Company on 6 July 2017.

During the Period, there were 282,000 (2016: 1,172,000) share options and 370,000 (2016: nil) Share Options exercised in respect of share options granted on 7 July 2015 and 6 July 2017 respectively.

During the Period, in respect of Share Options granted by the Company on 6 July 2017, there were 410,000 (2016: nil) Share Options cancelled as non-acceptance of Share Options by the employees at the date of grant.

During the Period, there were 11,000 (2016: 102,000) share options and 90,000 (2016: nil) Share Options lapsed in respect of share options granted on 7 July 2015 and 6 July 2017 respectively.

As at 30 September 2017, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 5,878,000 (31 March 2017: 741,000), representing approximately 1.46% (31 March 2017: 0.18%) of the shares of the Company in issue at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading comprehensive telecommunications service provider in Hong Kong. It principally operates (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 in which 40% owned by the Group and 60% by HKT Limited ("HKT").

Despite that the mobile service industry has become increasingly crowded and competitive, the Group has been able to maintain its market share with the support of an extensive retail network and a professional sales team. Recently, a price war on service plans has begun in the industry, nonetheless, with the Group capable of offering quality and tailored services to customers, its operation and business performance have not been affected. During the Period, the Group's revenue was approximately HK\$692,813,000 (2016: HK\$586,445,000), representing an increase of approximately 18.1% against the corresponding period of the previous year. Profit for the Period attributable to owners of the Company amounted to approximately HK\$61,730,000 (2016: HK\$51,892,000), representing an increase of approximately 19.0% over the corresponding period of the previous year.

The Group has continued to expand and enhance its retail network. As at 30 September 2017, it has 70 operating shops across Hong Kong. The Group also relocated certain shops and expanded others at prime locations, as well as renovated some existing shops, giving them a modern facade, spacious, clean and simple, to attract more young customers. With enhanced retail presence, revenue from retail business amounted to approximately HK\$363,498,000 (2016: HK\$240,967,000), representing approximately 50.8% higher than that of the previous corresponding period and accounted for approximately 52.5% of the Group's total revenue.

In addition, the Group completed acquisition of two properties at a consideration of HK\$25,000,000 on 9 May 2017 and HK\$30,000,000 on 19 September 2017 respectively. The Group is satisfied with the locations of the properties in terms of shopper traffic and it was a good opportunity to secure desirable retail spaces in Hong Kong, which will benefit the development of the Group's business in the long run.

For SUN Mobile, operation services are provided by the Group in close partnership with HKT. During the Period under review, the operation services business generated revenue of approximately HK\$170,310,000 (2016: HK\$147,800,000), representing an increase of 15.2% against the corresponding period of previous year, and accounted for approximately 24.6% of the Group's total revenue. Retail sales of mobile phones and provision of operation services to SUN Mobile remained as two major sources of revenue of the Group.

For distribution of mobile phones and related services, the Group secured a client in a mobile phone manufacturer and became its distributor last year. The Group will continue to explore new opportunities to further its distribution business.

In light of the continuous migration of users to the internet and mobile communication devices, the Group has strategically scaled down its paging and Mobitex-based services business, which explains the decline in revenue of the segment.

FINANCIAL REVIEW

Segment Analysis

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Retail business	363,498	240,967
Distribution business	122,353	156,358
Paging and other telecommunications services	36,652	41,320
Operating services	170,310	147,800
Total revenue	692,813	586,445

Revenue

The Group's revenue for the Period was approximately HK\$692,813,000 (2016: HK\$586,445,000), representing an increase of approximately 18.1% over the corresponding period of the previous year. The increase in the Group's revenue was mainly due to the increase in revenue generated from retail business.

During the Period, revenue from retail sales of mobile phones and pre-paid SIM cards and related services increased approximately 50.8% as compared to the corresponding period of the previous year to approximately HK\$363,498,000 (2016: HK\$240,967,000). This is the major source of revenue of the Group.

The business of mobile phone distribution and provision of related services for the Period decreased approximately 21.7% as compared to the corresponding period of the previous year. It was mainly due to the expiry of a distributor agreement in August 2016.

Revenue from provision of paging and other telecommunication services for the Period dropped approximately 11.3% as compared to the corresponding period of the previous year. This is primarily due to the popularity of various channels of mobile communication, the total number of paging and Mobitex based services subscribers has continued to decrease during the Period.

Revenue from provision of operation services continues its healthy growth and hit a new record of approximately HK\$170,310,000 for the Period, representing an increase of approximately 15.2% 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 is mainly contributed by rental income, bank interest income and consultancy income. Other income was approximately HK\$2,523,000 for the Period (2016: HK\$2,606,000), representing a slight decrease of approximately 3.2% as compared to the corresponding period of the previous year.

Other Operating Expenses

The Group's other operating expenses are mainly consisted of rental and building management fees, information fees in respect of horse racing, football matches and stock market, advertising and promotion expenses, operation fees for paging centre and customer service centre, repair cost for pagers and Mobitex devices, roaming charges, bank charges, audit and professional fees and other office expenses. Other operating expenses for the Period were approximately HK\$97,221,000 (2016: HK\$92,582,000), representing an increase of approximately 5.0% over the corresponding period of the previous year.

Share of Result of an Associate

Share of result of an associate was approximately HK\$10,349,000 for the Period (2016: HK\$16,685,000), representing a decrease of approximately 38.0% as compared to the corresponding period of the previous year. The amount represents the Group's 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 the Period. The finance costs for the Period were approximately HK\$1,600,000 (2016: HK\$1,852,000).

Income Tax Expense

Income tax during the Period was approximately HK\$12,517,000 (2016: HK\$7,841,000), representing an increase of approximately 59.6%.

Profit before Tax

The Group had recorded a profit before tax for the Period of approximately HK\$73,014,000 (2016: HK\$60,006,000), representing an increase of approximately 21.7% as compared to the corresponding period of the previous year. The increase was primarily due to the increase in retail and operation services income.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group had net current liabilities of approximately HK\$56,093,000 (31 March 2017: HK\$34,147,000) and had cash and cash equivalents of approximately HK\$40,380,000 (31 March 2017: HK\$36,706,000).

The Group has a current ratio of approximately 0.8 as at 30 September 2017 comparing to that of approximately 0.8 as at 31 March 2017. As at 30 September 2017, the Group's gearing ratio was approximately 68.2% as compared to approximately 60.1% as at 31 March 2017, which is calculated based on the Group's total borrowings (bank overdrafts, bank borrowings and amounts due to related companies) of approximately HK\$198,348,000 (31 March 2017: HK\$159,463,000) and the Group's total equity of approximately HK\$290,656,000 (31 March 2017: HK\$265,236,000). The Group's total cash at banks as at 30 September 2017 amounted to approximately HK\$44,009,000 (31 March 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 30 September 2017, the Group has the unutilised banking facilities of approximately HK\$373,526,000 available for further drawdown should it have any further capital needs. The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any material contingent liabilities (31 March 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 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 18 to the condensed consolidated financial statements.

SECOND INTERIM DIVIDEND

The second interim dividend of HK\$0.05 per share (2016: HK\$0.05) will be paid on or about 30 November 2017 to shareholders whose names appear on the register of members of the Company on 24 November 2017.

CAPITAL STRUCTURE

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 16 to the condensed consolidated financial statements, there was no change in the capital structure during the Period.

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

MATERIAL ACQUISITION AND DISPOSAL

Except for purchase of properties for commercial use amounted to HK\$55,000,000 (31 March 2017: HK\$38,800,000), the Group did not make any material acquisition or disposal of subsidiaries or significant investments during the Period (31 March 2017: nil).

As at 30 September 2017, the Group's properties in Hong Kong with carrying values of approximately HK\$278,996,000 (31 March 2017: HK\$223,168,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed 551 (31 March 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

Going forward, the Group will continue to strengthen and enhance its retail network, not only in the number of shops, but also the size and location of the shops and customer experience. The Group will look to expand its shops, and relocate some existing shops to strategic locations in order to better capture market demand. On top of improving the physical attributes of retail spaces, the Group will focus on raising quality of service to customers. It will continue to improve the knowledge and service skills of its staff that they may provide quality services to all customers and help to maintain the customer loyalty.

Apart from perfecting its retail network and sales team, the Group is very much alive to the importance of developing its e-commerce platform. It is committed to enhancing access to the platform via the internet, mobile apps and multi-media terminals at its shops, as well as other on-line and off-line networks.

Albeit facing increasingly intense competition, by remaining open to new business possibilities and opportunities, the Group is confident of making solid strides forward in seizing a bigger market share and bolstering brand image, all to the end of achieving long-term growth.

OTHER INFORMATION

SECOND INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares the payment of the second interim dividend of HK\$0.05 per share for the Period. The second interim dividend will be payable in cash to shareholders whose names appear on the register of members of the Company on Friday, 24 November 2017.

The register of members of the Company will be closed from Thursday, 23 November 2017 to Friday, 24 November 2017 (both dates inclusive), for the purpose of determining shareholders' entitlement to the second interim dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the second interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 22 November 2017.

The second interim dividend is expected to be paid on or about Thursday, 30 November 2017.

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

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

SHARE OPTION SCHEME

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

On 6 July 2017, share options to subscribe for a total of 6,300,000 ordinary shares of HK\$0.01 each of the Company were granted under the Share Option Scheme.

As at 30 September 2017, an aggregate of 5,878,000 shares were issuable for the outstanding share options granted under the Share Option Scheme, representing approximately 1.46% of the Company’s shares in issue.

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

Grantees	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2017	Changes during the Period				Balance as at 30 September 2017
					Granted	Exercised	Cancelled	Lapsed	
Eligible employees <i>Note (i)</i>	7 July 2015	HK\$2.22 <i>Note (ii)</i>	7 July 2015 – 6 July 2018 <i>Note (ii)</i>	741,000	–	(282,000) <i>Note (ii)</i>	–	(11,000)	448,000
Eligible employees <i>Note (i)</i>	6 July 2017	HK\$3.05 <i>Note (ii)</i>	6 July 2017 – 5 July 2019 <i>Note (ii)</i>	–	6,300,000 <i>Note (ii)</i>	(370,000) <i>Note (ii)</i>	(410,000) <i>Note (ii)</i>	(90,000)	5,430,000
				741,000	6,300,000	(652,000)	(410,000)	(101,000)	5,878,000

SHARE OPTION SCHEME (continued)

Notes:

- (i) Share options were granted to certain eligible employees (two of them being present Directors), all working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance and are participants with share options not exceeding the respective individual limits. Details of the Company’s share options granted to Directors and the relevant movement(s) during the Period are set out in the section headed “(b) Long position in the share options of the Company” on page 51.
- (ii) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 6 July 2015) was HK\$1.96.
- (iii) All share options granted on 7 July 2015 do not have any vesting period.
- (iv) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$3.45.
- (v) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 5 July 2017) was HK\$3.05.
- (vi) All the share options granted on 6 July 2017 do not have any vesting period.
- (vii) The shares which may be issued upon exercise of the share options by a grantee shall be subject to a non-disposal period of 90 days (including the exercise date) from the relevant exercise date of the share options, during which period the option shares are not allowed to be transferred.
- (viii) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$3.55.
- (ix) The exercise price of the cancelled options was HK\$3.05.

Save as disclosed above, no share option lapsed or was granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 30 September 2017.

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

As at 30 September 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long position in the shares of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue ^{Note A}
Mr. Cheung King Shek	Beneficial owner	20,000,000	4.96%
	Beneficiary of a trust ^{Note B}	220,000,000	54.51%
Mr. Cheung King Shan	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust ^{Note B}	220,000,000	54.51%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,000,000	4.96%
	Beneficiary of a trust ^{Note B}	220,000,000	54.51%
Mr. Cheung King Fung Sunny	Beneficial owner	20,301,000	5.03%
	Beneficiary of a trust ^{Note B}	220,000,000	54.51%

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

(a) Long position in the shares of the Company (continued)

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue <small>Note A</small>
Mr. Wong Wai Man	Beneficial owner	30,000	0.0074%
Ms. Mok Ngan Chu	Beneficial owner	30,000	0.0074%

Note A: The calculation is based on 403,593,000 shares of the Company in issue as at 30 September 2017.

Note B: The 220,000,000 shares representing approximately 54.51% of the Company's shares in issue are held by CKK Investment. CKK Investment is wholly-owned by Amazing Gain Limited ("Amazing Gain"). The sole shareholder of Amazing Gain is Asia Square Holdings Limited, which holds the shares in Amazing Gain as nominee for J. Safra Sarasin Trust Company (Singapore) Limited (trustee of the Cheung Family Trust). The Cheung Family Trust is a discretionary trust, the discretionary objects of which include the Cheung Brothers. Each of the Cheung Brothers is deemed to be interested in the shares in the Company held by the Cheung Family Trust under the SFO.

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

(b) Long position in the share options of the Company

Pursuant to the Share Option Scheme, two Directors were granted share options to subscribe for the shares of the Company, details of which (all being personal interests) as at 30 September 2017 were as follows:

Name of Directors	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2017	Changes during the Period		Balance as at 30 September 2017	Approximate percentage of the Company's shares in issue ^{Note A}
					Granted	Exercised		
Mr. Wong Wai Man	7 July 2015	HK\$2.22	7 July 2015 – 6 July 2018	30,000		(30,000) ^{Note C}	–	–
	6 July 2017	HK\$3.05	6 July 2017 – 5 July 2019	–	30,000	–	30,000	0.0074%
Ms. Mok Ngan Chu	6 July 2017	HK\$3.05	6 July 2017 – 5 July 2019	–	30,000	–	30,000	0.0074%
				30,000	60,000	(30,000)	60,000	0.0148%

Note C: The closing price of the Shares immediately before the date on which the options were exercised was HK\$3.57.

Save as disclosed above, as at 30 September 2017, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the 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 Model Code. All Directors declared that they have complied with the Model Code throughout the Period.

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

As at 30 September 2017, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Long Position

Name of substantial shareholders	Capacity/Nature of interest	Number of issued ordinary shares held	Approximate percentage of the Company's shares in issue ^{Note A}
CKK Investment Limited ^{Note B}	Beneficial owner	220,000,000	54.51%
Amazing Gain Limited ^{Note B}	Interest in a controlled corporation	220,000,000	54.51%
J. Safra Sarasin Trust Company (Singapore) Limited ^{Note B}	Trustee (other than a bare trustee)	220,000,000	54.51%
Ms. Tang Fung Yin Anita ^{Note D}	Interest of spouse	240,500,000	59.59%
Ms. Yeung Ho Ki ^{Note D}	Interest of spouse	240,301,000	59.54%

Note D: Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 240,500,000 shares and 240,301,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at 30 September 2017, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), other than disclosed below, for the period from 1 April 2017 to 9 May 2017, neither Guotai Junan nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules:

- (i) the compliance adviser agreement entered into between the Company and Guotai Junan in May 2014; and
- (ii) the financial adviser agreement in relation to the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange entered into between the Company and Guotai Junan in August 2016. The financial adviser agreement has been completed on 6 July 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 15 of the GEM Listing Rules (for the period from 1 April 2017 to 9 May 2017) and Appendix 14 of the Listing Rules (from 10 May 2017 onwards) throughout the Period except the deviation mentioned in the following paragraph.

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

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B OF THE LISTING RULES

Changes of Directors' information since the Company's last published annual report required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

- On 31 July 2017, discretionary bonuses were paid to the following Directors:

Name of Director	Discretionary bonus
Mr. Wong Wai Man	HK\$36,000
Ms. Mok Ngan Chu	HK\$27,000

Save as disclosed above, the Company is not aware of other changes of the Directors' information which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

REVIEW OF RESULTS

The audit committee of the Company (the "Audit Committee") was established on 20 May 2014 with written terms of reference in compliance with the CG Code. The terms of reference of the 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 Group's unaudited interim results for the Period.

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

Hong Kong, 7 November 2017

As at the date of this report, the executive Directors are Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby, Mr. Cheung King Fung Sunny, Mr. Wong Wai Man and Ms. Mok Ngan Chu and the independent non-executive Directors are Mr. Hui Ying Bun, Mr. Lam Yu Lung and Mr. Lau Hing Wah.