

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



Telecom Digital Holdings Limited

電訊數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6033)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the “Board”) of Telecom Digital Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company together with its subsidiaries (the “Group”) for the year ended 31 March 2020 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	1,087,240	1,239,247
Cost of inventories sold		(569,156)	(661,798)
Staff costs		(216,433)	(195,209)
Depreciation		(97,059)	(31,152)
Other income and gains	5	5,459	5,795
Other operating expenses		(115,068)	(209,257)
Share of results of associates		12,685	15,394
Finance costs	6	(8,384)	(4,899)
Profit before tax		99,284	158,121
Income tax expense	7	(16,670)	(29,110)
Profit for the year	8	82,614	129,011

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(56)	11
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Actuarial (loss) gain on long service payment obligations		(702)	419
Other comprehensive (expense) income for the year		(758)	430
Total comprehensive income for the year		81,856	129,441
Profit (loss) for the year attributable to:			
Owners of the Company		80,201	131,753
Non-controlling interests		2,413	(2,742)
		82,614	129,011
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		79,443	132,183
Non-controlling interests		2,413	(2,742)
		81,856	129,441
Earnings per share (HK\$)	<i>10</i>		
Basic		0.20	0.33
Diluted		0.20	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		287,461	254,943
Right-of-use assets		55,640	–
Investment properties		67,389	117,846
Club membership		1,560	1,560
Interests in associates		24,129	40,901
Rental deposits	<i>11</i>	6,636	11,009
Prepayments for purchase of property, plant and equipment		814	2,853
		443,629	429,112
Current assets			
Inventories		60,864	99,424
Trade and other receivables	<i>11</i>	63,008	56,071
Amounts due from related companies		–	116
Amount due from an associate		30,428	24,865
Tax recoverable		3,004	–
Pledged bank deposits		5,085	5,071
Bank balances and cash		41,640	44,086
		204,029	229,633
Current liabilities			
Trade and other payables	<i>12</i>	66,386	73,102
Contract liabilities		10,557	12,468
Amounts due to related companies		615	339
Lease liabilities		41,438	–
Bank overdraft		671	–
Bank borrowings		145,733	207,598
Tax payables		698	11,072
		266,098	304,579
Net current liabilities		(62,069)	(74,946)
Total assets less current liabilities		381,560	354,166

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Long service payment obligations		1,352	1,179
Lease liabilities		20,472	–
Deferred tax liabilities		949	1,618
		<u>22,773</u>	<u>2,797</u>
Net assets		<u>358,787</u>	<u>351,369</u>
Capital and reserves			
Share capital	13	4,039	4,039
Reserves		354,749	350,614
Equity attributable to owners of the Company		358,788	354,653
Non-controlling interests		(1)	(3,284)
Total equity		<u>358,787</u>	<u>351,369</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

Corporate information

The Company was incorporated in the Cayman Islands on 20 November 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange on 10 May 2017. The address of the registered office of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the principal place of business in Hong Kong is 19/F., YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

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

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

Basis of preparation

As at 31 March 2020, the Group had net current liabilities of HK\$62,069,000. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis since the following:

- (i) the unutilised banking facilities readily available to the Group amounted to HK\$292,585,000 at 31 March 2020;

- (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\$58,445,000. All of them are secured by the Group's certain leasehold land and buildings and investment properties with carrying amounts of HK\$183,041,000 and HK\$67,389,000 respectively. The fair value of these investment properties as at 31 March 2020 was HK\$71,000,000. The directors of the Company are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is low provided that the Group 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 of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

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	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 *Leases* using the modified retrospective approach, with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-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.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with lease term of twelve months or less). These liabilities were measured at the present value of the lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The average lessee’s incremental borrowing rates applied to the lease liabilities on 1 April 2019 ranged from 2.70% to 4.75%.

The Group recognises right-of-use assets and measures them at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application.

The Group as lessor

The Group leases some of its properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

For sublease, under HKAS 17, the head lease and sublease contracts were classified as operating leases. On transition to HKFRS 16, the Group reassessed these sublease contracts by reference to the right-of-use assets arising from the head lease, instead of by reference to the underlying asset, and concluded that they are operating leases under HKFRS 16. The head leases are recognised as right-of-use assets as they do not meet the definition of investment property.

The following table summaries the impact of transition to HKFRS 16 as at 1 April 2019. Line items that were not affected by the adjustments have not been included.

		Carrying amount previously reported at 31 March 2019	Impact on adoption of HKFRS 16	Carrying amounts as restated at 1 April 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets	<i>(a)</i>	–	87,314	87,314
Interests in associates	<i>(a)</i>	40,901	55	40,956
Lease liabilities	<i>(a)</i>	–	(89,125)	(89,125)
Retained profits	<i>(a)</i>	<u>(244,265)</u>	<u>1,756</u>	<u>(242,509)</u>

Note:

- (a) As at 1 April 2019, right-of-use assets held by the Group and its associates were measured at the carrying amount as if HKFRS 16 had been applied since the commencement date. Any difference between the right-of-use assets and the lease liabilities were recognised as an adjustment to the opening balance of retained profits.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follows:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	94,638
<i>Less:</i> Short-term leases and other leases with remaining lease term ended on or before 31 March 2020	(3,135)
Discounted using the incremental borrowing rate as at 1 April 2019	<u>(2,378)</u>
Lease liabilities recognised as at 1 April 2019	<u><u>89,125</u></u>
Analysed as:	
Non-current portion	32,936
Current portion	<u>56,189</u>
	<u><u>89,125</u></u>

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard, where applicable:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a lease term of less than 12 months at the commencement date as short-term leases.
- reliance on assessments on whether leases are onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and conceptual framework that have been issued but are not yet effective:

HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 3	<i>Definition of a Business</i> ⁴
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁵
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS16	<i>Covid-19-Related Rent Concessions</i> ⁶
Conceptual Framework for Financial Reporting 2018	<i>Revised Conceptual Framework for Financial Reporting</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2022.

⁶ Effective for annual periods beginning on or after 1 June 2020.

The directors of the Company anticipate that, except as disclosed below, the application of other new and amendments to HKFRS and conceptual framework will have no material impact on the results and the financial position of the Group.

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued.

The amendment introduces a new practical expedient for lessees to elect not assess whether a Covid-19-related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as direct consequences of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment is expected to have impact on the financial positions and performance of the Group if the Group elects to early apply the amendment for the Group's annual period beginning on 1 April 2020.

3. REVENUE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of goods		
Retail business	653,494	766,416
Distribution business	24,286	27,857
– Services rendered		
Paging and other telecommunication	45,709	57,210
Operation services	363,751	387,764
	<u>1,087,240</u>	<u>1,239,247</u>

Disaggregation of revenue from contracts with customers by timing of recognition

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
At a point of time	677,411	793,932
Over time	409,829	445,315
	<u>1,087,240</u>	<u>1,239,247</u>

Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 March 2020 and 2019, all of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

4. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the executive directors of the Company. The information reported to the CODM for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the Group's CODM have been aggregated in arriving at the reportable 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 other telecommunications 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 year ended 31 March 2020

	Retail business HK\$'000	Distribution business HK\$'000	Paging and other tele- communications services HK\$'000	Operation services HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue						
External sales	653,494	24,286	45,709	363,751	–	1,087,240
Inter-segment sales	–	337,552	161	–	(337,713)	–
Segment revenue	653,494	361,838	45,870	363,751	(337,713)	1,087,240
Segment results	34,963	1,823	4,909	66,854		108,549
Bank interest income						211
Gain on disposal of interest in an associate						143
Finance costs						(8,384)
Share of results of associates						12,685
Corporate expenses, net						(13,920)
Profit before tax						99,284

For the year ended 31 March 2019

	Retail business <i>HK\$'000</i>	Distribution business <i>HK\$'000</i>	Paging and other tele- communications services <i>HK\$'000</i>	Operation services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	766,416	27,857	57,210	387,764	–	1,239,247
Inter-segment sales	360	483,936	–	–	(484,296)	–
Segment revenue	<u>766,776</u>	<u>511,793</u>	<u>57,210</u>	<u>387,764</u>	<u>(484,296)</u>	<u>1,239,247</u>
Segment results	<u>58,374</u>	<u>1,016</u>	<u>3,024</u>	<u>98,399</u>		160,813
Bank interest income						232
Finance costs						(4,899)
Share of results of associates						15,394
Corporate expenses, net						(13,419)
Profit before tax						<u>158,121</u>

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

Inter-segment sales are charged at prevailing market rates.

Upon application of HKFRS 16, the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively as at 31 March 2020. In respect of segment result, there is a change in measurement of segment result due to recognition of depreciation of right-of-use assets. Comparative information is not restated.

Segment assets and liabilities

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment assets		
Retail business	332,452	262,194
Distribution business	23,323	54,746
Paging and other telecommunications services	48,185	47,645
Operation services	42,099	40,795
	<hr/>	<hr/>
Total segment assets	446,059	405,380
Unallocated corporate assets	201,599	253,365
	<hr/>	<hr/>
Total assets	<u>647,658</u>	<u>658,745</u>
Segment liabilities		
Retail business	81,650	17,632
Distribution business	31,518	38,153
Paging and other telecommunications services	17,504	20,680
Operation services	6,120	6,781
	<hr/>	<hr/>
Total segment liabilities	136,792	83,246
Unallocated corporate liabilities	152,079	224,130
	<hr/>	<hr/>
Total liabilities	<u>288,871</u>	<u>307,376</u>

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

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

Geographical information

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

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

Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (place of domicile)	1,087,091	1,238,384
Macau	<u>149</u>	<u>863</u>
	<u><u>1,087,240</u></u>	<u><u>1,239,247</u></u>

Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (place of domicile)	436,087	417,000
The PRC	906	1,084
Macau	<u>–</u>	<u>19</u>
	<u><u>436,993</u></u>	<u><u>418,103</u></u>

Non-current assets excluded rental deposits.

Information about major customer

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	<u><u>363,041</u></u>	<u><u>386,988</u></u>

¹ Revenue from operation services.

5. OTHER INCOME AND GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	211	232
Consultancy income	331	300
Gain on deregistration of a subsidiary	6	–
Gain on disposal of property, plant and equipment	392	40
Gain on disposal of interest in an associate	143	–
Handling income	651	793
Rental and sub-letting income (<i>Note</i>)	3,546	4,184
Others	179	246
	<u>5,459</u>	<u>5,795</u>

Note: Included in rental and sub-letting income was HK\$3,167,000 (2019: HK\$3,203,000) arising from the operating leases of investment properties of the Group whose lease payments were fixed. The related direct operating expenses of HK\$411,000 (2019: HK\$370,000) were incurred during the year ended 31 March 2020.

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on:		
– bank borrowings and bank overdraft	5,471	4,899
– lease liabilities	2,913	–
	<u>8,384</u>	<u>4,899</u>

7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax		
– current year	18,101	29,714
– over-provision in prior years	<u>(799)</u>	<u>(598)</u>
	<u>17,302</u>	<u>29,116</u>
PRC Enterprise Income Tax		
– current year	<u>37</u>	<u>38</u>
Deferred tax		
– current year	<u>(669)</u>	<u>(44)</u>
	<u>16,670</u>	<u>29,110</u>

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. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. Other than the qualifying corporation, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for both years.

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 year ended 31 March 2020 (2019: 25%).

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 year.

During the years ended 31 March 2020 and 2019, no Macau Complementary Income Tax has been provided since there were no assessable profits generated.

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.

8. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year is arrived at after charging and crediting:		
Directors' emoluments		
– fees	290	360
– salaries, allowances and other benefits	8,098	7,561
– discretionary bonuses	168	168
– contributions to retirement benefits scheme	168	232
	<u>8,724</u>	<u>8,321</u>
Other staff costs		
– salaries, allowances and other benefits (<i>Note (a)</i>)	199,276	179,039
– contributions to retirement benefits scheme	8,136	7,440
– provision for long service payments	297	409
	<u>207,709</u>	<u>186,888</u>
Total staff costs	<u>216,433</u>	<u>195,209</u>
Allowance for inventories (<i>Notes (b) & (c)</i>)	1,744	1,714
Reversal of allowance for inventories (<i>Note (c)</i>)	(1,640)	–
Auditor's remuneration	1,000	1,090
Depreciation of property, plant and equipment	27,680	27,859
Depreciation of investment properties	3,307	3,293
Depreciation of right-of-use assets	66,072	–
Impairment loss on loan to an associate (<i>Note (d)</i>)	–	3,040
Impairment loss on an investment property (<i>Note (d)</i>)	–	3,485
Impairment loss on a right-of-use asset (<i>Note (d)</i>)	4,434	–
Impairment loss on property, plant and equipment (<i>Note (d)</i>)	543	–
Loss on written off of property, plant and equipment	30	1,816
Share of income tax expenses of associates	2,607	3,005
Operating lease rentals in respect of:		
– rented premises	–	83,441
– transmission stations	–	9,621
	<u>–</u>	<u>93,062</u>

Notes:

- (a) The salaries, allowances and other benefits included redundancy cost of HK\$741,000 (2019: nil).
- (b) During the year ended 31 March 2020, an allowance for inventories of HK\$1,744,000 (2019: HK\$1,714,000) was made for write-down of obsolete inventories that are no longer suitable for sell in the market.
- (c) The allowance for inventories and reversal of allowance for inventories are included in “Cost of inventories sold” in the consolidated income statement.
- (d) The impairment loss on loan to an associate, an investment property, a right-of-use asset and property, plant and equipment are included in “Other operating expenses” in the consolidated income statement.

9. DIVIDENDS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2017/18 fourth interim dividend of HK\$0.06 per share	–	24,225
2018/19 first interim dividend of HK\$0.06 per share	–	24,225
2018/19 second interim dividend of HK\$0.06 per share	–	24,225
2018/19 third interim dividend of HK\$0.06 per share	–	24,225
2018/19 fourth interim dividend of HK\$0.06 per share	24,225	–
2019/20 first interim dividend of HK\$0.06 per share	24,225	–
2019/20 second interim dividend of HK\$0.03 per share	12,113	–
2019/20 third interim dividend of HK\$0.03 per share	12,113	–
	<hr/> 72,676 <hr/>	<hr/> 96,900 <hr/>

Subsequent to the end of the reporting period, the fourth interim dividend of HK\$0.1 per share in respect of the year ended 31 March 2020 has been declared by the directors of the Company.

10. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>80,201</u>	<u>131,753</u>
	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	403,753	403,743
Effect of dilutive potential ordinary shares:		
Share options (<i>Note</i>)	<u>—</u>	<u>17</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>403,753</u>	<u>403,760</u>

Note: The computation of diluted earnings per share for the year ended 31 March 2020 did not assume the exercise of the Company's remaining share options because the exercise price of those options was higher than the average market price for shares during the period from 1 April 2019 to 5 July 2019.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	4,687	4,230
Other receivables (<i>Note</i>)	8,962	22,637
Receivable from disposal of an associate, net	14,507	–
Rental deposits	27,070	27,060
Utility and other deposits	5,205	5,177
Prepayments to suppliers	4,025	2,355
Other prepayments	5,188	5,621
	<u>69,644</u>	<u>67,080</u>
<i>Less: Rental deposits classified as non-current assets</i>	<u>(6,636)</u>	<u>(11,009)</u>
Current portion included in trade and other receivables	<u><u>63,008</u></u>	<u><u>56,071</u></u>

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 the reporting period.

The Group does not hold any collateral over these balances.

As at 31 March 2020, the gross amount of trade receivables arising from contracts with customers amounted to HK\$4,687,000 (2019: HK\$4,230,000).

The Group allows an average credit period ranging from 7 to 30 days (2019: 7 to 30 days) to its trade customers. 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	3,892	3,295
91 – 180 days	231	652
181 – 365 days	150	105
Over 365 days	414	178
	4,687	4,230

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The Group considers the credit risk characteristic and the days past due of trade receivables to measure the expected credit losses. The Group considers the historical loss rates in the past four years and adjusts for forward looking macroeconomic data in calculating the expected credit loss rates.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 March 2020 and 2019, the expected credit loss rates for trade receivables based on ageing of customers were very low, the identified impairment loss for trade receivables was immaterial.

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	39,588	46,059
Accrued payroll	16,929	14,660
Accrued expenses and other payables	<u>9,869</u>	<u>12,383</u>
	<u>66,386</u>	<u>73,102</u>

The average credit period on trade payables ranging from 10 to 30 days (2019: 30 days). The Group has financial risk management policies to ensure that all payables are paid within credit time-frame. The following is the ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 60 days	36,156	42,852
61 – 90 days	259	–
Over 90 days	<u>3,173</u>	<u>3,207</u>
	<u>39,588</u>	<u>46,059</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
USD	<u>4,681</u>	<u>5,535</u>

13. SHARE CAPITAL

	<i>Note</i>	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020		<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:			
At 1 April 2018		403,701,000	4,038
Issue of shares upon:			
Exercise of share options	<i>(a)</i>	<u>52,000</u>	<u>1</u>
At 31 March 2019, 1 April 2019 and 31 March 2020		<u>403,753,000</u>	<u>4,039</u>

Note:

- (a) 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 increase in share capital of HK\$1,000, as further detailed in Note 14.

All shares issued during the year ended 31 March 2019 rank pari passu with existing shares in all respects.

14. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 20 May 2014 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 May 2024. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, subject to the acceptance from them to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

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

Options granted must be taken up within twenty-eight days from the date of the offer, upon payment of HK\$1 per acceptance of offer. Option periods of the options granted shall not be greater than a period of ten years from the date of grant of the options. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. Options may be exercised at any time from the date of grant of the share option to the 3 anniversary of the date of grant.

At 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 4,850,000 shares (2020: nil), representing 1.20% (2020: nil) of the ordinary shares of the Company in issue at that date.

During the year ended 31 March 2020, the share option to subscribe for a total of 4,850,000 ordinary share of HK\$0.01 each of the Company under the Scheme have been lapsed in which 4,820,000 share options were lapsed due to expiry of option period on 6 July 2019.

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

For the year ended 31 March 2020

	Date of grant	Exercisable period	Exercise price	Number of share options			Outstanding at 31 March 2020
				Outstanding at 1 April 2019	Exercised during the year	Lapsed during the year	
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>(4,850,000)</u>	<u>–</u>
Exercisable at the end of the year							<u>N/A</u>
Weighted average exercise price				<u>HK\$3.05</u>	<u>N/A</u>	<u>HK\$3.05</u>	<u>N/A</u>

For the year ended 31 March 2019

	Date of grant	Exercisable period	Exercise price	Number of share options			Outstanding at 31 March 2019
				Outstanding at 1 April 2018	Exercised during the year	Lapsed during the year	
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	–	(400,000)	4,790,000
Total				<u>5,662,000</u>	<u>(52,000)</u>	<u>(760,000)</u>	<u>4,850,000</u>
Exercisable at the end of the year							<u>4,850,000</u>
Weighted average exercise price				<u>HK\$2.99</u>	<u>HK\$2.22</u>	<u>HK\$2.66</u>	<u>HK\$3.05</u>

In respect of the share options exercised during the year ended 31 March 2019, the weighted average share price at the dates of exercise is HK\$2.70 (2020: nil).

No share option was granted during the years ended 31 March 2020 and 2019.

15. OPERATING LEASES COMMITMENTS

The Group as lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 <i>HK\$'000</i>
Within one year	60,921
In the second to fifth year, inclusive	<u>33,717</u>
	<u><u>94,638</u></u>

The Group leases certain of its office premises, transmission stations and service outlets under operating lease arrangements. Leases are negotiated for a term ranging from one to five years with fixed rentals as at 31 March 2019.

The Group is the lessee in respect of service outlets which the leases were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances as at 1 April 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the Group's accounting policies.

The Group as lessor

The Group sub-leases part of its rented service outlets and transmission stations and leases out its investment properties during the years ended 31 March 2020 and 2019. The leases are rented to third parties under operating leases with leases negotiated for a term of one to two years (2019: one to two years) as at 31 March 2020.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31 March 2020 <i>HK\$'000</i>
Within one year	1,698
After one year but within two years	<u>312</u>
	<u>2,010</u>

As at 31 March 2019, the Group had contracted with tenants for the following future minimum lease payments:

	31 March 2019 <i>HK\$'000</i>
Within one year	2,976
After one year but within two years	<u>823</u>
	<u>3,799</u>

16. CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>200</u>	<u>226</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the past year, 5G phones and 5G telecommunications services have started to appear in the Hong Kong market and this emerging trend is expected to offer immense business potential in the mobile telecommunications industry. The mobile subscription rate in Hong Kong was recorded at 23.76 million in January 2020, reaching a towering mobile penetration rate of about 283.7%. With the rising popularity of mobile data services, among the high subscription base, 23.52 million users were also subscribing to 2.5G/3G/4G mobile broadband services. As at January 2020, the mobile data usage in Hong Kong escalated to a record of 69,716 Terabytes, representing an upsurge of 35.4% and nearly doubling from December 2018 and December 2017, highlighting a rising trend of telecommunications services in the market.

Throughout the past year, the Group has captured the market potential by building an extensive retail network and enhancing the development of its e-commerce network. As a result of these efforts, the Group has maintained a remarkable market position within the highly competitive business environment.

BUSINESS REVIEW

The Group is principally engaged in four business segments, comprising (i) retail sales of mobile phones and other consumers goods and related services; (ii) distribution of mobile phones and related services; (iii) provision of paging and other telecommunications services; and (iv) provision of operation services to Sun Mobile Limited (“SUN Mobile”), an associate 40% owned by the Group and 60% by HKT Limited (“HKT”).

As at 31 March 2020, the Group recorded revenue of approximately HK\$1,087.24 million (2019: HK\$1,239.25 million), representing a decline of approximately 12.3% when compared with last year. The weaker performance was principally the result of social instability in Hong Kong, compounded by the outbreak of the COVID-19 epidemic. Correspondingly, profit attributable to owners of the Company was approximately HK\$80.20 million (2019: HK\$131.75 million), representing a year-on-year decline of approximately 39.1%.

The Group has continued to operate 80 shops during the review year as part of its retail business. Owing to the aforementioned social and health-related developments in Hong Kong, revenue of retail business fell by approximately 14.7%, though the online platform Mango Mall has exhibited resilience to market conditions and achieved a steady increase in revenue. The efforts made in launching Mango Mall back in 2017 have thus begun to bear fruit, receiving encouraging feedback as well. In winning the hearts of customers, the Group has introduced a wide range of products to Mango Mall that align with current market trends. Consequently, both the number of Mango Mall members and revenue generated have increased.

With respect to the Group's other businesses, the operation service segment experienced a decline in revenue of approximately 6.2% when compared with the preceding financial year. Despite the decline, both the Group and HKT have maintained close ties that will be essential in overcoming the presently lacklustre conditions. In regard to the provision of paging and other telecommunications services, the demand of paging services has generally been confined to those working in hospitals and government departments. Consequently, revenue has steadily tapered, while for the year fell by approximately 20.1%. Despite of this, the Group has been able to convert customers who are subscribing information paging services to mobile phones that it holds concession rights to, including relevant apps to address their needs. As for the distribution business, revenue fell by approximately 12.8% as changing market conditions impacted on different areas of this segment in varying degrees.

FINANCIAL REVIEW

Segment Analysis

	2019/20		2018/19	
	HK\$'000	%	HK\$'000	%
Retail business	653,494	60.1	766,416	61.9
Distribution business	24,286	2.2	27,857	2.2
Paging and other telecommunication services	45,709	4.2	57,210	4.6
Operation services	363,751	33.5	387,764	31.3
Total revenue	<u>1,087,240</u>	<u>100.0</u>	<u>1,239,247</u>	<u>100.0</u>

Revenue

The Group's revenue for the year ended 31 March 2020 was approximately HK\$1,087.24 million (2019: HK\$1,239.25 million), representing a decrease of approximately 12.3% over the previous year. The decrease in the Group's revenue was mainly due to decrease in revenue generated from retail business.

During the year ended 31 March 2020, revenue from retail business decreased approximately 14.7% as compared to the corresponding period of the previous year. The weaker performance was principally due to social instability in Hong Kong, compounded by the outbreak of the COVID-19 epidemic. This is the major source of revenue of the Group.

Revenue from distribution of mobile phones and related business for the year ended 31 March 2020 decreased approximately 12.8% as compared to the corresponding period of the previous year. It was mainly due to the impact on changing market conditions.

Revenue from the provision of paging and other telecommunications services for the year ended 31 March 2020 dropped approximately 20.1% as compared to the corresponding period of the previous year. The total number of paging services subscribers has continued to decrease during the years. On 30 June 2019, the Group ceased its paging operation in Macau.

Revenue from the provision of operation services experienced a decline in revenue of approximately 6.2% for the year ended 31 March 2020 as compared to the corresponding period of the previous year. The decrease was mainly due to the keen market competition of mobile telecommunications services.

Other Income and Gains

Other income and gains mainly contributed by rental and sub-letting income. Other income and gains for the year ended 31 March 2020 was approximately HK\$5.46 million (2019: HK\$5.80 million), representing a slight decrease of approximately 5.9% as compared to the previous year.

Other Operating Expenses

The Group's other operating expenses are mainly consisted of rental, building management fees, utilities and running expenses of shops and customers service centre, information fees in respect of horse racing, football matches and stock market, advertising and promotion expenses, operation fees for paging centre, repair cost for pagers, roaming charges, bank charges, audit and professional fees and other office expenses. Other operating expenses for the year ended 31 March 2020 were approximately HK\$115.07 million (2019: HK\$209.26 million), representing a substantial decrease of approximately 45.0% over the previous year.

The decrease was mainly brought by the write-off of obsoleted paging devices and additional bank charges incurred in bank installment program offered to customers in last year, and the decrease in information fees, promotion expenses and repair expenses. The decrease in information cost was mainly due to the decrease in financial data charged by the HKEx Information Services Limited by reference to the usage of information. In addition, due to the unstable market conditions, less promotion expenses were incurred in the year under review.

Share of Results of Associates

Share of results of associates for the year was approximately HK\$12.69 million (2019: HK\$15.39 million), representing a decrease of approximately 17.5% as compared to the previous year. The amount mainly represents our share of net profit of SUN Mobile. The decrease was mainly due to the decrease in revenue of SUN Mobile.

Finance Costs

The finance cost comprises mainly bank interest and lease liabilities. There is no significant change in the Group's bank borrowings throughout the year ended 31 March 2020. The bank interest for the year ended 31 March 2020 was approximately HK\$5.47 million (2019: HK\$4.90 million). It was mainly consisted of interest expenses on interest-bearing bank borrowings for supporting the Group's daily operation and business expansion. The interest expenses on lease liabilities for the year ended 31 March 2020 was approximately HK\$2.91 million (2019: nil). On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with lease term of twelve months or less).

Income Tax Expense

Income tax for the year ended 31 March 2020 was approximately HK\$16.67 million (2019: HK\$29.11 million), representing a decrease of approximately 42.7%. The decrease was mainly due to the decrease in profit before tax.

Profit for the Year Attributable to the Owners of the Company

Profit attributable to the owners of the Company for the year ended 31 March 2020 was approximately HK\$80.20 million (2019: HK\$131.75 million), representing a decrease of approximately 39.1% as compared to the previous year.

Liquidity and Financial Resources

As at 31 March 2020, the Group had net current liabilities of approximately HK\$62.07 million (2019: HK\$74.95 million) and had cash and cash equivalents of approximately HK\$40.97 million (2019: HK\$44.09 million).

The Group has a current ratio of approximately 0.77 as at 31 March 2020 comparing to that of 0.75 as at 31 March 2019. As at 31 March 2020, the Group's gearing ratio was approximately 41.0% as compared to approximately 59.2% as at 31 March 2019, which is calculated based on the Group's total borrowings of approximately HK\$147.02 million (2019: HK\$207.94 million) and the Group's total equity of approximately HK\$358.79 million (2019: HK\$351.37 million). The Group's total cash at banks as at 31 March 2020 amounted to approximately HK\$41.64 million (2019: HK\$44.09 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 31 March 2020, the Group has unutilised banking facilities of approximately HK\$292.59 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

At 31 March 2020, the Group did not have any material contingent liabilities (2019: nil).

Foreign Currency Risk

The majority of the Group's business are in Hong Kong and are denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors of the Group continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

Details of the Group's capital commitments are set out in Note 16 to this announcement.

Dividends

	Year ended 31 March			
	2020		2019	
	<i>HK\$</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$'000</i>
	<i>per share</i>	<i>(audited)</i>	<i>per share</i>	<i>(audited)</i>
Dividends recognised as distribution during the year:				
2017/18 fourth interim dividend	-	-	0.06	24,225
2018/19 first interim dividend	-	-	0.06	24,225
2018/19 second interim dividend	-	-	0.06	24,225
2018/19 third interim dividend	-	-	0.06	24,225
2018/19 fourth interim dividend	0.06	24,225	-	-
2019/20 first interim dividend	0.06	24,225	-	-
2019/20 second interim dividend	0.03	12,113	-	-
2019/20 third interim dividend	0.03	12,113	-	-
		72,676		96,900

At a meeting held on 24 June 2020, the Board declared the fourth interim dividend of HK\$0.1 per share for the year ended 31 March 2020 (2019: HK\$0.06 per share).

Capital Structure

Except for the issue of new shares upon the exercise of certain share options as disclosed in Note 13 to this announcement, there was no change in the capital structure during the year ended 31 March 2020.

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

Material Acquisition and Disposal

The Group did not purchase any property (2019: HK\$77.00 million) or hold any significant investment in equity interest in any other company during the year ended 31 March 2020 (2019: nil).

As at 31 March 2020, the Group's properties in Hong Kong with carrying values of approximately HK\$319.63 million (2019: HK\$335.74 million).

On 31 March 2020, the Group disposed of its equity interest in Powersky Century Holdings (HK) Limited ("Powersky") to independent third parties for a total consideration of HK\$18.60 million. Before the disposal, the Group owned 16% equity interest in Powersky and the investment was previously accounted for as an investment in an associate using the equity method of accounting. This transaction has resulted in the Group recognising a gain on disposal of approximately HK\$0.14 million in profit or loss.

Save as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries or associates during the year.

Employees and Remuneration Policies

As at 31 March 2020, the Group employed 641 (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

In the coming year, the Group will take a highly cautious approach towards business development given the constantly evolving and unstable conditions. It will nonetheless develop the e-commerce business, given the progress achieved by Mango Mall. In particular, the Group will further develop the platform by the launch of a reward programme to its members. The initiative will encourage members to make purchases at Mango Mall to gain rewards. The rewards can subsequently be used at the online platform. The proposed programme will be launched in the second half year, and will coincide with the introduction of more new products at Mango Mall, hence not only expanding its offerings, but also adding to its appeal.

On the brick-and-mortar front, the Group will seek to expand its retail network in a manner that is prudent and facilitates organic growth, and which also heeds current market conditions. This will involve not only opening stores in prime locations, but increasing the size of stores as well, and in the case of existing locations, renovations will be made as deemed necessary – all aimed at enhancing the overall shopping experience. Also with consumers in mind, ongoing training will be provided for employees so as to improve service quality as well as to maintain favourable relations with staff.

As conditions allow, the Group will also explore other business opportunities. This will include examining partnerships and investments that bolster its financial performance as well as diversify its interests, leading ultimately to the Group’s sustainable long-term development.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the directors of the Company, during the year ended 31 March 2020 and up to the date of this announcement, the Company has maintained the public float required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or an entity connected with a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 March 2020 or at any time during that year.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Fourth Interim Dividend

On 24 June 2020, the Board declared a fourth interim dividend of HK\$0.1 per share for the year ended 31 March 2020. The fourth interim dividend will be payable in cash to the shareholders whose names appear on the register of members of the Company on Tuesday, 14 July 2020.

The fourth interim dividend is expected to be paid on or about Monday, 20 July 2020.

Annual General Meeting

An Annual General Meeting (the "AGM") of the Company will be convened to be held on Wednesday, 30 September 2020. The notice of the AGM will be published on the websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in August 2020.

Closure of Register of Members

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

- (a) from Monday, 13 July 2020 to Tuesday, 14 July 2020 (both days inclusive), for the purpose of determining the Company's shareholders' entitlement to the fourth interim dividend. In order to qualify for the fourth 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 Friday, 10 July 2020; and
- (b) from Thursday, 24 September 2020 to Wednesday, 30 September 2020 (both days inclusive), for the purpose of determining shareholders of the Company who are entitled to attend and vote at the AGM. In order to attend and vote at the AGM, 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 their address as mentioned above for registration not later than 4:00 p.m. on Wednesday, 23 September 2020.

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

Corporate Governance Practices

During the year ended 31 March 2020, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code"), except the deviation as disclosed below:

- According to the Code Provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 March 2020, the chief executive officer and chief financial officer of the Company have provided and will continue to provide to all members of the Board with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision C.1.2 of CG Code.

Review of Results

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

The Audit Committee comprises three independent non-executive directors, namely, Mr. Lam Yu Lung, Mr. 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 accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters. The consolidated financial statements and final results of the Group for the year ended 31 March 2020 have been reviewed by the Audit Committee and have been audited by the Group’s auditor, Messrs. SHINEWING (HK) CPA Limited.

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

Hong Kong, 24 June 2020

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.