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Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6033)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

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 2019 (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 2019

		Six months ended	
		30 September	
		2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue	4	592,776	619,011
Cost of inventories sold		(327,865)	(338,589)
Staff costs		(109,655)	(95,798)
Depreciation		(49,452)	(15,378)
Other income	6	2,948	2,899
Other operating expenses		(53,616)	(101,551)
Share of results of associates		5,754	7,976
Finance costs	7	(4,343)	(1,985)
Profit before tax		56,547	76,585
Income tax expense	8	(10,753)	(13,390)
Profit for the period		<u>45,794</u>	<u>63,195</u>
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(14)</u>	<u>52</u>
Other comprehensive (expense) income for the period		<u>(14)</u>	<u>52</u>
Total comprehensive income for the period		<u>45,780</u>	<u>63,247</u>

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	<i>HK\$'000</i>
<i>Note</i>	(unaudited)	(unaudited)
Profit (loss) for the period attributable to:		
Owners of the Company	48,109	64,241
Non-controlling interests	(2,315)	(1,046)
	<u>45,794</u>	<u>63,195</u>
Total comprehensive income (expense)		
for the period attributable to:		
Owners of the Company	48,095	64,293
Non-controlling interests	(2,315)	(1,046)
	<u>45,780</u>	<u>63,247</u>
Earnings per share (HK\$)	<i>10</i>	
Basic	0.12	0.16
Diluted	0.12	0.16
	<u>0.12</u>	<u>0.16</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019	31 March 2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	248,245	254,943
Right-of-use assets	<i>12</i>	70,121	–
Investment properties	<i>13</i>	115,768	117,846
Club membership		1,560	1,560
Interests in associates		34,471	40,901
Rental deposits	<i>14</i>	9,455	11,009
Prepayments for purchase of property, plant and equipment		3,133	2,853
		<hr/> 482,753	<hr/> 429,112
Current assets			
Inventories		80,514	99,424
Trade and other receivables	<i>14</i>	52,407	56,071
Amounts due from related companies	<i>20(a)</i>	260	116
Amount due from an associate	<i>20(c)</i>	12,104	24,865
Pledged bank deposits		5,077	5,071
Bank balances and cash		57,163	44,086
		<hr/> 207,525	<hr/> 229,633

		30 September	31 March
		2019	2019
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Current liabilities			
Trade and other payables	<i>15</i>	63,763	73,102
Contract liabilities		9,801	12,468
Amounts due to related companies	<i>20(a)</i>	211	339
Lease liabilities		46,435	–
Bank overdrafts	<i>16</i>	15	–
Bank borrowings	<i>16</i>	178,594	207,598
Tax payables		16,165	11,072
		314,984	304,579
Net current liabilities		(107,459)	(74,946)
Total assets less current liabilities		375,294	354,166
Non-current liabilities			
Long service payment obligations		1,634	1,179
Lease liabilities		25,411	–
Deferred tax liabilities		1,258	1,618
		28,303	2,797
Net assets		346,991	351,369
Capital and reserves			
Share capital	<i>17</i>	4,039	4,039
Reserves		348,552	350,614
Equity attributable to owners of the Company		352,591	354,653
Non-controlling interests		(5,600)	(3,284)
Total equity		346,991	351,369

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Other reserve	Share option reserve	Exchange reserve	Legal reserve	Retained profits			Sub-total
	HK\$'000	HK\$'000	HK\$'000 <i>Note (a)</i>	HK\$'000	HK\$'000	HK\$'000 <i>Note (b)</i>	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2018 (audited)	4,038	98,050	5,404	3,353	(233)	91	208,551	319,254	(542)	318,712
Profit (loss) for the period	-	-	-	-	-	-	64,241	64,241	(1,046)	63,195
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	-	-	-	-	52	-	-	52	-	52
Total comprehensive income (expense) for the period	-	-	-	-	52	-	64,241	64,293	(1,046)	63,247
Effect of share options										
– shares issue upon exercise	1	145	-	(30)	-	-	-	116	-	116
– lapse	-	-	-	(372)	-	-	372	-	-	-
Dividends <i>Note 9</i>	-	-	-	-	-	-	(48,450)	(48,450)	-	(48,450)
At 30 September 2018 (unaudited)	4,039	98,195	5,404	2,951	(181)	91	224,714	335,213	(1,588)	333,625
At 1 April 2019 (audited)	4,039	98,195	5,404	2,881	(222)	91	244,265	354,653	(3,284)	351,369
Impact on initial application of HKFRS 16	-	-	-	-	-	-	(1,703)	(1,703)	-	(1,703)
At 1 April 2019 (restated) (unaudited)	4,039	98,195	5,404	2,881	(222)	91	242,562	352,950	(3,284)	349,666
Profit (loss) for the period	-	-	-	-	-	-	48,109	48,109	(2,315)	45,794
Other comprehensive expense:										
Exchange differences arising on translation of foreign operations	-	-	-	-	(14)	-	-	(14)	-	(14)
Total comprehensive income (expense) for the period	-	-	-	-	(14)	-	48,109	48,095	(2,315)	45,780
Deregistration of a subsidiary	-	-	-	-	-	-	(4)	(4)	(1)	(5)
Effect of share options										
– lapse	-	-	-	(2,881)	-	-	2,881	-	-	-
Dividends <i>Note 9</i>	-	-	-	-	-	-	(48,450)	(48,450)	-	(48,450)
At 30 September 2019 (unaudited)	<u>4,039</u>	<u>98,195</u>	<u>5,404</u>	<u>-</u>	<u>(236)</u>	<u>91</u>	<u>245,098</u>	<u>352,591</u>	<u>(5,600)</u>	<u>346,991</u>

Notes:

- 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.
- 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 subsidiary's registered capital. Legal reserve is not distributable to shareholders.

As stipulated by regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax profit (after offsetting any losses of prior years) as determined in accordance with the applicable laws and regulations in the PRC, to statutory reserve until the reserve balance reaches 50% of the registered capital of the relevant subsidiaries. The transfer to this reserve must be made before distribution of a dividend to equity owners of the company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	123,163	84,158
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,371)	(36,128)
Investment in an associate	–	(160)
Loan to an associate	–	(3,040)
Prepayments for purchases of property, plant and equipment	(703)	(10,427)
Placement of pledged bank deposits	(6)	–
Dividend received from an associate	12,292	10,358
Proceeds from disposal of property, plant and equipment	388	40
Bank interest received	101	119
Repayment from related companies	–	27
NET CASH FROM (USED IN) INVESTING ACTIVITIES	5,701	(39,211)

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Bank borrowings raised	285,663	305,510
Advance from related companies	–	307
Repayments of bank borrowings	(314,667)	(267,047)
Repayments of lease liabilities	(35,400)	–
Proceeds from the exercise of share options	–	116
Interest paid	(2,939)	(1,985)
Dividend paid	(48,450)	(48,450)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(115,793)	(11,549)
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,071	33,398
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 1 APRIL	44,086	41,273
	<hr/>	<hr/>
Effect of foreign exchange rate changes, net	(9)	52
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER,		
represented by	57,148	74,723
	<hr/>	<hr/>
Bank balances and cash	57,163	74,723
Bank overdrafts	(15)	–
	<hr/>	<hr/>
	57,148	74,723
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 May 2017. 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 directors of the Company (the “Directors”) consider the immediate holding company and ultimate holding company are CKK Investment Limited (“CKK Investment”) and Amazing Gain Limited (“Amazing Gain”) respectively, which are incorporated in the British Virgin Islands (the “BVI”).

The Company is principally engaged in investment holding and the principal activities of its principal subsidiaries are engaged in retail business in sales of mobile phones and other consumer goods and related services, distribution business in mobile phones, provision of paging and other telecommunications services and provision of operation services.

The functional currency of the Company is Hong Kong dollars (“HK\$”) while the functional currencies for certain subsidiaries established in the PRC and Macau are Renminbi and Macau Patacas, respectively. 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.

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 applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Group had net current liabilities of HK\$107,459,000 as at 30 September 2019. The condensed consolidated financial statements have been prepared by the Directors on a going concern basis since the following:

- (i) the unutilised banking facilities readily available to the Group amounted to HK\$305,666,000 as at 30 September 2019;
- (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 HK\$60,301,000. All of them are secured by the Group's certain leasehold land and buildings and investment properties with carrying amounts of HK\$141,446,000 and HK\$115,707,000 respectively as at 30 September 2019. The Directors are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low provided that the Group did not breach covenants imposed by the banks; and
- (iii) the Group is expected to generate adequate cash flows to maintain its operations.

Accordingly, the Directors 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 costs basis and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, the accounting policies and methods 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 2019.

Application of new and amendments to HKFRSs and an interpretation

During the Period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the Period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) HK\$'000 (unaudited)
Assets	
Increase in right-of-use assets	87,314
Increase in interests in associates	<u>108</u>
Increase in total assets	<u>87,422</u>
Liabilities	
Increase in lease liabilities – current	56,189
Increase in lease liabilities – non-current	<u>32,936</u>
Increase in total liabilities	<u>89,125</u>
Decrease in retained profits	<u><u>(1,703)</u></u>

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	<i>HK\$'000</i> (unaudited)
Operating lease commitments disclosed as at 31 March 2019	92,394
<i>Less:</i> Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	<u>(3,055)</u>
	89,339
Discounting using the incremental borrowing rate as at 1 April 2019	<u>(214)</u>
Lease liabilities as at 1 April 2019	<u><u>89,125</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the consolidated financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise any option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise any option to renew.

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the Period are as follows:

	Right-of-use assets	Lease liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2019	87,314	89,125
Additions	16,717	16,717
Depreciation	(33,910)	–
Interest expense	–	1,404
Payments	–	(35,400)
	<hr/>	<hr/>
As at 30 September 2019	<u>70,121</u>	<u>71,846</u>

The Group recognised rental expenses from short-term leases of HK\$12,966,000 for the Period.

4. REVENUE

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

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Disaggregation by major sales channels or service lines		
– Sales of goods		
Retail business	372,963	377,789
Distribution business	15,468	19,698
– Service rendered		
Paging and other telecommunications services	23,540	30,881
Operation services	180,805	190,643
	<u>592,776</u>	<u>619,011</u>
Disaggregation of revenue by timing of recognition		
– At a point in time	381,820	393,286
– Overtime	210,956	225,725
	<u>592,776</u>	<u>619,011</u>

5. SEGMENT INFORMATION

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

Retail business	–	Sales of mobile phones and other consumer goods and related services
Distribution business	–	Distribution of mobile phones and related services
Paging and other telecommunications services	–	Provision of paging services and two-way wireless data services
Operation services	–	Provision of operation services

Segment revenues and results

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

For the six months ended 30 September 2019

	Retail business <i>HK\$'000</i> (unaudited)	Distribution business <i>HK\$'000</i> (unaudited)	Paging and other tele- communications services <i>HK\$'000</i> (unaudited)	Operation services <i>HK\$'000</i> (unaudited)	Elimination <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue						
External sales	372,963	15,468	23,540	180,805	–	592,776
Inter-segment sales	180	194,561	161	–	(194,902)	–
Segment revenue	373,143	210,029	23,701	180,805	(194,902)	592,776
Segment results	43,025	(4,023)	2,174	17,943		59,119
Bank interest income						101
Finance costs						(4,343)
Gain on deregistration of a subsidiary						5
Share of results of associates						5,754
Corporate expenses						(4,089)
Profit before tax						56,547

For the six months ended 30 September 2018

	Retail business <i>HK\$'000</i> (unaudited)	Distribution business <i>HK\$'000</i> (unaudited)	Paging and other tele- communications services <i>HK\$'000</i> (unaudited)	Operation services <i>HK\$'000</i> (unaudited)	Elimination <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue						
External sales	377,789	19,698	30,881	190,643	–	619,011
Inter-segment sales	180	270,360	–	–	(270,540)	–
Segment revenue	<u>377,969</u>	<u>290,058</u>	<u>30,881</u>	<u>190,643</u>	<u>(270,540)</u>	<u>619,011</u>
Segment results	<u>24,895</u>	<u>3,197</u>	<u>1,582</u>	<u>46,447</u>		76,121
Bank interest income						119
Finance costs						(1,985)
Share of result of associates						7,976
Corporate expenses						(5,646)
Profit before tax						<u>76,585</u>

Geographical information

During the Period, the Group's operations were located in Hong Kong, the PRC 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 2018.

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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Customer I (<i>Note</i>)	<u>180,442</u>	<u>190,580</u>

Note: Revenue from operation services.

6. OTHER INCOME

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	101	119
Consultancy income	175	150
Rental and sub-letting income (<i>Note i</i>)	1,843	1,890
Handling income	336	417
Gain on deregistration of a subsidiary (<i>Note ii</i>)	5	–
Others	488	323
	<u>2,948</u>	<u>2,899</u>

Notes:

- (i) Included in rental and sub-letting income was HK\$1,590,000 (2018: HK\$1,229,000) arising from the operating leases of investment properties of the Group in which direct operating expenses of HK\$268,000 (2018: HK\$186,000) were incurred during the Period.
- (ii) During the Period, the Group deregistered a subsidiary, F1 Global Limited. A gain in connection with the deregistration of HK\$5,000 was recognised in profit or loss.

7. FINANCE COSTS

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on bank borrowings and bank overdrafts	2,939	1,985
Interest expense on lease liabilities	1,404	–
	<u>4,343</u>	<u>1,985</u>

8. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
– current period	11,288	13,480
– over-provision in prior periods	(201)	–
	<u>11,087</u>	<u>13,480</u>
PRC Enterprise Income Tax		
– current period	26	–
Deferred tax		
– current period	(360)	(90)
	<u>10,753</u>	<u>13,390</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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

During the Period, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Other than the qualifying corporations, Hong Kong Profits Tax was calculated at flat rate of 16.5% of the estimated assessable profits for the Period and corresponding period in 2018.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Period (2018: nil).

Pursuant to circular issued by Ministry of Finance and National Tax Bureau, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2021 (50% exemption of taxable income and application of income tax rate as 20% from 1 January 2018 to 31 December 2018). The Group's PRC subsidiaries were qualified during the Period.

During the Period, no Macau Complementary Income Tax has been provided as there were no assessable profits generated. No provision for Macau Complementary Income Tax had been provided for the corresponding period in 2018 since the assessable profits were exempted from Macau Complementary Income Tax.

9. DIVIDENDS

	Six months ended 30 September			
	2019		2018	
	HK\$	HK\$'000	HK\$	HK\$'000
	per share	(unaudited)	per share	(unaudited)
Dividends recognised as				
distribution during the periods:				
2017/18 fourth interim dividend	–	–	0.06	24,225
2018/19 first interim dividend	–	–	0.06	24,225
2018/19 fourth interim dividend	0.06	24,225	–	–
2019/20 first interim dividend	0.06	24,225	–	–
		<u>48,450</u>		<u>48,450</u>

At a meeting held on 21 November 2019, the Board declared the second interim dividend of HK\$0.03 per share for the Period (2018: HK\$0.06 per share).

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>48,109</u>	<u>64,241</u>

	Six months ended 30 September	
	2019	2018
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	403,753	403,734
Effect of dilutive potential ordinary shares:		
– share options	<u>–</u>	<u>34</u>

Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>403,753</u>	<u>403,768</u>
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11. PROPERTY, PLANT AND EQUIPMENT

The Group paid HK\$6,371,000 on acquisition of property, plant and equipment during the Period (2018: HK\$36,128,000). Items of property, plant and equipment with a carrying amount of HK\$28,000 (2018: HK\$1,283,000) were written off during the Period.

During the Period, the Group disposed of certain property, plant and equipment with nil carrying amount (2018: nil) at a consideration of HK\$388,000 (2018: HK\$40,000).

12. RIGHT-OF-USE ASSETS

As disclosed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the carrying amount of the Group's right-of-use assets by class of underlying asset are set out in note 3.

During the Period, the Group entered into a number of lease agreements for use of shops and therefore recognised the additions to right-of-use assets of HK\$16,717,000.

13. INVESTMENT PROPERTIES

The Group has no acquisition of an investment property during the Period (2018: nil).

14. TRADE AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Trade receivables	4,840	4,230
Other receivables (<i>Note</i>)	14,897	22,637
Rental deposits	27,783	27,060
Utility and other deposits	5,137	5,177
Prepayments to suppliers	2,037	2,355
Other prepayments	7,168	5,621
	61,862	67,080
<i>Less:</i> Rental deposits classified as non-current assets	(9,455)	(11,009)
Current portion included in trade and other receivables	52,407	56,071

Note: The amounts comprised credit card receivables from financial institutions and rebate receivables from suppliers which are expected to be recovered within one year from the end of reporting period.

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 7 days to 30 days to its trade customers (31 March 2019: 7 days to 30 days).

The following is an ageing analysis of trade receivables presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition date:

	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 90 days	4,057	3,295
91-180 days	268	652
181-365 days	404	105
Over 365 days	111	178
	<hr/>	<hr/>
	4,840	4,230
	<hr/> <hr/>	<hr/> <hr/>

15. TRADE AND OTHER PAYABLES

	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade payables	38,819	46,059
Accrued expenses and other payables	24,944	27,043
	<hr/>	<hr/>
	63,763	73,102
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on trade payables is 30 days (31 March 2019: 30 days). The Group has financial risk management policies to ensure that all payables are settled within credit time-frame.

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

	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 60 days	35,596	42,852
61-90 days	79	–
Over 90 days	3,144	3,207
	<u>38,819</u>	<u>46,059</u>

16. 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% (2018: 1-month HIBOR plus 1.25%) per annum.

Bank borrowings

	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Variable rate bank borrowings:		
– Mortgage loans	64,260	66,188
– Others	4,000	16,000
Variable rate trust receipt borrowings	110,334	125,410
	<u>178,594</u>	<u>207,598</u>
Secured	80,534	105,258
Unsecured	98,060	102,340
	<u>178,594</u>	<u>207,598</u>

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

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within one year	118,293	145,324
After one year but within two years	3,205	4,012
After two years but within five years	19,146	12,626
After five years	37,950	45,636
	<u>178,594</u>	<u>207,598</u>
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	118,293	145,324
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)	60,301	62,274
	<u>178,594</u>	<u>207,598</u>

- (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 2019 (unaudited)	30 September 2018 (unaudited)
Variable rate bank borrowings	<u>2.73%-4.48%</u>	<u>1.98%-3.62%</u>

- (b) The bank borrowings are all denominated in HK\$.
- (c) As at 30 September 2019, secured bank borrowings of HK\$80,534,000 (31 March 2019: HK\$105,258,000) were secured by leasehold land and buildings included in property, plant and equipment and investment properties with carrying amounts of HK\$141,446,000 (31 March 2019: HK\$146,151,000) and HK\$115,707,000 (31 March 2019: HK\$117,846,000) respectively.

17. SHARE CAPITAL

	30 September 2019		31 March 2019	
	Number of shares '000 (unaudited)	Share capital HK\$'000 (unaudited)	Number of shares '000 (audited)	Share capital HK\$'000 (audited)
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	403,753	4,039	403,701	4,038
Issue of shares upon:				
Exercise of share options (<i>Note</i>)	—	—	52	1
At the end of the period/year	403,753	4,039	403,753	4,039

Note: 52,000 share options were exercised during the year ended 31 March 2019 and resulted in issue of 52,000 ordinary shares of the Company and increased in share capital of HK\$1,000.

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

18. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 September 2019, the Group is committed to HK\$2,783,000 for short-term leases.

The Group leases certain of its office premises, transmission stations and service outlets under operating lease arrangements. Leases are negotiated for a term of one year with fixed rentals as at the end of the reporting period (31 March 2019: one to five years).

The Group as lessor

Rental and sub-letting income earned during the Period was HK\$1,843,000 (2018: HK\$1,890,000). The office premises, transmission stations, warehouse and service outlets are rented and sub-let to third parties under operating leases with leases negotiated for a term of one to two years as at 30 September 2019 (31 March 2019: one to two years).

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

	30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)
Within one year	1,999	2,976
In the second to fifth year, inclusive	—	823
	<u>1,999</u>	<u>3,799</u>

19. CAPITAL COMMITMENTS

	30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>1,179</u>	<u>226</u>

20. 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	
			2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Related companies				
Chief Link limited (“Chief Link”)	Purchases of good therefrom	(i) & (iii)	731	–
Glossy Enterprises Limited (“GEL”)	Rental expenses paid thereto	(ii) & (iii)	2,652	2,659
Glossy Investment Limited (“GIL”)	Rental expenses paid thereto	(ii) & (iii)	408	383
H.K. Magnetronic Company Limited	Rental expenses paid thereto	(ii) & (iii)	114	60
Marina Trading Inc.	Rental expenses paid thereto	(ii) & (iii)	600	–
Silicon Creation Limited (“SCL”)	Rental expenses paid thereto	(ii) & (iii)	3,287	3,071
	Repair service fee paid thereto	(i) & (iii)	360	360
Telecom Digital Securities Limited (“TD Securities”)	Subscription fee income received therefrom	(i) & (iii)	558	637
	Consultancy fee income received therefrom	(i) & (iii)	150	150
	Technical support service income received therefrom	(i) & (iii)	60	60
Telecom Properties Investment Limited	Rental expenses paid thereto	(ii) & (iii)	1,086	1,017
Telecom Service Limited (“TSL”)	Rental expenses paid thereto	(ii) & (iii)	586	543
Telecom Service One Limited (“TSO”)	Repairs and maintenance fees paid thereto	(i) & (iii)	1,051	2,030
	Consignment fees received therefrom	(i) & (iii)	262	470
	Logistic fee income received therefrom	(i) & (iii)	475	335
TD King Capital Limited (“TD King”)	Sales of goods thereto	(i) & (iii)	175	–
An associate				
Sun Mobile Limited	Service fee income received therefrom	(i)	<u>220,289</u>	<u>190,580</u>

Details of amounts due from related companies are as follows:

	<i>Notes</i>	Maximum amount outstanding during the period/year ended			
		30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)	30 September 2019 <i>HK\$'000</i> (unaudited)	31 March 2019 <i>HK\$'000</i> (audited)
Chief Link	<i>(iii) & (iv)</i>	54	5	54	22
GIL	<i>(iii) & (iv)</i>	6	–	6	–
TD Securities	<i>(iii) & (iv)</i>	25	111	111	163
Telecom Paging Limited	<i>(iii) & (iv)</i>	–	–	–	2
TD King	<i>(iii) & (iv)</i>	175	–	175	–
		260	116		

Details of amounts due to related companies are as follows:

	<i>Notes</i>	30 September 2019 <i>HK\$'000</i> (unaudited)		31 March 2019 <i>HK\$'000</i> (audited)	
		2019 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (audited)	2019 <i>HK\$'000</i> (audited)
GEL	<i>(iii) & (iv)</i>	–	–	15	–
SCL	<i>(iii) & (iv)</i>	51	–	–	–
TSL	<i>(iii) & (iv)</i>	2	–	–	–
TSO	<i>(iii) & (iv)</i>	158	–	324	–
		211	–	339	–

Notes:

- (i) These transactions were carried out at terms determined and agreed by the Group and the relevant parties.
 - (ii) The sub-letting income and rental expenses were charged on a monthly fixed amount mutually agreed by the Group and the relevant 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”), the directors of the Company, have direct or indirect beneficial interests in, and control over, the relevant parties.
 - (iv) The amounts are unsecured, interest-free and repayable on demand.
- (b) The loan to an associate is unsecured, interest-free and has no fixed term of repayment. As at 31 March 2019, a full impairment loss on loan to an associate of HK\$3,040,000 was recognised.
- (c) The amount due from an associate is trade in nature, unsecured, interest-free with 7 days (31 March 2019: 7 days) credit term and aged within 30 days (31 March 2019: 30 days). The amount is neither past due nor impaired as at 30 September 2019 and 31 March 2019.
- (d) **Compensation of key management personnel**

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	6,462	6,546
Post-employment benefits	152	152
	<u>6,614</u>	<u>6,698</u>

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

21. SHARE OPTION SCHEME

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

The total number of shares in respect of which options may be granted under the 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 Board, 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 3rd anniversary of the date of grant.

During the Period, a total of 4,820,000 share options granted on 6 July 2017 have been lapsed on 6 July 2019 upon the expiry of option period.

As at 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 4,850,000 shares (30 September 2019: nil), representing 1.20% (30 September 2019: nil) of the total number of shares of the Company in issue at that date.

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

For the six months ended 30 September 2019

	Date of grant	Exercisable period	Exercise price	Number of share options				Outstanding at 30 September 2019
				Outstanding at 1 April 2019	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Directors	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	60,000	-	-	(60,000)	-
Employees	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	4,790,000	-	-	(4,790,000)	-
Total				<u>4,850,000</u>	<u>-</u>	<u>-</u>	<u>(4,850,000)</u>	<u>-</u>
Exercisable at the end of the period								<u>N/A</u>
Weighted average exercise price				<u>HK\$3.05</u>	<u>N/A</u>	<u>N/A</u>	<u>HK\$3.05</u>	<u>N/A</u>

For the six months ended 30 September 2018

	Date of grant	Exercisable period	Exercise price	Number of share options				Outstanding at 30 September 2018
				Outstanding at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	60,000	–	–	–	60,000
Employees	7 July 2015	7 July 2015 – 6 July 2018	HK\$2.22	412,000	–	(52,000)	(360,000)	–
Employees	6 July 2017	6 July 2017 – 5 July 2019	HK\$3.05	5,190,000	–	–	(280,000)	4,910,000
Total				5,662,000	–	(52,000)	(640,000)	4,970,000
Exercisable at the end of the period								4,970,000
Weighted average exercise price				HK\$2.99	N/A	HK\$2.22	HK\$2.58	HK\$3.05

In respect of the share options exercised during the six months ended 30 September 2018, the weighted average share price before the dates of exercise is HK\$2.70 (six months ended 30 September 2019: nil).

No share option was granted during the six months ended 30 September 2019 and 2018.

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

	Options granted on 6 July 2017
Underlying stock price	HK\$3.05
Exercise price	HK\$3.05
Contractual Option Life	2 years
Risk-free rate	0.91%
Expected dividend yield	4.43%
Expected volatility of underlying share	44.52%
Exercise multiple	Directors: 1.47 Employees: 1.62
Exit rate	Directors: 0% Employees: 10.4%
Estimated fair value for each share option	Directors: HK\$0.60 Employees: HK\$0.59

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is primarily involved in four business activities: retail sales of mobile phones and other consumer goods and related services; distribution of mobile phones and related services; and the provision of paging and other telecommunications services. In addition, the Group provides operation services to its associate, Sun Mobile Limited (“SUN Mobile”), which it holds 40% interest in, the balance of which is held by HKT Limited.

During the six months ended 30 September 2019, the Group recorded revenue of approximately HK\$592.78 million (2018: HK\$619.01 million) and net profit of approximately HK\$48.11 million (2018: HK\$64.24 million). The metrics reflect the generally poor economic conditions in Hong Kong, as the city faced unprecedented challenges during the Period under review. Under such tumultuous times, the Group has erred on the side of caution, electing to maintain the present scope of business operations.

During the Period under review, the Group’s retail business continued to perform in a stable manner and remained its principal source of revenue. The Group is operating a total of 79 shops as at the date of this announcement, an increase of 3 shops over the corresponding period of the previous year. As in the past, the Group has continued with its strategy of either opening or relocating shops to locations that are easily accessible to target customers. Shops are also designed to appeal to new customers, as well as to enhance the shopping experience in general. To deliver omni-channel retail experiences, the Group has been operating the Mango Mall online shop since October 2018. The e-commerce platform has enabled it to offer value-added services to customers, which in turn has encouraged greater loyalty. The combination of all of the devoted efforts have allowed the retail business to generate revenue of approximately HK\$372.96 million (2018: HK\$377.79 million), thus account for approximately 62.9% (2018: 61.0%) of the Group’s total revenue.

With regard to the operation services business, the segment contributed approximately HK\$180.81 million (2018: HK\$190.64 million) in revenue to the Group during the Period under review and accounted for approximately 30.5% (2018: 30.8%) of the Group’s total revenue. The modest decline in revenue was mainly attributable to keen competition of telecommunication market.

In respect of the distribution of mobile phones and related services business, the revenue remain stable at approximately HK\$15.47 million (2018: HK\$19.70 million). As for the paging and other telecommunications services business, the Group has been steadily scaling down operations given that customers have been migrating to mobile communications devices and the internet over the past several years.

FINANCIAL REVIEW

Segment Analysis

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Retail business	372,963	377,789
Distribution business	15,468	19,698
Paging and other telecommunications services	23,540	30,881
Operating services	180,805	190,643
	<hr/>	<hr/>
Total revenue	<u>592,776</u>	<u>619,011</u>

Revenue

The Group's revenue for the Period was approximately HK\$592.78 million (2018: HK\$619.01 million), representing a decrease of approximately 4.2% over the corresponding period of the previous year.

During the Period, revenue from retail sales of mobile phones and other consumer goods and related services slightly decreased approximately 1.3% as compared to the corresponding period of the previous year to approximately HK\$372.96 million (2018: HK\$377.79 million). 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 21.5% as compared to the corresponding period of the previous year. It was mainly due to fierce competition.

Revenue from provision of paging and other telecommunication services for the Period dropped approximately 23.8% as compared to the corresponding period of the previous year. This was primarily due to the popularity of various channels of mobile communication, the total number of paging and Mobitex based services subscribers has continued to decrease during the Period.

Revenue from provision of operation services was approximately HK\$180.81 million for the Period, representing a decrease of approximately 5.2% as compared to the corresponding period of the previous year. The decrease was mainly due to keen competition of mobile service operators.

Other Income

Other income is mainly contributed by rental and sub-letting income, bank interest income, handling income and consultancy income. There was no significant change in other income between the two periods. Other income was approximately HK\$2.95 million for the Period (2018: HK\$2.90 million).

Other Operating Expenses

The Group's other operating expenses are mainly consisted of 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 costs 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\$53.62 million (2018: HK\$101.55 million). The substantial decrease was mainly due to the impacts arising from the adoption of HKFRS 16 from 1 April 2019.

Share of Results of Associates

Share of results of associates was approximately HK\$5.75 million for the Period (2018: HK\$7.98 million), representing a decrease of approximately 27.9% 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 decrease in revenue 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\$4.34 million (2018: HK\$1.99 million). The increase was mainly due to the impacts arising from the adoption of HKFRS 16 from 1 April 2019.

Income Tax Expense

Income tax during the Period was approximately HK\$10.75 million (2018: HK\$13.39 million), representing a decrease of approximately 19.7%. The decrease was mainly due to the decrease in profit.

Profit for the Period Attributable to the Owners of the Company

Profit attributable to the owners of the Company for the period ended 30 September 2019 was approximately HK\$48.11 million (2018: HK\$64.24 million), representing a decrease of approximately 25.1% as compared to the corresponding period of the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had net current liabilities of approximately HK\$107.46 million (31 March 2019: HK\$74.95 million) and had cash and cash equivalents of approximately HK\$57.15 million (31 March 2019: HK\$44.09 million).

The Group has a current ratio of approximately 0.66 as at 30 September 2019 comparing to that of approximately 0.75 as at 31 March 2019. As at 30 September 2019, the Group's gearing ratio was approximately 51.5% as compared to approximately 59.2% as at 31 March 2019, which is calculated based on the Group's total borrowings (bank overdrafts, bank borrowings and amounts due to related companies) of approximately HK\$178.82 million (31 March 2019: HK\$207.94 million) and the Group's total equity of approximately HK\$346.99 million (31 March 2019: HK\$351.37 million). The Group's total cash at banks as at 30 September 2019 amounted to approximately HK\$62.24 million (31 March 2019: HK\$49.16 million) including of pledged bank deposits of approximately HK\$5.08 million (31 March 2019: HK\$5.07 million).

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 2019, the Group has the unutilised banking facilities of approximately HK\$305.67 million 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 2019, the Group did not have any material contingent liabilities (31 March 2019: nil).

FOREIGN CURRENCY RISK

The majority of the Group's business are in Hong Kong and are denominated in Hong Kong dollars, Renminbi 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 19 to the condensed consolidated financial statements.

SECOND INTERIM DIVIDEND

The second interim dividend of HK\$0.03 per share (2018: HK\$0.06 per share) will be paid on or about 16 December 2019 to shareholders whose names appear on the register of members of the Company on 9 December 2019.

CAPITAL STRUCTURE

Except for the issue of new shares upon the exercise of certain share options as disclosed in note 17 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\$77.0 million (30 September 2019: nil), the Group did not make any material acquisition or disposal of subsidiaries or significant investments during the year ended 31 March 2019 (30 September 2019: nil).

As at 30 September 2019, the Group's properties in Hong Kong with carrying values of approximately HK\$327.69 million (31 March 2019: HK\$335.74 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed 671 (31 March 2019: 556) 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

Despite the challenging economic and social conditions in Hong Kong, the Group will persist in efforts to bolster its retail network, this is consistent with its fundamental goal of continuous retail business development. Such development will also entail the delivery of higher quality services and enthralling customer experiences that are the foundation for building loyalty.

Towards achieving the aforementioned objective of network expansion, the Group will thoroughly examine locations across Hong Kong, placing customer convenience at the top of the agenda. At the same time, the Group will seek more spacious surroundings so that customers enjoy an increase sense of wellbeing. In order to continuously improve and enhance service quality, ongoing training will keep to be provided for frontline staff so that they are kept abreast of the latest technologies, and can professionally and effectively relay such knowledge to customers.

As the best means of overcoming difficulties is through careful planning and the reinforcement of existing attributes – underpinned by steely determination, the Group will ensure such efforts are made while directing energies particularly towards developing its core operations. In this way, the Group will not only persevere, but also be prepared to leverage opportunities as conditions improve.

OTHER INFORMATION

SECOND INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares the payment of the second interim dividend of HK\$0.03 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 Monday, 9 December 2019.

The register of members of the Company will be closed from Friday, 6 December 2019 to Monday, 9 December 2019 (both days 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 Thursday, 5 December 2019.

The second interim dividend is expected to be paid on or about Monday, 16 December 2019.

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 of the Company.

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. The shares which may be issued upon exercise of such 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.

On 6 July 2019, outstanding share options to subscribe for a total of 4,820,000 ordinary shares of HK\$0.01 each of the Company under the Share Option Scheme have been lapsed due to expiry of option period, representing approximately 1.19% of the Company's shares in issue.

As at 30 September 2019, the Company has no share option granted and remained outstanding under the Share Option Scheme.

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	Changes during the Period		Balance
				as at 1 April 2019	Exercised	Lapsed	as at 30 September 2019
Eligible employees ^{Note (i)}	6 July 2017	HK\$3.05 ^{Note (ii)}	6 July 2017 – 5 July 2019 ^{Note (iii)}	4,850,000	–	(4,850,000) ^{Note (iv)}	–

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 “(c) Long position in the share options of the Company” on page 47.
- (ii) 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.
- (iii) All the share options granted on 6 July 2017 do not have any vesting period.
- (iv) An aggregate lapsed share options included the outstanding share options to subscribe for 4,820,000 ordinary shares under the Share Option Scheme that have been lapsed due to expiry of option period on 6 July 2019.

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 2019.

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

As at 30 September 2019, 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	20,500,000	5.08%
	Beneficiary of a trust ^{Note B}	220,000,000	54.49%
Mr. Cheung King Shan	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust ^{Note B}	220,000,000	54.49%
Mr. Cheung King Chuen Bobby	Beneficial owner	20,500,000	5.08%
	Beneficiary of a trust ^{Note B}	220,000,000	54.49%
Mr. Cheung King Fung Sunny	Beneficial owner	20,401,000	5.05%
	Beneficiary of a trust ^{Note B}	220,000,000	54.49%
Mr. Wong Wai Man	Beneficial owner	30,000	0.0074%
Ms. Mok Ngan Chu	Beneficial owner	30,000	0.0074%

(b) Long position in the shares of associated corporations

Amazing Gain is one of the controlling shareholders of the Company and the holding company of the Company. The companies listed in the table below (apart from Amazing Gain) are subsidiaries of Amazing Gain. Hence, Amazing Gain and the rest of the companies listed in the table below are associated corporations of the Company under the SFO. Each of the Cheung Brothers is deemed to have interests in the said associated corporations under the SFO.

Name of associated corporations	Capacity	Number of shares/ Amount of share capital	Approximate percentage of interests
Amazing Gain Limited	Beneficiary of a trust <i>Note B</i>	100	100%
CKK Investment Limited	Beneficiary of a trust <i>Note B</i>	1	100%
Pin International Holdings Limited	Beneficiary of a trust <i>Note B</i>	12	100%

Note A: The calculation is based on 403,753,000 shares of the Company in issue as at 30 September 2019.

Note B: The 220,000,000 shares representing approximately 54.49% of the Company's shares in issue are held by CKK Investment. CKK Investment is wholly-owned by 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 and the associated corporations held by the Cheung Family Trust under the SFO.

(c) **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 2019 were as follows:

Name of Directors	Date of grant	Exercise price	Exercise period	Balance	Changes during the Period		Balance	Approximate percentage of the Company's shares in issue ^{Note A}
				as at 1 April 2019	Exercised	Lapsed	as at 30 September 2019	
Mr. Wong Wai Man	6 July 2017	HK\$3.05 ^{Note (ii)}	6 July 2017 – 5 July 2019 ^{Note (iii)}	30,000	–	30,000 ^{Note (v)}	–	–
Ms. Mok Ngan Chu	6 July 2017	HK\$3.05 ^{Note (ii)}	6 July 2017 – 5 July 2019 ^{Note (iii)}	30,000	–	30,000 ^{Note (v)}	–	–
				<u>60,000</u>	<u>–</u>	<u>60,000</u>	<u>–</u>	<u>–</u>

Note:

(v) the share options have been lapsed on 6 July 2019 due to expiry of option period.

Save as disclosed above, as at 30 September 2019, 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).

MODEL CODE FOR 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 2019, 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	54.49%
Amazing Gain Limited ^{Note B}	Interest in a controlled corporation	220,000,000	54.49%
J. Safra Sarasin Trust Company (Singapore) Limited ^{Note B}	Trustee (other than a bare trustee)	220,000,000	54.49%
Ms. Tang Fung Yin Anita ^{Note C}	Interest of spouse	240,500,000	59.57%
Ms. Yeung Ho Ki ^{Note C}	Interest of spouse	240,401,000	59.54%

Note C: Ms. Tang Fung Yin Anita is the wife of Mr. Cheung King Shan. Ms. Yeung Ho Ki is the wife of Mr. Cheung King Fung Sunny. Pursuant to Part XV of the SFO, each of Ms. Tang Fung Yin Anita and Ms. Yeung Ho Ki is deemed to be interested in 240,500,000 shares and 240,401,000 shares of the Company respectively in which their respective husbands are interested.

Save as disclosed above, as at 30 September 2019, 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.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Listing Rules throughout the Period except the deviation mentioned in the following paragraph.

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

UPDATE ON DIRECTORS’ INFORMATION UNDER RULE 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 2019, discretionary bonuses were paid to the following Directors:

Name of Director	Discretionary bonus
Mr. Wong Wai Man	HK\$38,900
Ms. Mok Ngan Chu	HK\$45,000

- Mr. Hui Ying Bun resigned as an independent non-executive director, chairman of nomination committee, member of each of audit committee and remuneration committee of the Company with effect from 1 August 2019.
- Mr. Chan Yuk Ming appointed as an independent non-executive director, chairman of nomination committee, member of each of audit committee and remuneration committee of the Company with effect from 1 November 2019.

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. Lau Hing Wah and Mr. Chan Yuk Ming. 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, 21 November 2019

As at the date of this announcement, the executive directors of the Company are Mr. Cheung King Shek, Mr. Cheung King Shan, Mr. Cheung King Chuen Bobby, Mr. Cheung King Fung Sunny, Mr. Wong Wai Man and Ms. Mok Ngan Chu and the independent non-executive directors of the Company are Mr. Lam Yu Lung, Mr. Lau Hing Wah and Mr. Chan Yuk Ming.

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