



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 2015**

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

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

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

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This announcement, for which the directors (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

- Revenue for the year ended 31 December 2015 was approximately HK\$15,934,000, representing a decrease of approximately 29.7% as compared with 2014.
- Loss attributable to shareholders of the Company for the year ended 31 December 2015 was approximately HK\$36,040,000, representing an increase of approximately 44.5% as compared with 2014.
- Basic and diluted loss per share was 1.16 HK cents for the year ended 31 December 2015, representing an increase of approximately 45.0% as compared with 2014.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 together with the comparative figures for 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Note</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Revenue	4	15,934	22,680
Cost of sales		<u>(18,728)</u>	<u>(20,324)</u>
Gross (loss)/profit		(2,794)	2,356
Other income	5(a)	2,369	2,365
Other net loss	5(b)	(6,528)	(657)
Administrative and other operating expenses		(17,212)	(13,112)
Provision for impairment loss on trade receivables		<u>(11,574)</u>	<u>(14,322)</u>
Loss before taxation	6	(35,739)	(23,370)
Income tax	7	<u>(301)</u>	<u>(1,570)</u>
Loss and total comprehensive income for the year attributable to equity shareholders of the Company		<u>(36,040)</u>	<u>(24,940)</u>
			(restated)
Loss per share			
— Basic and diluted (HK cents)	9	<u>(1.16)</u>	<u>(0.80)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	10	8,174	4,361
Deposits		102	1,516
Total non-current assets		8,276	5,877
Current assets			
Inventories	11	212	183
Trade receivables	12	13,504	21,415
Other receivables, deposits and prepayments	12	2,477	5,946
Taxation recoverable		2,104	1,984
Cash at bank and in hand	13	89,782	112,440
Total current assets		108,079	141,968
Current liabilities			
Payables and accruals	14	11,970	7,654
Taxation payable		—	85
Total current liabilities		11,970	7,739
Net current assets		96,109	134,229
Total assets less current liabilities		104,385	140,106
Non-current liabilities			
Deferred tax liabilities		1,008	689
Net assets		103,377	139,417
Capital and reserves			
Share capital		31,125	10,375
Share premium		46,749	67,499
Warrant reserve		1,654	1,654
Retained earnings		23,849	59,889
Total equity		103,377	139,417

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014 and at 1 January 2015	10,375	67,499	1,654	59,889	139,417
Changes in equity for 2015:					
Issue of bonus shares	20,750	(20,750)	—	—	—
Loss and total comprehensive income for the year	—	—	—	(36,040)	(36,040)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	<u>31,125</u>	<u>46,749</u>	<u>1,654</u>	<u>23,849</u>	<u>103,377</u>

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 2015 but are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2015.

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.

IFRS 8 introduces a “management approach” to segment reporting, i.e. the identification of segments and the preparation of segment information must be based on the internal reports that the entity’s chief operating decision maker reviews regularly in allocating resources to segments and in assessing their performance.

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 that are first effective for the current accounting period of the Group:

- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

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:

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the group’s related party disclosures as the group does not obtain key management personnel services from management entities.

4. REVENUE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Provision of telecommunications services	15,934	22,625
Provision of telesales dealership services	—	55
	<u>15,934</u>	<u>22,680</u>

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 revenue during the year are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The largest customer	<u>6,242</u>	<u>8,802</u>

5. OTHER INCOME AND OTHER NET LOSS

(a) Other income

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest income from bank deposits	2,369	2,348
Sundry income	—	17
	<u>2,369</u>	<u>2,365</u>

(b) Other net loss

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net foreign exchange loss	<u>(6,528)</u>	<u>(657)</u>

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Staff costs

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, wages and other benefits	3,578	3,595
Contributions to defined contribution retirement plan	138	144
	<u>3,716</u>	<u>3,739</u>

(b) Other items

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of inventories	321	636
Depreciation	999	884
Licence charges	1,991	1,959
Operating lease charges in respect of		
– rental of properties	996	528
– rental of transmission lines	1,053	1,095
Auditors' remuneration		
– audit services	881	887
– tax services	74	76
– other services	10	10
Repairs and maintenance	874	918
Research and development cost	4,241	—
Provision for impairment loss on trade receivables	<u>11,574</u>	<u>14,322</u>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax	(18)	99
Deferred tax	319	1,471
	301	1,570

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 2015 is calculated at 16.5% (2014: 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 2015 (2014: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity shareholders of the Company is based on the following data:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss for the year attributable to the ordinary equity shareholders of the Company for the purpose of basic and diluted loss per share	<u>(36,040)</u>	<u>(24,940)</u>
Weighted average number of ordinary shares		
	2015 <i>Number of shares</i> <i>'000</i>	2014 <i>Number of shares</i> <i>'000</i>
Issued ordinary shares at 1 January	1,037,500	1,037,500
Effect of bonus issue	<u>2,075,000</u>	<u>2,075,000</u>
Weighted average number of ordinary shares at 31 December	<u>3,112,500</u>	<u>3,112,500</u>

Diluted loss per share is the same as basic loss per share for the year 2014 and 2015 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 2015, the Group acquired property, plant and equipment with an aggregate cost of approximately HK\$4,812,000 (2014: approximately HK\$137,000).

11. INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
SIM cards	194	156
Recharge vouchers	18	27
	<u>212</u>	<u>183</u>

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	39,438	35,775
Less: allowance for doubtful debts	(25,934)	(14,360)
	<u>13,504</u>	<u>21,415</u>
Other receivables, deposits and prepayments	2,477	5,946
	<u>15,981</u>	<u>27,361</u>

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:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	35	1,958
Over 1 month but less than 3 months	4,100	2,572
Over 3 months but less than 6 months	944	3,130
Over 6 months but less than 12 months	2,848	4,448
Over 12 months but less than 18 months	5,048	5,529
Over 18 months	529	3,778
	13,504	21,415

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	29	1,951
Less than 1 month past due	2,967	1,240
1 to 3 months past due	1,599	2,270
More than 3 months but less than 12 months past due	4,544	7,362
More than 12 months but less than 18 months past due	4,365	5,661
More than 18 months past due	25,934	17,291
	39,438	35,775
Less: allowance for doubtful debts	(25,934)	(14,360)
	13,504	21,415

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:

	2015	2014
	HK\$'000	HK\$'000
Neither past due nor impaired	32	618
Less than 1 month past due	71	459
1 to 3 months past due	346	732
More than 3 months but less than 12 months past due	95	437
	<u>512</u>	<u>1,628</u>
	<u>544</u>	<u>2,246</u>

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 2015 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\$38,754,000, of which HK\$4,447,000, HK\$4,363,000 and HK\$25,797,000 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\$11,578,000 for the year ended 31 December 2015 (2014: HK\$14,219,000).

13. CASH AT BANK AND IN HAND

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deposits with banks	84,057	59,750
Cash at bank	5,715	6,474
Cash in hand	10	11
Fixed deposits – maturity over three months at acquisition	—	46,205
	<u>89,782</u>	<u>112,440</u>

14. PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	8,237	3,212
Other payables and accruals	3,733	4,442
	<u>11,970</u>	<u>7,654</u>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	6,509	2,060
Over 1 month but less than 3 months	1,728	1,152
	<u>8,237</u>	<u>3,212</u>

15. COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for	<u>102</u>	<u>330</u>

- (b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015		2014	
	Properties	Transmission	Properties	Transmission
	<i>HK\$'000</i>	<i>lines</i>	<i>HK\$'000</i>	<i>lines</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	996	428	996	735
After 1 year but within 5 years	996	6	1,992	264
	<u>1,992</u>	<u>434</u>	<u>2,988</u>	<u>999</u>

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 (2014: 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 2015 comparing to the year ended 31 December 2014. The monthly average number of activated phone numbers decreased by approximately 12.3% to 93,672 in the year ended 31 December 2015 when compared to the year ended 31 December 2014 and the total number of activated phone numbers decreased by approximately 37.4% to 69,858 as of 31 December 2015 compared to 111,596 as of 31 December 2014.

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\$14.0 for the year ended 31 December 2015, lower than approximately HK\$17.2 for the last corresponding year.

The volume of the Group’s airtime sold decreased from approximately 91.5 million minutes for the year ended 31 December 2014 to approximately 76.4 million minutes for the year ended 31 December 2015. 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\$22.6 million to approximately HK\$15.9 million during the same period. The Group’s revenue per minute of airtime sold decreased from approximately HK\$0.25 for the year ended 31 December 2014 to approximately HK\$0.21 for the year ended 31 December 2015.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, the revenue of the Group decreased to approximately HK\$15,934,000 compared to approximately HK\$22,680,000 for the last corresponding year, represented a decrease of approximately 29.7%. The decrease in revenue 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 7.9% to approximately HK\$18,728,000 for the year ended 31 December 2015 compared to approximately HK\$20,324,000 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 7.6% 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 100% compared to last corresponding year, which was in line with the decrease in the revenue derived from the provision of telesales dealership services.

Gross Loss

The Group recorded a gross loss for the year ended 31 December 2015 of approximately HK\$2,794,000 while it recorded a gross profit of approximately HK\$2,356,000 for the last corresponding year. The gross loss incurred 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 Income

The Group's other income for the year ended 31 December 2015 increased by approximately 0.2% to approximately HK\$2,369,000 when compared to approximately HK\$2,365,000 for the last corresponding year. The increase was mainly attributable to the increase of interest income from bank deposits.

Other Net Loss

The Group's other net loss for the year ended 31 December 2015 increased almost 10 times to approximately HK\$6,528,000 when compared to approximately HK\$657,000 for the last corresponding year. The increase was attributable to foreign exchange loss arising from the movements in the exchange rate between Hong Kong dollars and Renminbi during the year.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the year ended 31 December 2015 increased by approximately 31.3% to approximately HK\$17,212,000 compared to approximately HK\$13,112,000 for the last corresponding year. The increase was mainly attributable to the research and development cost of approximately HK\$4,241,000 incurred in the year of 2015 while no such expense was incurred in the year of 2014.

Provision for Impairment Loss on Trade Receivables

During the year ended 31 December 2015, the Group has made a provision for impairment loss on trade receivables of approximately HK\$11,574,000 in accordance with the Group's policy in provision for doubtful debts. Details are set out in note 12 to the financial statements.

Income Tax

The Group's income tax for the year ended 31 December 2015 decreased by approximately 80.8% to approximately HK\$301,000 when compared to approximately HK\$1,570,000 for the last correspondingly year. The decrease was mainly attributed to the decrease of operating profit.

Loss Attributable to Shareholders

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2015 of approximately HK\$36,040,000, representing an increase of approximately 44.5% when compared to approximately HK\$24,940,000 for the last corresponding year. Such increase was mainly due to decrease of revenue, incurrence of research and development cost, significant increase in foreign exchange loss and recognition of provision for impairment loss on trade receivables during the year ended 31 December 2015.

BUSINESS OUTLOOK

As disclosed in the announcement of the Company dated 4 May 2015, the Group and its airtime service provider in the PRC have mutually agreed to terminate the contractual relationship for providing airtime in the PRC to the Group. As a result, it ceased providing airtime in the PRC to the Group in November 2015 and the "One Card Multiple Number" service of the Group cannot be sustained. Nevertheless, the Group will continue to find a replacement service provider of airtime in the PRC and 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 SMS 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 in driving force and provide customers with services that better fulfill their practical needs. Going forward in the year of 2016, 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 travel around and connect to the world. Users can receive free traffic, credits and coupons etc. 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 and ticket booking service etc.

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 providers 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 you to accomplish all functions that are based on security factors, such as the business card/phonebook management, the encrypted local/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 make a positive contribution to the results of the Group in the future.

CAPITAL STRUCTURE

As at 31 December 2015, the Group had no outstanding loan or borrowing, and the gearing ratio (being ratio of total long term borrowings to equity) was therefore inapplicable.

Unlisted Warrants

On 30 April 2014, the Company entered into a warrant subscription agreement (the "Warrant Subscription Agreement") with JD Edward Asset Management Company Limited, 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 entitled 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. 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. Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 3 June 2015, a specific mandate was given to the directors of the Company to allot and issue new Shares (subject to adjustment) upon exercise of subscription rights attaching to the Warrants. On 23 June 2015, the Company completed a bonus issue on the basis of two bonus shares for every one held by the existing shareholders ("Bonus Issue"). As a result of the Bonus Issue, the subscription price for such warrant shares and the number of warrant shares to be issued and allotted upon exercise of the subscription rights attached to the Warrants shall be adjusted from HK\$0.1648 to HK\$0.0549 and from 200,000,000 Shares to 600,000,000 Shares respectively. At as the date of this announcement, no Warrants have been exercised and the Company has not utilised any of the net proceeds.

Issued Share Capital

On 1 April 2015, the Board proposed a bonus issue of new shares (“Bonus Shares”) on the basis of two bonus shares for every one share held by the existing shareholders. The Bonus Shares rank pari passu in all respect with the shares then in issue. On 23 June 2015, the Bonus Issue was completed. The issued share capital of the Company was therefore increased by 2,075,000,000 shares from 1,037,500,000 shares to 3,112,500,000 shares and approximately of HK\$20,750,000 was credited to share capital with the same amount was debited to the share premium account.

As at 31 December 2015, total equity attributable to equity holders of the Company amounted to approximately HK\$103,377,000 (31 December 2014: approximately HK\$139,417,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cash flows and capital contribution from shareholders. As at 31 December 2015, the Group had net current assets of approximately HK\$96,109,000 (31 December 2014: approximately HK\$134,229,000), including cash at bank and in hand of approximately HK\$89,782,000 (31 December 2014: approximately HK\$112,440,000). The current ratio was 9.0 as at 31 December 2015, lower than 18.3 as at 31 December 2014.

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 2015, the Group did not have any derivatives for hedging against the exchange rate risk.

PLEDGE OF ASSETS

As at 31 December 2015, the Group did not have any pledges on its assets.

CONTINGENT LIABILITIES

As at the date of this announcement, the Group did not have any contingent liabilities.

MATERIAL ACQUISITION, DISPOSAL OR SIGNIFICANT INVESTMENT

As at 31 December 2015, the Group has no specific acquisition target. The Group did not have any material acquisition, disposals of subsidiaries or affiliated companies or significant investment during the year under review.

STAFF AND REMUNERATION POLICY

As at 31 December 2015, the Group had 13 employees (2014: 12 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 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 9 May 2016 to Wednesday, 11 May 2016, 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 Friday, 6 May 2016.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, during the year ended 31 December 2015, 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 effective on 20 May 2010 and remained in force for 5 years until 19 May 2015. The Company shall adopt a new share option scheme in the forthcoming annual general meeting.

The Company did not grant or cancel any options under the Share Option Scheme any time during the year, and as at 31 December 2015, 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 2015, 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 except for the deviations from code provision A.6.7 which are explained as follows:

In accordance with provision A.6.7 of the Corporate Governance Code, all independent non-executive Directors and non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to conflicting business schedule, Mr. Chu, Howard Ho Hwa, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 7 May 2015.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 2015, 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 2015, 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; (ii) licensing of the RF-SIM operations rights in markets other than Hong Kong and Macau, and (iii) research and development and technology transfer of CA-SIM application rights to customers.

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 2015, 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 2015 have been reviewed by the Audit Committee and which was of the opinion that such results complied with the applicable accounting standards and that adequate disclosures had been made.

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

Hong Kong, 29 March, 2016

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.