DIRECTEL HOLDINGS LIMITED
直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8337)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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 (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 nine months ended 30 September 2017 was approximately HK$10,526,000, representing an increase of approximately 100.7% as compared with the corresponding period in 2016.
- Loss attributable to shareholders of the Company for the nine months ended 30 September 2017 was approximately HK$9,863,000, representing a decrease of approximately 55.7% as compared with the corresponding period in 2016.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2017.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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 and the nine months ended 30 September 2017 together with the unaudited comparative figures for the respective corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three months ended 30 September		For the nine months ended 30 September	
		2017	2016	**2017**	2016
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	4	**7,460**	1,518	**10,526**	5,244
Cost of sales		**(7,538)**	(3,343)	**(12,473)**	(10,006)
Gross loss		**(78)**	(1,825)	**(1,947)**	(4,762)
Other income	5(a)	**105**	105	**356**	1,063
Other net profit/(loss)	5(b)	**193**	(791)	**782**	(2,894)
Administrative and other operating expenses		**(3,344)**	(3,557)	**(9,054)**	(9,710)
Provision for impairment loss on trade receivables		**—**	(1,062)	**—**	(5,962)
Loss before taxation	6	**(3,124)**	(7,130)	**(9,863)**	(22,265)
Income tax	7	**—**	—	**—**	—
Loss for the period attributable to equity shareholders of the Company		**(3,124)**	(7,130)	**(9,863)**	(22,265)
Other comprehensive income for the period, net of income tax:					
Item that may be reclassified subsequently to profit or loss:					
Available-for-sale financial asset: net change in fair value		**118**	—	**167**	—
Exchange differences on translating foreign operations		**(30)**	—	**(30)**	—
Total comprehensive loss for the period attributable to equity shareholders of the Company		**(3,036)**	(7,130)	**(9,726)**	(22,265)
Loss per share	9				
– Basic and diluted (HK cents)		**(0.10)**	(0.23)	**(0.32)**	(0.72)

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 is principally engaged in investment holding.

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 2016, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The quarterly financial report contains consolidated third 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 2016 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 ("IFRS").

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 a number of amendments to IFRS 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

Revenue represents the amounts received and receivable for goods sold and services provided, net of returns and trade discounts. An analysis of the Group's revenue for the periods is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Provision of telecommunications services	**1,965**	1,518	**5,031**	5,244
Distribution business	**5,495**	—	**5,495**	—
	7,460	1,518	**10,526**	5,244

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
(a) Other income				
Interest income from bank deposits	**103**	105	**352**	1,063
Sundry income	**2**	—	**4**	—
	105	105	**356**	1,063
(b) Other net profit/(loss)				
Net foreign exchange gain/(loss)	**193**	(791)	**782**	(2,894)

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
(a) Staff costs:				
Salaries, wages and other benefits	**839**	836	**2,397**	2,618
Contributions to defined contribution retirement plan	**31**	29	**84**	93
	870	865	**2,481**	2,711
(b) Other items:				
Depreciation	**461**	416	**1,326**	1,243
Licence charges	**260**	379	**761**	1,258
Operating lease charges in respect of				
– rental of properties	**246**	262	**787**	784
– rental of transmission lines	**251**	272	**748**	731
Auditors' remuneration				
– audit services	**213**	217	**622**	661
– tax services	**1**	19	**38**	56
Repairs and maintenance	**210**	201	**619**	608
Provision for impairment loss on trade receivables	**—**	1,062	**—**	5,962

7. INCOME TAX

Hong Kong Profits Tax is calculated at the rate of 16.5% of the estimated assessable profits for each period. No Hong Kong Profits Tax has been provided as there was no assessable profit for the three months and nine months ended 30 September 2017 (three months and nine months ended 30 September 2016: Nil).

The subsidiaries located in the PRC are subject to the PRC corporate income tax rate of 25% on its assessable profits. No PRC Profits Tax has been provided as there was no assessable profit for the period ended 30 September 2017.

Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2017. No dividend was paid in respect of the nine months ended 30 September 2016.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the three months and nine months ended 30 September 2017 is based on the unaudited loss attributable to ordinary equity shareholders of the Company of approximately HK$3,124,000 and HK$9,863,000 respectively (three months and nine months ended 30 September 2016: approximately HK$7,130,000 and HK$22,265,000 respectively) and the weighted average number of 3,112,500,000 ordinary shares in issue during the three months and nine months ended 30 September 2017 (three months and nine months ended 30 September 2016: 3,112,500,000 ordinary shares).

(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.

10. MOVEMENT OF EQUITY

	Share capital	**Share premium**	**Warrant reserve**	**Exchange reserve**	**Fair value reserve**	**Retained earnings**	**Total Equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2016	31,125	46,749	1,654	—	—	23,849	103,377
Loss and total comprehensive loss for the period	—	—	—	—	—	(22,265)	(22,265)
As at 30 September 2016	31,125	46,749	1,654	—	—	1,584	81,112
As at 1 January 2017	**31,125**	**46,749**	**1,654**	**—**	**—**	**27,092**	**106,620**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(9,863)**	**(9,863)**
Other comprehensive income for the period							
Available-for-sale financial asset: net change in fair value	**—**	**—**	**—**	**—**	**167**	**—**	**167**
Exchange differences on translating foreign operations	**—**	**—**	**—**	**(30)**	**—**	**—**	**(30)**
Total comprehensive loss for the period	**—**	**—**	**—**	**(30)**	**167**	**(9,863)**	**(9,726)**
As at 30 September 2017	**31,125**	**46,749**	**1,654**	**(30)**	**167**	**17,229**	**96,894**

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Trade receivables		
– amounts due from third parties	**2,410**	36,939
Other receivables, deposits and prepayments		
– other receivables	**400**	964
– deposits and prepayments	**3,401**	2,313
	3,801	3,277
	6,211	40,216

Generally, the distribution business and the 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 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.

(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 30 September 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Within 1 month	**1,802**	123
Over 1 month but less than 3 months	**151**	162
Over 3 months but less than 6 months	**61**	342
Over 6 months but less than 12 months	**104**	1
Over 12 months but less than 18 months	**—**	4,245
Over 18 months	**292**	32,066
	2,410	36,939

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(CONTINUED)*

(a) Ageing analysis *(Continued)*

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 30 September 2017	As at 31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**11**	118
Less than 1 month past due	**1,791**	161
1 to 3 months past due	**151**	127
More than 3 months but less than 12 months past due	**62**	221
More than 12 months but less than 18 months past due	**103**	4,601
More than 18 months past due	**292**	31,711
	2,410	36,939

In particular, the trade receivables as at 31 December 2016 included amounts due from its airtime service provider in the PRC (the "Service Provider") 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$36,312,000, of which HK$4,601,000 and HK$31,711,000 fell into the categories of "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 the Service Provider as it is in line with the credit policy of the Group whilst the delay in settlement by the Service Provider renders the actual credit period longer than the contractual credit period. On 1 March 2017, the Group received amounts due from the Service Provider without any disputes or balances requiring to be written off and the balances in relation to the Service Provider have been fully settled. Please refer to the Company's announcements dated 17 August 2016, 28 February 2017 and 1 March 2017 for details.

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(CONTINUED)*

(b) 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 30 September 2017	As at 31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**11**	118
Less than 1 month past due	**1,791**	161
1 to 3 months past due	**151**	127
More than 3 months but less than 12 months past due	**62**	221
More than 12 months but less than 18 months past due	**103**	4,601
More than 18 months past due	**292**	31,711
	2,399	36,821
	2,410	36,939

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.

12. EVENTS AFTER THE REPORTING PERIOD

The Company has received a letter dated 29 September 2017 from the Stock Exchange, where the Stock Exchange considered that the Company has failed to maintain a sufficient level of operations or assets under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares. The Stock Exchange has therefore decided to proceed with the procedures to cancel the Company's listing under Rules 9.14 of the GEM Listing Rules. After considering legal and professional advice, the Company submitted a written request to the GEM Listing Committee of the Stock Exchange pursuant to Chapter 4 of the GEM Listing Rules for reviewing of the decision on 11 October 2017. For details, please refer to the announcements of the Company dated 29 September 2017 and 11 October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business in HK

The Group is a mobile virtual network operator ("MVNO") which is principally engaged in the provision of mobile telecommunications services and telecommunications value-added services. The Group does not have its own telecommunications network infrastructure and its business mainly involves the trading of the airtime and mobile data sourced from several mobile network operators ("MNOs") in and outside Hong Kong and subsequently sold the airtime and mobile data through different channels and in various forms to users, dealers or MNOs. The Group also provides telesales dealership services and other services.

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 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. As a result, the competitiveness of the Group's business has been adversely affected. The monthly average number of activated phone numbers decreased by approximately 16.0% to 48,132 for the nine months ended 30 September 2017 when compared with the corresponding period in 2016 and the total number of activated phone numbers decreased by approximately 3.7% to 51,856 as of 30 September 2017 compared to 53,829 as of 31 December 2016. The average revenue per user ("ARPU") of the Group remained at a low level and the ARPU of the Group was approximately HK$11.6 for the nine months ended 30 September 2017, which is slightly higher than approximately HK$10.2 for the same period last year.

The volume of the Group's airtime sold decreased from approximately 38.9 million minutes for the nine months ended 30 September 2016 to approximately 30.1 million minutes for the nine months ended 30 September 2017. The revenue derived from the provision of mobile phone telecommunications services decreased from approximately HK$5.2 million to approximately HK$5.0 million during the same period. The Group's revenue per minute of airtime sold increased from approximately HK$0.14 for the nine months ended 30 September 2016 to approximately HK$0.17 for the nine months ended 30 September 2017.

The Directors are of the view that the downturn of the Group's business in the past few years is due to cyclical factors partially resulted from the comparatively fall-behind technology of the existing 3G networks employed by the Group as well as limited geographical coverage of the Group's business for the time being. The Directors were aware of the issues and had therefore taken various measures in this regard. The Group is upgrading its current network in Hong Kong to 4G and the installation of the relevant equipment has been completed in July 2017. The upgraded 4G equipment and network is currently under testing and commissioning. Upon the introduction of the new 4G network, with the additional coverage provided by an existing service provider, the Group is able to broaden its mobile roaming coverage to over 60 countries and to launch a new mobile roaming application called "DIRECT-TX", for users to make phone calls through the application in the broadened coverage. It is expected that both the product offerings and number of users of the Group will be greatly improved. The Company has commenced its marketing efforts in promoting its new 4G telecommunication services and is currently actively contacting agents for distribution of its new 4G products. The Group have entered into distribution contracts with three distribution agents and a number of agents have also expressed their interests in becoming the Company's agents. Among the three contracts the Group has entered into, contracts with two distributors include a term that the distributors would commit subscription of not less than HKD29 million and HKD21.3 million worth of airtime and mobile data services in aggregate throughout the period ending 31 December 2018, respectively. The Group is confident that the new 4G product offering will help the Group to increase its user base as well as the total usage of airtime and mobile data, which in turn will strengthen the market position of the Group and increase our revenue as well as the market share of the Group in the competitive telecommunication industry.

In addition, the Group has signed a cooperation agreement with a hotel booking service provider, in which the Group shall provide free mobile telecommunications services, including airtime and mobile data usage, to guests of hotels in and outside of Hong Kong who have made their hotel bookings through the designated hotel booking application or platform. The Group shall receive a commission rebated by the hotel booking service provider for the services rendered. The hotel booking application and platform have been developed and the Company expects the relevant services will be launched in the four quarter of 2017.

The Group has also entered into a three-year cooperation agreement with a Hong Kong listed company (the "Business Partner"). Pursuant to the agreement, the Group shall provide a mobile telecommunication service package to customers of the Business Partner and receive a fee from the Business Partner for the services rendered. The service package includes a SIM card that can be used in four different territorial networks and a fixed amount of airtime, mobile data and SMS text messages across each territory, as well as customer services and maintenance etc.

Business in the PRC

On 8 September 2017, the Group completed the acquisition of Joint Top Investments Limited ("Joint Top") together with its subsidiary, Guangzhou Directel Telecommunications Limited* 廣州直通電訊有限公司 ("GZDT") (together with Joint Top, the "Joint Top Group") (the "PRC Acquisition"). Following the completion, Joint Top has become an indirect wholly-owned subsidiary of the Company and thereafter, the Group has engaged in the sale of mobile telecommunication services and distribution business in Guangdong province in the PRC.

GZDT is principally engaged in three main businesses. The first is the sale of mobile telecommunication services in Guangdong province of the PRC, especially focusing on prepaid telecommunications business. It strategically sets inbound and outbound travellers as its target end users for its pre-paid telecommunications products in view of the strong demand for local and roaming telecommunications services from inbound and outbound travellers respectively. GZDT principally carries two major categories of pre-paid telecommunications products, namely (i) local pre-paid products which mainly targeting inbound travellers to the PRC and allow users to enjoy voice calls and mobile data services in the PRC without incurring roaming charges; and (ii) roaming pre-paid products which mainly targeting PRC outbound travellers who would like to enjoy voice calls and mobile data services during their overseas travels at lower charges. GZDT distributes the roaming pre-paid products mainly through its established network including travel agents, hotels, telecommunications services/equipment agents/distributors, retail stores/chains, automobile 4S shops and others.

GZDT has already successfully secured contracts with 5 sales channels/distributors for the pre-paid telecommunications business. Out of the 5 contracts, (i) two contracts are with local travel agents which include a term that each travel agent has committed subscription of not less than RMB20 million worth of mobile data services in aggregate for the coming two years from the date of respective contract; and (ii) one contract is with a telecommunications service distributor which include a term that the relevant distributor has agreed to procure not less than RMB5 million worth of annual sales of telecommunications services provided by GZDT during the three years contract term.

In addition to pre-paid telecommunications business, GZDT has leveraged its established relationship and connection with telecommunications services/equipment agents/distributors to commence the mobile phones and equipment distribution business. GZDT has entered into mobile phone and equipment supply contracts with two suppliers in different provinces of the PRC who enable GZDT to sell the most popular and price competitive handsets to dealers. At the same time, GZDT is actively negotiating with other telecommunications equipment distributors for further potential business co-operation.

* *For identification purpose only*

GZDT has successfully secured a contract with a telecommunications equipment distributor which includes a term that the relevant distributor has committed to procure worth of sales of mobile phones and equipment in aggregate not less than RMB50 million throughout the period ending 31 December 2020. For the period after the date of completion of the acquisition to 30 September 2017, the revenue from the distribution business was approximately HK$4,191,000 which represents the sales proceeds of the mobile phone products, net of returns and discounts.

Besides, GZDT has diversified its business to the distribution of mobile top-up and data top-up e-vouchers sourced from the dealers of the 3 major mobile network operators in the PRC and resale to ultimate users through the e-commerce platform which is connected to various online payment platforms. The various function of mobile phones such as online shopping, mobile navigation, video watching and on-line games playing etc. lead to increasing demand for mobile data traffic and trouble faced by mobile users of insufficient data traffic. Through the new mobile top-up and data top-up services provided by GZDT, the mobile users can enjoy a special discount rate on the mobile top-up and data top up which superimpose on their original mobile data packages and thus solve the particular needs of the users such as roaming day plan and video watching plan. For the period after the date of completion of the acquisition to 30 September 2017, the revenue from the distribution of mobile top-up and data top-up business was approximately HK$129,000. The Directors believe that the growing demand of mobile data traffic will make a great contribution to the Group's overall revenue in the coming years.

In addition to the abovementioned, the Group recently obtained the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") qualification in June 2017 which allows the Group to sell its SIM cards through distributors in Guangdong Province. In view of this, GZDT will act as a new distribution channel of the Group's products (especially the 4G roaming products as mentioned above) in the Guangdong Province market. The Group will continue to leverage on the established network and sales channels of GZDT to penetrate into the PRC market. In a longer term perspective, it is the Group's plan to use GZDT as a platform to reach other PRC markets outside the Guangdong province. Thus, the Company is of the view that the PRC Acquisition will enhance the Group's operation, broaden its revenue source and expand its geographical reach.

Business in Singapore

On the other hand, the Group always targets to expand its business to Southeast Asia. In September 2017, the Group also completed an acquisition of South Data Communication Pte. Ltd. ("South Data"), a company incorporated in Singapore, which is principally engaged in the resale of airtime and data services and distribution business in Singapore. Following the completion of the acquisition, South Data has become an indirect wholly-owned subsidiary of the Company and acts as the Group's platform to establish a foothold in the telecommunications market in Singapore. South Data has already successfully secured a contract with one of the largest e-commerce platform operator in Singapore (the "E-commerce Platform Operator") as a sale channel who purchases mobile top-up and data top-up e-vouchers from South Data and then resale to ultimate mobile users and the E-commerce Platform Operator has committed to procure not less than SGD36 million worth of mobile top-up and data top-up credits in aggregate throughout the period ending 31 December 2020. The E-commerce Platform Operator has a wide distribution channel of over 800 point of sales in Singapore and the ultimate users can easily top up their mobile phone through various popular payment methods such as credit cards and online payment. For the period after the date of completion of the acquisition to 30 September 2017, the revenue from the distribution of mobile top-up and data top-up business was approximately HK$1,175,000. The Directors are confident that the new business would greatly improve the Group's business performance and operation and act as a milestone in the expansion of telecommunications market to other Asia Pacific territories.

The Company is also continuously exploring suitable business development/investment opportunities in the relevant telecommunication business, and will issue announcement(s) in accordance with the applicable GEM Listing Rules, as and when appropriate.

Besides exploring new revenue sources, the Group will at the same time implement stringent cost control measures in order to improve its business and financial performance. The Group is currently negotiating with the service providers to further reduce (i) the unit cost of airtime and mobile data; and (ii) the level of monthly minimum purchase amount which was previously agreed with the MNOs.

FINANCIAL REVIEW

For the nine months ended 30 September 2017, the total revenue of the Group increased to approximately HK$10,526,000 compared to approximately HK$5,244,000 for the corresponding period last year, representing an increase of approximately 100.7%. Revenue from the provision of telecommunications services and distribution business accounted for approximately HK$5,031,000 and HK$5,495,000 respectively, representing approximately 47.8% and 52.2% respectively of the Group's total revenue for the nine months ended 30 September 2017. The increase in total revenue was mainly attributable to the revenue generated from the distribution business by the acquisition of the wholly owned subsidiaries in September 2017 and partly off-set by the decrease in revenue generated from the provision of telecommunications services due 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 increased by approximately 24.7% to approximately HK$12,473,000 for the nine months ended 30 September 2017 compared to approximately HK$10,006,000 for the corresponding period last year. The increase was mainly attributable to the new distribution business by the acquisition of the wholly owned subsidiaries in September 2017.

The gross loss of the Group for the nine months ended 30 September 2017 decreased by approximately 59.1% to approximately HK$1,947,000 when compared with approximately HK$4,762,000 for the corresponding period last year. The decrease in the gross loss was mainly attributable to (i) the reduction of the minimum requirement of the monthly purchase amount adopted by the MNOs and (ii) the gross profit contributed from new distribution business by the acquisition of the wholly owned subsidiaries in September 2017.

The Group's other income for the nine months ended 30 September 2017 decreased by approximately 66.5% to approximately HK$356,000 when compared with approximately HK$1,063,000 for the corresponding period last year. The decrease was mainly attributable to the decrease of interest income from bank deposits.

For the nine months ended 30 September 2016, the Group recorded other net loss of approximately HK$2,894,000 while for the nine months ended 30 September 2017, the Group incurred other net profit of approximately HK$782,000. The incurrence of other net profit during nine months ended 30 September 2017 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 nine months ended 30 September 2017 decreased by approximately 6.8% to approximately HK$9,054,000 when compared to approximately HK$9,710,000 for the corresponding period last year. The decrease was primarily due to the decrease in licence charges as the number of activated phone numbers decreased during the period.

In accordance with the Group's policy in provision for doubtful debts, during the nine months ended 30 September 2016, the Group has made a provision for impairment loss on trade receivables of approximately HK$5,962,000 while during the nine months ended 30 September 2017, no provision for impairment loss on trade receivables has been made. Details are set out in note 11 to the financial statements.

No income tax has been provided for the nine months ended 30 September 2016 and 2017 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 nine months ended 30 September 2017 of approximately HK$9,863,000, representing a decrease of approximately 55.7% when compared to approximately HK$22,265,000 for the corresponding period last year. The decrease was mainly due to (i) the provision for impairment loss on trade receivables during the nine months ended 30 September 2016 while no such provision has been made for the nine months ended 30 September 2017; and (ii) the Group recorded a foreign exchange gain for the nine months ended 30 September 2017 as compared to a foreign exchange loss amounted to approximately HK$2,894,000 for the corresponding period last year.

OTHER INFORMATION

Update on the use of proceeds from the placing of the shares of the Company completed on 2 June 2010 ("IPO Proceeds")

This section is made by the Company to provide an update on the use of IPO Proceeds.

The IPO Proceeds were approximately HK$69.2 million, amongst which approximately HK$43.5 million had been utilised up to 30 September 2017. The breakdown of the Company's actual use of the IPO Proceeds up to 30 September 2017 is as follows:

	Proposed use of the IPO Proceeds as disclosed in the prospectus of the Company dated 28 May 2010 (the "Prospectus")	**Actual use of the IPO Proceeds from the date of listing to 30 September 2017**
	HK$ million	*HK$ million* (unaudited)
Expansion of the business of mobile phone services in Macau, Taiwan and other Asia Pacific territories	22.7	21.8
Upgrading of the Group's telecommunications equipment for compatible with the mobile network operated by the Group's service providers in Hong Kong and the PRC	20.8	10.6
Development and implementation of RF-SIM business plans in Hong Kong and Macau	18.9	4.3
Working capital	6.8	6.8
Total	69.2	43.5

Based on the information currently available and the Board's estimation of the future market condition, the Company intends to utilise approximately HK$3.1 million (representing approximately 12.1% of the unutilised IPO proceeds of approximately HK$25.7 million) in the following manner:

1. *Expansion of the business of mobile phone services in Macau, Taiwan and other Asia Pacific territories*

Up to 30 September 2017, approximately HK$21.8 million out of approximately HK$22.7 million of the IPO Proceeds allocated to expansion of the business of mobile phone services in Macau, Taiwan and other Asia Pacific territories has been utilized. The Group has explored actively various cooperation or acquisition opportunities with different mobile network operators or telecommunications agents/distributors in the Southeast Asia after the completion of the placing on 2 June 2010 (the "Placing"). Despite numerous negotiations, parties failed to conclude definitive terms of cooperation or acquisition. In 2016, the Group decided to expand into the PRC market and applied for the CEPA qualification. The Group subsequently successfully obtained the CEPA qualification in 2017 and completed the acquisition of Joint Top Investments Limited, which through its subsidiary is principally engaged in the sale of mobile telecommunications services and distribution business in Guangdong province, the PRC, on 8 September 2017.

In addition to the PRC market, the Group has recently started to establish its footprint in Southeast Asia by successfully concluded an acquisition in Singapore (the "Singapore Acquisition"). On 13 September 2017, Asia Globe Investments Ltd. ("Asia Globe"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "SG Acquisition Vendor"), pursuant to which Asia Globe has conditionally agreed to purchase and the SG Acquisition Vendor has conditionally agreed to sell the entire issued share capital of South Data Communication Pte. Limited (the "SG Target") at a total consideration of HK$6 million, subject to adjustment, which is to be satisfied by the payment of cash consideration at the completion date of the Singapore Acquisition. The SG Target is a company incorporated in Singapore with limited liability and is principally engaged in the sale of mobile telecommunications services and distribution business in Singapore.

The Company expects that the entire unutilized IPO Proceeds allocated for the expansion of the business of mobile phone services in Macau, Taiwan and other Asia Pacific territories of approximately HK$0.9 million as at 30 September 2017 will be used up in the fourth quarter of 2017.

2. *Upgrading of the Group's telecommunications equipment for compatible with the mobile network operated by the Group's service providers in Hong Kong and the PRC*

Up to 30 September 2017, approximately HK$10.6 million out of approximately HK$20.8 million of the IPO Proceeds allocated to the upgrading of the Group's telecommunications equipment for compatible with the mobile network operated by the Group's service providers in Hong Kong and the PRC has been utilized. The Group is currently upgrading its current network in Hong Kong to 4G, which supports higher-speed mobile data transmission. Although the Group began exploring options to upgrade its existing system to a 4G system since 2014, the upgrade work only started to take place in mid-2017 as significant amount of time has been spent on researching the technology and comparing quotations from various equipment suppliers and to solve the technical complications in transferring the Group's existing data from one system to the new system. As at the date of this announcement, the installation of the upgraded system has been completed and the system is currently under testing and commissioning. The estimated upgrade cost amounted to approximately HK$8 million which includes the equipment cost of the 4G core networks, implementation cost of the core networks and first year system warranty. The Group plans to pay the entire upgrade cost by the IPO Proceeds, of which approximately HK$5.8 million has been paid up to 30 September 2017 and the remaining HK$2.2 million is expected to be paid in the fourth quarter of 2017 after completion of the testing.

3. Development and implementation of RF-SIM business plans in Hong Kong and Macau

Up to 30 September 2017, approximately HK$4.3 million out of approximately HK$18.9 million of the IPO Proceeds allocated to development and implementation of RF-SIM business plans in Hong Kong and Macau has been utilized. Upon completion of the Placing, the Group originally intended to launch and promote the use of RF-SIM technology for applications including the access control services and promotion services for commercial customers and mobile wallet and payment services immediately upon the Placing. In view of this, the Group had explored with mobile network operators in Hong Kong to launch the above applications. However, the Group experienced difficulties in promoting the above applications to mobile network operators in Hong Kong because the market of electronic wallet and payment has been dominated by a stored value smart card system. The Group had also approached potential partners in Macau to attempt to launch similar RF-SIM applications but failed to reach any conclusion.

After attempting for around three years, the Group decided to shift the application of RF-SIM technology to smart living with mobile access to doors and other facilities. The Group approached various major residential property management companies to introduce the application of RF-SIM technology for smart living in large-scale private housing estates in Hong Kong. However, the co-operations were not materialised as the Group failed to agree the commercials terms with the management companies.

Since the completion of the Placing, the development and implementation of RF-SIM business continues to be one of the business development agendas of the Group and the Group continues to conduct in house research to explore the different applications of the RF-SIM technology. The slow utilisation of the IPO Proceeds originally allocated to this segment was due to the slower than expected business development progress. The Company will closely monitor the development of its RF-SIM business and will consider the need to change the use of the IPO proceeds allocated to this segment if appropriate.

The remaining unutilised IPO Proceeds of approximately HK$25.7 million have been placed as interest bearing deposits in banks in Hong Kong. As at the date of this announcement, the Board confirmed that there is no plan to change the original intended use of the proceeds as disclosed in the Prospectus. If there is any change to the proposed use of IPO Proceeds, announcement will be published by the Company in accordance with the GEM Listing Rules.

LISTING STATUS

The Company has received a letter dated 29 September 2017 from the Stock Exchange, where the Stock Exchange considered that the Company has failed to maintain a sufficient level of operations or assets under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares. The Stock Exchange has therefore decided to proceed with the procedures to cancel the Company's listing under Rules 9.14 of the GEM Listing Rules. After considering legal and professional advice, the Company submitted a written request to the GEM Listing Committee of the Stock Exchange pursuant to Chapter 4 of the GEM Listing Rules for reviewing of the decision on 11 October 2017. For details, please refer to the announcements of the Company dated 29 September 2017 and 11 October 2017.

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 nine months ended 30 September 2017 (nine months ended 30 September 2016: 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"). For details, please refer to the announcements of the Company dated 30 April 2014 and 29 May 2014. 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 have been adjusted from HK$0.1648 to HK$0.0549 and from 200,000,000 Shares to 600,000,000 Shares respectively, as a result of the completion of bonus issue of the Company on 23 June 2015. For details of the completion of the bonus issue, please refer to the announcement of the Company dated 23 June 2015. On 23 November 2016, the Subscriber as transferor, transferred 200,000,000 Warrants to six individuals, as transferees, at a consideration of HK$2,000,000 (at HK$0.01 per Warrant). At as the date of this announcement, no Warrants have been exercised and the Company has not utilised any of the net proceeds.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 12 to this announcement.

MATERIAL ACQUISITION, DISPOSAL OR SIGNIFICANT INVESTMENT

On 18 July 2017, Dynamic Profit International Limited (the "Purchaser"), a direct and wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Wu Xinyu (the "Vendor"), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued capital of Joint Top Investments Limited together with its subsidiary, Guangzhou Directel Telecommunications Limited * (廣州直通電訊有限公司) (the "Target"), which is principally engaged in the sale of mobile telecommunication services and products in Guangdong province, the PRC at a total consideration of HK$50,000,000. The acquisition was completed on 8 September 2017 upon the fulfilment of all conditions precedent under the sale and purchase agreement. Following the completion of the acquisition, the Target has become the wholly owned subsidiary of the Group in accordance with the relevant accounting standards. Details of the above acquisition were disclosed in the announcements of the Company dated 18 July 2017, 5 September 2017 and 8 September 2017.

Save for the above, the Group did not have any material acquisition or disposal of subsidiaries or affiliated companies for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

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

As at 30 September 2017, 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 30 September 2017, 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 30 September 2017, 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 30 September 2017, 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 a new share option scheme (the "Share Option Scheme") in the annual general meeting held on 11 May 2016, for the purpose of providing incentives or rewards to eligible participants (including employees, executives or officers, directors including executive directors, non-executive directors and independent non-executive directors, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high caliber employees. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 11 May 2016.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 311,250,000 shares, representing 10% of the shares of the Company in issue as at 30 September 2017. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

The Company did not grant or cancel any options under the Share Option Scheme any time during the nine months ended 30 September 2017, and as at 30 September 2017, no option has been granted 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 the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2017 except for the deviations from code provision A.6.7 which is 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. Hu Tiejun, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 12 May 2017.

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 nine months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

COMPETING INTERESTS

During the nine months ended 30 September 2017, 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 ("Terms of Reference"). The Terms of Reference of the Audit Committee were revised and adopted by the Board on 29 March 2016. For details, please refer to the Terms of Reference of the Audit Committee published on the Company's website and the Stock Exchange website on 31 March 2016. 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 (on behalf of the Board) oversees management in the design, implementation and monitoring of the financial reporting, risk management and internal control systems and the management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the nine months ended 30 September 2017. The Company has conducted review of its risk management and internal control systems periodically and has convened meeting periodically to discuss the financial, operational and risk management control. The Audit Committee is of the view that the risk management and internal control system implemented by the Group during the period under review had been valid and adequate.

The Audit Committee consists of the three independent non-executive Directors, namely, Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Liu Kejun. Ms. Lee Man Yee, Maggie is the chairman of the Audit Committee. The Group's unaudited results for the nine months ended 30 September 2017 have been reviewed by the Audit Committee. 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, 13 November 2017

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, Mr. Wong Kin Wa and Mr. Hu Tiejun; and the independent non-executive Directors are Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Liu Kejun.

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.