DIRECTEL HOLDINGS LIMITED
直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 8337)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Director(s)”) of Directel Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- Turnover for the year ended 31 December 2014 was approximately HK$22,680,000, representing a decrease of approximately 55.4% as compared with 2013.

- Loss attributable to shareholders of the Company for the year ended 31 December 2014 was approximately HK$24,940,000 while profit attributable to shareholders of the Company for the year ended 31 December 2013 was approximately HK$10,081,000.

- Basic and diluted loss per share was 2.40 HK cents for the year ended 31 December 2014 while basic and diluted profit per share was 0.97 HK cents for the year ended 31 December 2013.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2014 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 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Turnover	4	**22,680**	50,882
Cost of sales		**(20,324)**	(25,106)
Gross profit		**2,356**	25,776
Other revenue	5(a)	**2,365**	613
Other net (loss)/income	5(b)	**(657)**	415
Administrative and other operating expenses		**(13,112)**	(14,555)
(Provision for)/reversal of impairment loss on trade receivables		**(14,322)**	66
(Loss)/profit before taxation	6	**(23,370)**	12,315
Income tax	7	**(1,570)**	(2,234)
(Loss)/profit and total comprehensive income for the year attributable to equity shareholders of the Company		**(24,940)**	10,081
(Loss)/earnings per share			
— Basic and diluted (HK cents)	9	**(2.40)**	0.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	10	**4,361**	5,108
Deposits		**1,516**	—
Deferred tax assets		**—**	1,585
Total non-current assets		**5,877**	6,693
Current assets			
Inventories	11	**183**	314
Trade receivables	12	**21,415**	30,280
Other receivables, deposits and prepayments	12	**5,946**	6,049
Taxation recoverable		**1,984**	1,394
Cash at bank and in hand	13	**112,440**	126,229
Total current assets		**141,968**	164,266
Current liabilities			
Payables and accruals	14	**7,654**	7,453
Taxation payable		**85**	—
Total current liabilities		**7,739**	7,453
Net current assets		**134,229**	156,813
Total assets less current liabilities		**140,106**	163,506
Non-current liabilities			
Deferred tax liabilities		**689**	803
Net assets		**139,417**	162,703
Capital and reserves			
Share capital		**10,375**	10,375
Share premium		**67,499**	67,499
Warrant reserve		**1,654**	—
Retained earnings		**59,889**	84,829
Total equity		**139,417**	162,703

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital *HK$'000*	Share premium *HK$'000*	Warrant reserve *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
At 1 January 2013	10,375	67,499	—	74,748	152,622
Change in equity for 2013:					
Profit and total comprehensive income for the year	—	—	—	10,081	10,081
At 31 December 2013 and at 1 January 2014	**10,375**	**67,499**	**—**	**84,829**	**162,703**
Changes in equity for 2014:					
Issue of unlisted warrants	**—**	**—**	**2,000**	**—**	**2,000**
Expenses attributable to issue of unlisted warrants	**—**	**—**	**(346)**	**—**	**(346)**
Loss and total comprehensive income for the year	**—**	**—**	**—**	**(24,940)**	**(24,940)**
At 31 December 2014	**10,375**	**67,499**	**1,654**	**59,889**	**139,417**

NOTES

1. BACKGROUND OF THE COMPANY

Directel Holdings Limited ("the Company") was incorporated in the Cayman Islands on 28 July 2009 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. Its principal place of business in Hong Kong is at Office Nos. 1, 2, 14 and 15, 37th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong and its registered office is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company and its subsidiaries (together referred to as "the Group") are principally engaged in provision of telecommunications services.

2. BASIS OF PREPARATION

The annual results set out in this announcement do not comprise the consolidated financial statements for the year ended 31 December 2014 but are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2014.

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations, issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

The financial information provided to the chief operating decisions maker does not contain profit or loss information of each service line and the chief operating decision maker reviews the operating results of the Group as a whole. Therefore, the operations of the Group constitute one single reportable segment.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

– Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

– Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

– Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The adoption of these amendments does not have an impact on the financial statement of the Group.

4. TURNOVER

	2014	2013
	HK$'000	*HK$'000*
Provision of telecommunications services	**22,625**	50,339
Provision of telesales dealership services	**55**	543
	22,680	50,882

Revenue from transactions with external customers, including revenue derived from individual customers who are known to the Group to be subject to common control, amounting to 10% or more of the Group's aggregate turnover during the year are as follows:

	2014	2013
	HK$'000	*HK$'000*
The largest customer	**8,802**	17,416
The second largest customer	**—**	9,440
The third largest customer	**—**	6,918

5. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2014	2013
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income from bank deposits	**2,348**	570
Sundry income	**17**	43
	2,365	613

(b) Other net (loss)/income

	2014	2013
	HK$'000	*HK$'000*
Net foreign exchange (loss)/gain	**(657)**	415

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Staff costs

	2014	2013
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**3,595**	3,507
Contributions to defined contribution retirement plan	**144**	145
	3,739	3,652

(b) Other items

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories	**636**	741
Depreciation	**884**	920
Licence charges	**1,959**	2,320
Operating lease charges in respect of		
– rental of properties	**528**	528
– rental of transmission lines	**1,095**	1,079
Auditors' remuneration		
– audit services	**887**	887
– tax services	**76**	76
– other services	**10**	10
Repairs and maintenance	**918**	948

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**99**	1,998
Deferred tax	**1,471**	236
	1,570	2,234

The Company's Hong Kong subsidiaries are subject to Hong Kong Profits Tax. In addition, whilst the Company and Elitel Limited are incorporated in the Cayman Islands, they are considered as having a presence in Hong Kong for tax purpose since they are primarily managed and controlled in Hong Kong. Accordingly, they are subject to tax on an entity basis on income arising in or derived from Hong Kong. Provision for Hong Kong Profits Tax for the year ended 31 December 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

8. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$24,940,000 (2013: profit of approximately HK$10,081,000) and the weighted average of 1,037,500,000 (2013: 1,037,500,000) ordinary shares of the Company.

There were no potential dilutive ordinary shares during the prior years. Therefore, diluted earnings per share are the same as the basic earnings per share.

Diluted (loss) per share is the same as basic (loss) per share for the year 2014 as the potential ordinary shares under the unlisted warrants have anti-dilutive effects on the basic (loss) per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2014, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$137,000 (2013: approximately HK$59,000).

11. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
SIM cards	**156**	283
Recharge vouchers	**27**	31
	183	314

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**35,775**	30,318
Less: allowance for doubtful debts	**(14,360)**	(38)
	21,415	30,280
Other receivables, deposits and prepayments	**5,946**	6,049
	27,361	36,329

Generally, provision of mobile phone services to the Group's major customers, including major mobile network operators and their dealers, are made in an open account with credit terms up to 30 days after the date of invoice. Subject to negotiations, credit terms can be extended to two to four months for certain customers with well-established trading and payment records on a case-by-case basis. Provision of mobile phone services to the Group's pre-paid users are made with payment in advance, whereas post-paid users are made in an open account with credit terms up to 12 days after the date of invoice. Payments for provision for telesales dealership services are made in bullet payments within one to five months after rendering of services.

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

(a) Ageing analysis

Included in trade receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis by billing date as of the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**1,958**	1,603
Over 1 month but less than 3 months	**2,572**	4,504
Over 3 months but less than 6 months	**3,130**	5,843
Over 6 months but less than 12 months	**4,448**	5,976
Over 12 months but less than 18 months	**5,529**	6,188
Over 18 months	**3,778**	6,166
	21,415	30,280

Included in trade receivables are trade debtors with the following ageing analysis by due date as of the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Current	**1,951**	1,603
Less than 1 month past due	**1,240**	2,138
1 to 3 months past due	**2,270**	5,405
More than 3 months but less than 12 months past due	**7,362**	9,687
More than 12 months but less than 18 months past due	**5,661**	6,262
More than 18 months past due	**17,291**	5,223
	35,775	30,318
Less: allowance for doubtful debts	**(14,360)**	(38)
	21,415	30,280

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**618**	1,603
Less than 1 month past due	**459**	2,138
1 to 3 months past due	**732**	5,405
More than 3 months but less than 12 months past due	**437**	9,686
More than 12 months but less than 18 months past due	**—**	6,259
More than 18 months past due	**—**	5,189
	1,628	28,677
	2,246	30,280

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good repayment track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

In particular, the trade receivables (before provision) as at 31 December 2014 included amounts due from a mobile network operator in China ("that MNO") which is a subsidiary of a company listed on the Main Board of the Stock Exchange and the New York Stock Exchange and the outstanding amount was approximately HK$33,317,000, of which HK$6,918,000, HK$5,652,000 and HK$17,149,000 fell into "More than 3 months but less than 12 months past due", "More than 12 months but less than 18 months past due" and "More than 18 months past due", respectively. The credit terms of 30 days were granted by the Group to that MNO as it is in line with the credit policy of the Group whilst the delay in settlement by that MNO renders the actual credit period longer than the contractual credit period. Taking into account of the above and in accordance with the Group's provisioning for doubtful debts on trade receivables, the Group made a provision for impairment loss on trade receivables of HK$14,219,000 for the year ended 31 December 2014 (2013: HK$ Nil).

13. CASH AT BANK AND IN HAND

	2014	2013
	HK$'000	*HK$'000*
Deposits with banks	**59,750**	31,479
Cash at bank	**6,474**	20,749
Cash in hand	**11**	22
Fixed deposits – maturity over three months at acquisition	**46,205**	73,979
	112,440	126,229

14. PAYABLES AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**3,212**	3,752
Other payables and accruals	**4,442**	3,701
	7,654	7,453

Included in trade and other payables are trade creditors with the following ageing analysis by transaction date as of the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**2,060**	1,244
Over 1 month but less than 3 months	**1,152**	2,508
	3,212	3,752

15. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	2014	2013
	HK$'000	*HK$'000*
Contracted for	**330**	735

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014		2013	
		Transmission		Transmission
	Properties	**lines**	Properties	lines
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	**996**	**735**	528	604
After 1 year but within 5 years	**1,992**	**264**	—	90
	2,988	**999**	528	694

The Group is the lessee in respect of a number of properties and transmission lines held under operating lease agreements. The leases typically run for an initial period of one to three years (2013: one to three years), with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a mobile virtual network operator ("MVNO") which is principally engaged in the provision of mobile phone services. The Group does not have its own telecommunications network infrastructure and its business mainly involves trading of airtime sourced from two mobile network operators ("MNOs") in Hong Kong and one MNO in the People's Republic of China ("the PRC"), and subsequently sold the airtime through different channels and in various forms to users, dealers or the MNOs. The Group's mobile phone services include "One Card Multiple Number" service and Hong Kong local mobile phone services. The Group also provides services including the resale of airtime to MNOs, telesales dealership services and other services.

Performance of the Group was weakened for the year ended 31 December 2014 comparing to the year ended 31 December 2013. The monthly average number of activated phone numbers decreased by approximately 44.0% to 106,773 in the year ended 31 December 2014 when compared to the year ended 31 December 2013 and the total number of activated phone numbers decreased by approximately 10.9% to 111,596 as of 31 December 2014 compared to 125,273 as of 31 December 2013.

The Group continued to face difficulties in the highly competitive mobile services industry particularly in the data access services and mobile communications applications. The increased popularity of smart phone devices also led to a rapid growth of alternative means of communications (e.g. social networking applications) which had reduced the usage for traditional voice and short message services. The average revenue per user ("ARPU") of the Group showed a decreasing trend and the ARPU of the Group was approximately HK$17.2 for the year ended 31 December 2014, lower than approximately HK$21.6 for the last corresponding year.

The volume of the Group's airtime sold decreased from approximately 191.3 million minutes for the year ended 31 December 2013 to approximately 91.5 million minutes for the year ended 31 December 2014. The revenue derived from the provision of "One Card Multiple Number" service, Hong Kong local mobile phone services and resale of airtime to MNOs decreased from approximately HK$50.3 million to approximately HK$22.6 million during the same period. The Group's revenue per minute of airtime sold decreased from approximately HK$0.26 for the year ended 31 December 2013 to approximately HK$0.25 for the year ended 31 December 2014.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2014, the turnover of the Group decreased to approximately HK$22,680,000 compared to approximately HK$50,882,000 for the last corresponding year, represented a decrease of approximately 55.4%. The decrease in turnover was mainly attributable to the decrease in the monthly average number of activated phone numbers and decrease of airtime usage by users.

Cost of Sales

The Group's cost of sales decreased by approximately 19.0% to approximately HK$20,324,000 for the year ended 31 December 2014 compared to approximately HK$25,106,000 for the last corresponding year. The cost of sales in respect of the provision of mobile phone services and resale of airtime to MNOs decreased by approximately 17.5% compared to last corresponding year. Such decrease was mainly due to the decrease of airtime usage by users. The cost of sales in respect of the provision of telesales dealership services decreased by approximately 89.8% compared to last corresponding year, which was in line with the decrease in the revenue derived from the provision of telesales dealership services.

Gross Profit

The gross profit of the Group for the year ended 31 December 2014 decreased to approximately HK$2,356,000 when compared to approximately HK$25,776,000 for the last corresponding year and the gross profit margin decreased to 10.4% for the year ended 31 December 2014 from 50.7% for the last corresponding year. The decline in gross profit and gross profit margin was mainly attributable to the decrease of airtime usage by users and the increase of average unit cost of Hong Kong airtime resulting from the requirement to satisfy the minimum monthly airtime purchase amount adopted by two MNOs.

Other Revenue

The Group's other revenue for the year ended 31 December 2014 increased to approximately HK$2,365,000 when compared to approximately HK$613,000 for the last corresponding year. The increase was mainly attributable to the increase of interest income from bank deposits.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the year ended 31 December 2014 decreased by approximately 9.9% to approximately HK$13,112,000 compared to approximately HK$14,555,000 for the last corresponding year.

Provision for Impairment Loss on Trade Receivables

During the year ended 31 December 2014, the Group has made a provision for impairment loss on trade receivables of approximately HK$14,322,000 in accordance with the Group's policy in provision for doubtful debts. Details are set out in note 12 of this announcement.

Income Tax

The Group's income tax for the year ended 31 December 2014 decreased by approximately 29.7% to approximately HK$1,570,000 when compared to approximately HK$2,234,000 for the last corresponding year. The decrease was mainly attributed to the decrease in operating profit.

(Loss)/Profit Attributable to Shareholders

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2014 of approximately HK$24,940,000 while it recorded a profit attributable to equity shareholders of the Company of approximately HK$10,081,000 for the last corresponding year. The loss was mainly due to significant decrease in turnover and recognition of provision for impairment loss on trade receivables during the year.

BUSINESS OUTLOOK

On 13 January 2015, the Group announced that it is under negotiations with a MNO in the People's Republic of China ("PRC") for the continuance of the contractual relationship for providing airtime to the Group in the PRC. If such negotiations prove unsuccessful and the Group fails to find a replacement service provider of airtime in the PRC, the Group may encounter significant difficulties or may not be able to sustain its "One Card Multiple Number" service. As of the date of this announcement, the negotiation process has not yet been completed. To sustain the Group's telecommunications business, the Group will continue to seek opportunities in existing business to expand its customer base and operations by means of broadening the scope of services and enhancing the standard of services provided to target customers so that it can increase its appeal to new customers and expand its customer base.

In response to the changes in the traditional voice and short message services business in the mobile telecommunications market, we need to adjust our way of thinking and deliver innovative services, so that we could transform the challenges into driving force and provide customers with services that better fulfill their practical needs. Going forward into the year of 2015, we intend to launch several new mobile and roaming services to align with the developing trends of mobile internet and promote strategic transformation and reform and innovation.

1. OTA CARD

OTA Card is a new generation of "3Gmate" telecommunication service provided by the Group. Through the two core technologies of air-issuing and APP writing, users will not need to buy extra SIM cards. A single CA-SIM card can load with multiple phone numbers, enjoying the favorable local call charging and traffic rate. With the value-added service platform, users can really travel around and connect to the world. Users can receive free traffic, credits, coupons and so on. The authentication and encryption functions of CA-SIM card can provide to the outbound traveling users better value-added services like Mzone network, O2O business in their destinations, ticket booking service and so on.

With the APP application and the CA-SIM authenticated identity, users can have access to the local telecommunication service, saving the tedious account opening procedure and making communication more convenient. The multiple number function of the APP includes account opening, card re-issuing and number switching. And through the APP, users can check their account, pay for the phone bill or charge their account.

2. NEW SERVICE NAMED "DIRECTEL"

The "Directel" is an innovated integration of mobile Internet and traditional PSTN network, using the APP on the mobile phone end to accomplish the basic telephone function and meet the customized requirements of mobile Internet telecommunication for the users. It can promote different telecommunication service provider to integrate their services (not only includes HK service providers, but also can provide access to overseas telecommunication service providers to achieve non-standard cross border telecommunication service), so as to realize one APP with multiple affiliated phone numbers, saving money for the user and bring new telecom experience.

3. PRIVATE PHONEBOOK

Private phonebook is a personal communication management software with CA core technology (including CA-SIM card's hardware certificate and software certificate), mainly helping users to accomplish all functions that are based on security factors, such as the business card or phonebook management, the encrypted local or cloud storage of phonebook, prevention of malwares' access to the phonebook, encryption of the telephone communication and so on.

Apart from the above, the Group will continue to look for potential opportunities to diversify its business scope and we believe that the new business will drive a new phase of growth in 2015.

CAPITAL STRUCTURE

As at 31 December 2014, the Group had no outstanding loan or borrowing, and the gearing ratio (being ratio of total long term borrowings to equity) was therefore inapplicable.

On 30 April 2014, the Company entered into a warrant subscription agreement (the 'Warrant Subscription Agreement") with an independent third party (the "Subscriber'') in relation to the subscription of a total of 200,000,000 unlisted warrants (the 'Warrant(s)") by the Subscriber at the issue price of HK$0.01 per unit of Warrants (the "Warrant Subscriptions"). On 29 May 2014, the conditions set out in the Warrant Subscription Agreement have been fulfilled and completion of the Warrant Subscriptions took place. The net proceeds from the Warrant Subscriptions (after expenses of approximately HK$346,000) were approximately HK$1,654,000.

As at 31 December 2014, total equity attributable to equity holders of the Company amounted to approximately HK$139,417,000 (31 December 2013: approximately HK$162,703,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cash flows and capital contribution from shareholders. As at 31 December 2014, the Group had net current assets of approximately HK$134,229,000 (31 December 2013: approximately HK$156,813,000), including cash at bank and in hand of approximately HK$112,440,000 (31 December 2013: approximately HK$126,229,000). The current ratio was 18.3 as at 31 December 2014, lower than 22.0 as at 31 December 2013.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi ("RMB") and United States dollars ("US$"). The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arise. As at 31 December 2014, the Group did not have any derivatives for hedging against the exchange rate risk.

PLEDGE OF ASSETS

As at 31 December 2014, the Group did not have any pledges on its assets.

CONTINGENT LIABILITIES

Elitel Limited, a wholly owned subsidiary of the Company, has previously failed to register as a non-Hong Kong company within the prescribed time limit under Part XI of the Hong Kong Companies Ordinance, that is, within one month of establishment of the place of business in Hong Kong in November 2002. Elitel Limited has subsequently notified the Companies Registry regarding such matter and rectified the late registration in October 2009.

As at the date of this announcement, there is a possibility that the Companies Registry may still take action against Elitel Limited in relation to the late registration and that Elitel Limited may be subject to a penalty in this respect, though no action has been taken by the Companies Registry against Elitel Limited to date. During the year ended 31 December 2014, no action has been taken against the Group by the Companies Registry in respect of this matter.

The Group did not recognise any provision in respect of the abovementioned issue as the amount of the obligation cannot be measured with sufficient reliability.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

The Group did not have any material acquisition and disposals of subsidiaries and affiliated companies, and investment during the year under review.

STAFF AND REMUNERATION POLICY

As at 31 December 2014, the Group had 12 employees (2013: 13 employees). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include medical insurance, share option scheme and contributions to statutory mandatory provident fund scheme to its employees in Hong Kong.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

SUBSCRIPTION OF WARRANTS

On 30 April 2014, the Company entered into a warrant subscription agreement (the "Warrant Subscription Agreement") with an independent third party (the "Subscriber") in relation to the subscription of a total of 200,000,000 unlisted warrants (the "Warrant(s)") by the Subscriber at the issue price of HK$0.01 per unit of Warrants (the "Warrant Subscriptions"). The Warrants entitle the Subscriber to subscribe in cash for in aggregate of 200,000,000 shares in the Company at the subscription price of HK$0.1648 per new share (subject to anti-dilutive adjustment) for a period of 60 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one new ordinary share in the Company. On 29 May 2014, the conditions set out in the Warrant Subscription Agreement have been fulfilled and completion of the Warrant Subscriptions took place. The net proceeds from the Warrant Subscriptions (after expenses of approximately HK$346,000) were approximately HK$1,654,000. No warrants were exercised during the year ended 31 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 5 May 2015 to 7 May 2015, both days inclusive. In order to ascertain the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, namely Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 May 2015.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, during the year ended 31 December 2014, there was no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme in the written resolutions of the shareholders of the Company passed on 20 May 2010 (the "Share Option Scheme").

The Share Option Scheme became unconditional after the listing of the Company's shares on GEM on 2 June 2010. The Company did not grant or cancel any options under the Share Option Scheme any time during the year, and as at 31 December 2014, there was no outstanding share option under the Share Option Scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. During the year ended 31 December 2014, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by directors in securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the adopted code of conduct regarding securities transactions by directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

COMPETING INTERESTS

During the year ended 31 December 2014, save as disclosed below, none of the Directors or controlling shareholders of the Company nor their respective associates is considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group.

Directel Limited, a company incorporated in the Cayman Islands, is held as to 50% and 50% by Mr. Li Kin Shing, a non-executive Director, the chairman of the Company, a controlling shareholder and a substantial shareholder of the Company, and Ms. Kwok King Wa, a controlling shareholder and a substantial shareholder of the Company and the spouse of Mr. Li Kin Shing, respectively. According to the GEM Listing Rules, Directel Limited is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a connected person.

Directel Limited is the legal and beneficial owner of the RF-SIM intellectual property rights in Hong Kong and Macau. Further, Directel Limited is the licensee of the operation rights of RF-SIM in markets other than the PRC in addition to its owned RF-SIM intellectual property rights in Hong Kong and Macau and it has the right to grant licences of the operation rights of RF-SIM intellectual property rights to others in markets other than the PRC. There is a risk that such services provided by Directel Limited may compete with the services provided by the Group as Directel Limited is expected to grant licences of the operation rights of RF-SIM intellectual property rights in other regions in the future.

International Elite Ltd. (“IEL”) is a company incorporated in the Cayman Islands and a listed company on the Main Board of the Stock Exchange with Mr. Li Kin Shing and Ms. Kwok King Wa as controlling shareholders. According to the GEM Listing Rules, IEL is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a connected person. Sunward Telecom Limited (“Sunward Telecom”) and its wholly-owned subsidiaries (collectively, the “Sunward Group”) are wholly-owned subsidiaries of IEL. The Sunward Group, as a whole, is principally engaged in (i) the research and development, production and sales of RF-SIM products; and (ii) licensing of the RF-SIM operations rights in markets other than Hong Kong and Macau.

The Directors confirm that as China-Hongkong Telecom Limited, a wholly-owned subsidiary of the Company, has obtained the exclusive licence of the operation rights of RF-SIM intellectual property rights in Hong Kong and Macau and since the services provided by the Group are mainly in Hong Kong and Macau, there will be no direct competition between the services provided by Directel Limited, which are in territories other than the PRC, Hong Kong and Macau. There will also be no direct competition between the services provided by IEL, which its strategy is to concentrate on the application of the RF-SIM intellectual property rights in the PRC. Nevertheless, Mr. Li Kin Shing, Ms. Kwok King Wa and Directel Limited (as Covenantors) executed a deed of non-competition undertaking in favour of the Company on 24 May 2010 pursuant to which the Covenantors have undertaken to the Company inter alia, that (i) the Covenantors shall not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on his/her/its own account or with each other or in conjunction with or on behalf of any person or company, any business which will or may compete with the RF-SIM business of the Group in Hong Kong and Macau; and (ii) in the event the Covenantors or their associates were given any business opportunities that is or may involve in direct or indirect competition with the business of the Group, the Covenantors shall assist the Company in obtaining such business opportunities in the terms being offered to the Covenantors, or more favourable terms being acceptable to the Company.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") on 20 May 2010 with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee consists of the three independent non-executive Directors, namely, Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Chu, Howard Ho Hwa. Ms. Lee Man Yee, Maggie is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review the Company's annual report and consolidated financial statements, half-yearly report and quarterly reports and to provide advice and comment thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control of the Group.

During the year of 2014, the audit committee has (i) reviewed the quarterly and half-yearly results; (ii) reviewed the accounting policies adopted by the Group and issues related to accounting practice; (iii) met with external auditors to discuss on issues arising from the audit and financial reporting matters and reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement; and (iv) assisted the Board to evaluate on the effectiveness of financial reporting procedure and internal control.

The Group's audited results for the year ended 31 December 2014 have been reviewed by the Audit Committee and which is of the opinion that such results complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board
Directel Holdings Limited
Pang Kwok Chau
Executive Director

Hong Kong, 25 March, 2015

As at the date of this announcement, the executive Directors are Mr. Pang Kwok Chau and Mr. Li Wang; the non-executive Directors are Mr. Li Kin Shing and Mr. Wong Kin Wa; and the independent non-executive Directors are Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Chu, Howard Ho Hwa.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the day of its publication and on the Company's website at www.directel.hk.