DIRECTEL HOLDINGS LIMITED
直 通 電 訊 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 8337)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2016

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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 (the "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 three months ended 31 March 2016 was approximately HK$1,484,000, representing a decrease of approximately 67.7% as compared with the corresponding period in 2015.
- Loss attributable to shareholders of the Company for the three months ended 31 March 2016 was approximately HK$6,067,000, representing a decrease of approximately 4.3% as compared with the corresponding period in 2015.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2016.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

The board of Directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the three months ended 31 March 2016 together with the unaudited comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three months ended 31 March	
		2016	2015
		HK$'000	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)
Revenue	4	**1,484**	4,592
Cost of sales		**(3,283)**	(5,326)
Gross loss		**(1,799)**	(734)
Other income	5(a)	**571**	617
Other net profit/(loss)	5(b)	**607**	(368)
Administrative and other operating expenses		**(3,032)**	(3,278)
Provision for impairment loss on trade receivables		**(2,414)**	(2,578)
Loss before taxation	6	**(6,067)**	(6,341)
Income tax	7	**—**	—
Loss for the period attributable to equity shareholders of the Company		**(6,067)**	(6,341)
			(restated)
Loss per share	8		
– Basic and diluted (HK cents)		**(0.19)**	(0.20)

NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY FINANCIAL REPORT

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 are principally engaged in provision of telecommunications services.

2. BASIS OF PREPARATION

The quarterly financial report has been prepared in compliance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and in accordance with substantially the same accounting policies adopted in the Group's audited financial statements set out in the annual report for the year ended 31 December 2015, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The quarterly financial report contains consolidated first quarterly statement of profit or loss and other comprehensive income and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the financial performance of the Group since the 2015 annual financial statements. The consolidated quarterly financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The quarterly financial report has not been audited by the Company's auditors, but has been reviewed by the Company's audit committee.

3. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued certain new IFRS, a number of amendments to IFRS and new Interpretations that are first effective for the current accounting period of the Group and the Company. There have been no significant changes to the accounting policies adopted in the Group's financial statements as a result of these developments.

The Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE

	For the three months ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision of telecommunications services	**1,484**	4,592

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

	For the three months ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) Other income		
Interest income from bank deposits	**571**	614
Sundry income	**—**	3
	571	617
(b) Other net profit/(loss)		
Net foreign exchange gain/(loss)	**607**	(368)

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	For the three months ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) Staff costs:		
Salaries, wages and other benefits	**930**	863
Contributions to defined contribution retirement plan	**32**	34
	962	897
(b) Other items:		
Depreciation	**412**	222
Licence charges	**482**	496
Operating lease charges in respect of		
– rental of properties	**260**	258
– rental of transmission lines	**235**	238
Auditors' remuneration		
– audit services	**220**	222
Repairs and maintenance	**202**	227
Provision for impairment loss on trade receivables	**2,414**	2,578

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

	For the three months ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	**—**	—

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. No Hong Kong Profits Tax has been provided as there was no assessable profit for the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the three months ended 31 March 2016 is based on the unaudited loss attributable to ordinary equity shareholders of the Company of approximately HK$6,067,000 (three months ended 31 March 2015: approximately HK$6,341,000) and the weighted average number of 3,112,500,000 ordinary shares in issue during the three months ended 31 March 2016 (three months ended 31 March 2015 (restated): 3,112,500,000 ordinary shares). The basic loss per share for the three months ended 31 March 2015 was adjusted for the effects of bonus issues on 23 June 2015.

(b) Diluted loss per share

As the Company's outstanding unlisted warrants have anti-dilutive effects to the basic loss per share calculation for the current and prior periods, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share amounts. Therefore, the basic and diluted loss amounts per share calculations for the respective periods are equal.

9. MOVEMENT OF EQUITY

	Share capital	**Share premium**	**Warrant reserve**	**Retained earnings**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2015	10,375	67,499	1,654	59,889	139,417
Loss and total comprehensive income for the period	—	—	—	(6,341)	(6,341)
As at 31 March 2015	10,375	67,499	1,654	53,548	133,076
As at 1 January 2016	**31,125**	**46,749**	**1,654**	**23,849**	**103,377**
Loss and total comprehensive income for the period	**—**	**—**	**—**	**(6,067)**	**(6,067)**
As at 31 March 2016	**31,125**	**46,749**	**1,654**	**17,782**	**97,310**

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March 2016	As at 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
– amounts due from third parties	**39,828**	39,438
less: allowance for doubtful debts (note 10(b))	**(28,348)**	(25,934)
	11,480	13,504
Other receivables, deposits and prepayments		
– other receivables	**1,178**	1,253
– deposits and prepayments	**1,160**	1,224
	2,338	2,477
	13,818	15,981

Generally, provision of mobile phone services to the Group's major customers, including major mobile network operators and its dealers, are made in an open account with credit terms up to 30 days after the date of invoice. Subject to negotiations, credit terms could 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.

10. 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:

	As at 31 March 2016	As at 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**474**	35
Over 1 month but less than 3 months	**100**	4,100
Over 3 months but less than 6 months	**450**	944
Over 6 months but less than 12 months	**5,230**	2,848
Over 12 months but less than 18 months	**4,646**	5,048
Over 18 months	**580**	529
	11,480	13,504

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

	As at 31 March 2016	As at 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**474**	29
Less than 1 month past due	**99**	2,967
1 to 3 months past due	**4**	1,599
More than 3 months but less than 12 months past due	**6,154**	4,544
More than 12 months but less than 18 months past due	**4,749**	4,365
More than 18 months past due	**28,348**	25,934
	39,828	39,438
Less: allowance for doubtful debts (note 10(b))	**(28,348)**	(25,934)
	11,480	13,504

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

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for doubtful debts during the end of the reporting period are as follows:

	As at 31 March 2016 ***HK$'000*** **(Unaudited)**	As at 31 December 2015 *HK$'000* (Audited)
At 1 January	**25,934**	14,360
Impairment loss recognised	**2,414**	11,591
Reversal of impairment loss	**—**	(17)
At end of the reporting period	**28,348**	25,934

At 31 March 2016, the Group's trade receivables of approximately HK$28,348,000 (31 December 2015: approximately HK$25,934,000) were individually determined to be impaired. The individually impaired receivables related to invoices that were default in payment and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of approximately HK$28,348,000 (31 December 2015: approximately HK$25,934,000) were recognised. The Group does not hold any collateral over these balances.

In particular, the trade receivables (before provision) as at 31 March 2016 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$39,018,000, of which HK$6,060,000, HK$4,748,000 and HK$28,210,000 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$2,413,000 for the three months ended 31 March 2016 (Year ended 31 December 2015: HK$11,578,000).

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

(c) Trade receivables that are not impaired

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

	As at 31 March 2016 *HK$'000* (Unaudited)	As at 31 December 2015 *HK$'000* (Audited)
Neither past due nor impaired	**474**	32
Less than 1 month past due	**99**	71
1 to 3 months past due	**4**	346
More than 3 months but less than 12 months past due	**93**	95
	196	512
	670	544

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.

11. EVENTS AFTER THE REPORTING PERIOD

On 29 April 2016, the Group entered into an agreement with a Hong Kong based telecommunication service provider (the "HK based Service Provider"), in respect of the establishment of strategic cooperation relationship concerning the provision of airtime and mobile data services in the PRC and other regions, including but not limited to Japan, Taiwan and Macau (the "Covered Regions") to the Group. The Board believes that the cooperation with the HK based Service Providers will enable the Group to broaden its telecommunication services to the Covered Regions, and to create new roaming platforms for providing airtime and mobile data services in the Covered Regions to the users from different countries all over the world. Thereafter, the users would be able to enjoy the mobile data service in addition to the airtime service that the Group has been providing.

On 3 May 2016, the Group entered into an international roaming agreement with a Singapore-based telecommunication service provider (the "Singapore-based Service Provider"), in respect of the establishment of strategic cooperation relationship concerning the provision of airtime and mobile data services in Singapore to the Group. The Board believes that the cooperation with the Singapore-based Service Provider will enable the Group to broaden its mobile roaming coverage to Singapore, and to create new roaming platforms for providing airtime and mobile data services in Singapore to the users from different countries all over the world. Since the Group engages the Singapore-based Service Provider directly to provide the services in Singapore to the users without engaging any intermediaries, therefore the cost for the airtime service would be lower than the airtime service provided by the Group before. Moreover, the users would also be able to enjoy the mobile data service in addition to the airtime service that the Group has been providing.

The Board considers that the entering into of the agreements is a furtherance of the principal business of the Group which is in the interest of the Company and its shareholders as a whole. For details, please refer to the Company's announcement dated 29 April 2016 and 3 May 2016.

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 the trading of the 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 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 of resale of airtime to MNOs and other services.

The performance of the Group was worsen for the three months ended 31 March 2016 compared to the corresponding period in 2015. The monthly average number of activated phone numbers decreased by approximately 44.2% to 60,349 in the three months ended 31 March 2016 when compared to the corresponding period in 2015 and the total number of activated phone numbers decreased by approximately 18.5% to 56,968 as of 31 March 2016 compared to 69,858 as of 31 December 2015.

The Group continues 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 mobile 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 competitiveness of the Group's business has been adversely affected and the average revenue per user ("ARPU") of the Group showed a decreasing trend and the ARPU of the Group was approximately HK$8.2 for the three months ended 31 March 2016, lower than approximately HK$13.8 for the same period last year.

The volume of the Group's airtime sold decreased from approximately 21.7 million minutes for the three months ended 31 March 2015 to approximately 12.7 million minutes for the three months ended 31 March 2016. 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$4.6 million to approximately HK$1.5 million during the same period. The Group's revenue per minutes of airtime sold decreased from approximately HK$0.21 for the three months ended 31 March 2015 to approximately HK$0.12 for the three months ended 31 March 2016.

FINANCIAL REVIEW

For the three months ended 31 March 2016, the revenue of the Group decreased to approximately HK$1,484,000 compared to approximately HK$4,592,000 for the corresponding period last year, represented a decrease of approximately 67.7%. 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.

The Group's cost of sales decreased by approximately 38.4% to approximately HK$3,283,000 for the three months ended 31 March 2016 compared to approximately HK$5,326,000 for the corresponding period last year. The decrease was mainly attributable to the decrease of airtime usage by users.

The gross loss of the Group for the three months ended 31 March 2016 increased by approximately 145.1% to approximately HK$1,799,000 when compared to approximately HK$734,000 for the corresponding period last year. The increase 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.

The Group's other income for the three months ended 31 March 2016 decreased by approximately 7.5% to approximately HK$571,000 when compared to approximately HK$617,000 for the corresponding period last year. The decrease was mainly attributable to the decrease of interest income from bank deposits.

For the three months ended 31 March 2016, the Group recorded other net profit of approximately HK$607,000 while for the three months ended 31 March 2015, the Group incurred other net loss of approximately HK$368,000. The incurrence of other net profit was mainly due to foreign exchange gain arising from the movements in the exchange rate between Hong Kong dollars and Renminbi during the period.

The Group's administrative and other operating expenses for the three months ended 31 March 2016 decreased slightly by approximately 7.5% to approximately HK$3,032,000 compared to approximately HK$3,278,000 for the corresponding period last year.

During the three months ended 31 March 2016, the Group has made a provision for impairment loss on trade receivables of approximately HK$2,414,000 in accordance with the Group's policy in provision for doubtful debts. Details are set out in note 10 to the financial statements.

No income tax has been provided for the three months ended 31 March 2015 and 2016 respectively as the Group had no assessable profits for the periods.

The Group recorded a loss attributable to equity shareholders of the Company for the three months ended 31 March 2016 of approximately HK$6,067,000, representing a decrease of approximately 4.3% when compared to approximately HK$6,341,000 for the corresponding period in last year. The decrease was mainly due to the record of foreign exchange gain during the three months ended 31 March 2016 while the Group recorded a foreign exchange loss for the corresponding period last year.

BUSINESS OUTLOOK

As disclosed in the announcements of the Company dated 29 April 2016 and 3 May 2016, the Group entered into an agreement with a Hong Kong based telecommunication service provider and a Singapore-based telecommunication service provider (the "Service Providers") respectively, in respect of the establishment of strategic cooperation relationship concerning the provision of airtime and mobile data services in the PRC, Singapore and other regions, including but not limited to Japan, Taiwan and Macau (the "Covered Regions") to the Group. The Board believes that the cooperation with the Service Providers will enable the Group to broaden its mobile roaming coverage to the Covered Regions, and to create new roaming platforms for providing airtime and mobile data services in the Covered Regions to the users from different countries all over the world. Thereafter, the users would be able to enjoy the mobile data service in addition to the airtime service that the Group has been providing. The Board considers that the entering into of the agreements is a furtherance of the principal business of the Group which is in the interest of the Company and its shareholders as a whole.

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 second quarter 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 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 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. Thus, the Group is planning to utilise certain portion of cash on the following potential new business.

(a) Expansion of mobile phone services

Approximately HK$10.0 million is expected to be applied to expand the business of mobile phone services of the Group, which is to provide a wider variety of value-added services for the Group's users (including but not limited to users located in Asia Pacific territories) by launching several new mobile and roaming services. The Directors estimate that this portion of cash will be utilised on or before 30 April 2017;

(b) Upgrading the Group's telecommunications equipment

Approximately HK$16 million is expected to be applied to upgrade the Group's telecommunications equipment to be compatible with the 4G mobile networks in Hong Kong and it is estimated that the services will be launched in the first quarter of 2017 after testing of the relevant system; and

(c) Potential investment or acquisition

Approximately HK$30.0 million to HK$40.0 million is expected to be applied to invest in any business development/investment opportunities in respect of the Offline to Online mobile internet business in the coming six months. As at the date hereof, the Company is exploring suitable opportunity in the Offline to Online mobile internet business, and will issue announcement(s) in accordance with the applicable Listing Rules, as and when appropriate.

The above potential business plans are based on the information currently available and the Directors' estimation of the future market condition. Apart from the aforementioned potential business plans, the Group has paid approximately HK$4,241,000 to Xiamen Elite Electric Company Limited ("Xiamen Elite") in January 2016 for the research and development services relating to the OTA Card and the application programming interface for the "One Card Multiple Number" provided by a service provider to the Group pursuant to the technology and development agreements dated 23 November 2015 entered into between Directel Communications Limited, a subsidiary of the Company, and Xiamen Elite. The unused net proceeds from the Placing as at 31 March 2016 have been placed as interest bearing deposits in banks in Hong Kong.

CONTINGENT LIABILITIES

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

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

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.

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

As at 31 March 2016, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules:

(i) Long position in shares of the Company:

Name of Director	Nature of Interest/ Capacity	Number of Ordinary Shares	Approximate Percentage of Shareholding
Mr. Li Kin Shing	Interest of controlled corporation	2,088,750,000 *(Note)*	67.11%
	Beneficial owner	101,250,000	3.25%
Mr. Pang Kwok Chau	Beneficial owner	30,000,000	0.96%
Mr. Wong Kin Wa	Beneficial owner	30,000,000	0.96%

Note: The 2,088,750,000 shares are owned by New Everich Holdings Limited ("New Everich") which is owned by Mr. Li Kin Shing and Ms. Kwok King Wa as to 54% and 46% respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 2,088,750,000 shares under the SFO.

(ii) Long position in New Everich, an associated corporation of the Company:

Name of Director	Nature of Interest/Capacity	Approximate Percentage of Shareholding
Mr. Li Kin Shing	Beneficial owner	100.00%

Note: New Everich is owned as to 54% and 46% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 100% interests in New Everich under the SFO.

Save as disclosed above, as at 31 March 2016, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2016, so far as it is known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long position in shares of the Company:

Name	Nature of Interest/ Capacity	Number of Ordinary Shares	Approximate Percentage of Shareholding
New Everich	Beneficial owner	2,088,750,000	67.11%
Ms. Kwok King Wa	Interest of controlled corporation	2,088,750,000 *(Note 1)*	67.11%
	Interest of spouse	101,250,000 *(Note 2)*	3.25%

Notes:

(1) The 2,088,750,000 shares are owned by New Everich which is owned by Mr. Li Kin Shing and Ms. Kwok King Wa as to 54% and 46% respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 2,088,750,000 shares under the SFO.

(2) Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 101,250,000 shares under the SFO.

Save as disclosed above, as at 31 March 2016, so far as it is known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, during the period under review, 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 period under review, and as at 31 March 2016, there was no outstanding share option under the Share Option Scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules during the three months ended 31 March 2016.

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 three months ended 31 March 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

COMPETING INTERESTS

During the three months ended 31 March 2016, 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 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 monitoring the financial reporting, risk management and internal control systems of the Group.

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 Group's unaudited results for the three months ended 31 March 2016 have been reviewed by the Audit Committee in accordance with Rule 5.30 of the GEM Listing Rules. The Audit Committee 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, 10 May, 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.