DIRECTEL HOLDINGS LIMITED
直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 8337)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

HIGHLIGHTS

- Revenue for the year ended 31 December 2017 was approximately HK$59,096,000, representing an increase of approximately 8.2 times as compared with 2016.
- Loss attributable to shareholders of the Company for the year ended 31 December 2017 was approximately HK$6,222,000 while profit attributable to shareholders of the Company for the year ended 31 December 2016 was approximately HK$3,243,000.
- Basic and diluted loss per ordinary share for the year ended 31 December 2017 was 0.20 HK cents as compared with basic and diluted earnings of 0.10 HK cents and 0.09 HK cents respectively for year ended 31 December 2016.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2017 together with the comparative figures for 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Revenue	4	**59,096**	6,415
Cost of sales		**(54,208)**	(13,562)
Gross profit/(loss)		**4,888**	(7,147)
Other income	6(a)	**984**	1,115
Other net income/(loss)	6(b)	**944**	(4,590)
Administrative and other operating expenses		**(13,775)**	(12,197)
Reversal of impairment loss on trade receivables (net)		**—**	25,934
(Loss)/profit before taxation	7	**(6,959)**	3,115
Income tax	8	**737**	128
(Loss)/profit for the year attributable to equity shareholders of the Company		**(6,222)**	3,243
Other comprehensive income for the year, net of income tax:			
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities: changes in fair value		**89**	—
Exchange differences on translation of financial statements of overseas subsidiaries		**135**	—
Total comprehensive income for the year attributable to equity shareholders of the Company		**(5,998)**	3,243
(Loss)/earnings per share	10		
– Basic (HK cents)		**(0.20)**	0.10
– Diluted (HK cents)		**(0.20)**	0.09

There is no tax effect relating to the above components of other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Non-current assets			
Property, plant and equipment	11	**13,283**	7,225
Goodwill	14	**34,003**	—
Intangible assets	13	**7,314**	—
Available-for-sale securities	15	**2,106**	—
Deferred tax assets		**1,808**	—
Deposits		**327**	224
Total non-current assets		**58,841**	7,449
Current assets			
Inventories	16	**3,022**	207
Trade receivables	17	**15,728**	36,939
Other receivables, deposits and prepayments	17	**6,697**	3,277
Taxation recoverable		**120**	120
Cash and cash equivalents	18	**58,169**	66,148
Total current assets		**83,736**	106,691
Current liabilities			
Payables and accruals	19	**9,562**	6,640
Taxation payable		**10**	—
Total current liabilities		**9,572**	6,640
Net current assets		**74,164**	100,051
Total assets less current liabilities		**133,005**	107,500
Non-current liabilities			
Contingent consideration payable		**30,442**	—
Deferred tax liabilities		**1,941**	880
Total non-current liabilities		**32,383**	880
Net assets		**100,622**	106,620
Capital and reserves			
Share capital		**31,125**	31,125
Share premium		**46,749**	46,749
Warrant reserve		**1,654**	1,654
Exchange reserve		**135**	—
Fair value reserve		**89**	—
Retained earnings		**20,870**	27,092
Total equity		**100,622**	106,620

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital *HK$'000*	**Share premium** *HK$'000*	**Warrant reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Fair value reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2016	31,125	46,749	1,654	—	—	23,849	103,377
Changes in equity for 2016:							
Profit and total comprehensive income	—	—	—	—	—	3,243	3,243
At 31 December 2016 and at 1 January 2017	31,125	46,749	1,654	—	—	27,092	106,620
Changes in equity for 2017:							
Loss for the year	—	—	—	—	—	(6,222)	(6,222)
Other comprehensive income	—	—	—	135	89	—	224
Total comprehensive income	—	—	—	135	89	(6,222)	(5,998)
At 31 December 2017	31,125	46,749	1,654	135	89	20,870	100,622

1 BACKGROUND OF THE COMPANY

Directel Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 28 July 2009 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business in Hong Kong is at Office Nos. 1, 2, 14 and 15, 37th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong and its registered office is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company and its subsidiaries (together referred to as the “Group”) are principally engaged in the provision of mobile telecommunications services and distribution business.

2 BASIS OF PREPARATION

The annual results set out in this announcement do not comprise the consolidated financial statements for the year ended 31 December 2017 but are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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

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

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s result and financial position for the current or prior periods have been prepared or presented.

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

4 REVENUE

	2017	2016
	HK$'000	*HK$'000*
Telecommunications services	**15,138**	6,415
Distribution business	**43,958**	—
	59,096	6,415

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

	2017	2016
	HK$'000	*HK$'000*
The largest customer	**17,839**	929
The second largest customer	**12,299**	—
The third largest customer	**8,552**	—

5 SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM assesses the performance of the operating segments based on the results attributable to each reportable segment. Interest income and expense are not allocated to segment, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The CODM has determined the operating segments based on these reports. The Group is organised into two business segments:

(i) Telecommunications services: Provision of telecommunications services

(ii) Distribution business: Distribution of mobile phones and equipment and distribution of mobile top-up and data top-up e-vouchers

No operating segments have been aggregated to form the reportable segments.

(a) Segment results

The CODM assesses the performance of the operating segments based on the revenue from external customers and reportable segment profit (i.e. revenue less cost of sales). Segment profits do not include other income, other net income/(loss) and unallocated corporate expenses.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	2017		
	Telecommunications services	**Distribution business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue from external customers	**15,138**	**43,958**	**59,096**
Reportable segment revenue and consolidated revenue	**15,138**	**43,958**	**59,096**
Reportable segment profit	**4,139**	**749**	**4,888**
Other income			**984**
Other net income			**944**
Unallocated corporate expenses			**(13,775)**
Consolidated loss before taxation			**(6,959)**

	2016		
	Telecommunications services	Distribution business	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	6,415	—	6,415
Reportable segment revenue and consolidated revenue	6,415	—	6,415
Reportable segment loss	(7,147)	—	(7,147)
Other income			1,115
Other net loss			(4,590)
Unallocated corporate expenses			(12,197)
Reversal of impairment loss on trade receivables (net)			25,934
Consolidated profit before taxation			3,115

Information of assets and liabilities for reportable segments are not provided to CODM for their review. Therefore, no analysis of the Group's assets and liabilities by reportable segments are presented.

(b) Geographical information

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the location of the operation to which they are allocated.

	Revenue from external customers		Specified non-current assets	
	2017	**2016**	**2017**	**2016**
	HK\$'000	***HK\$'000***	***HK\$'000***	***HK\$'000***
Hong Kong	**15,052**	6,415	**13,251**	7,225
The PRC	**26,205**	—	**24**	—
Singapore	**17,839**	—	**8**	—
	59,096	6,415	**13,283**	7,225

6 OTHER INCOME AND OTHER NET INCOME/(LOSS)

	2017	2016
	HK\$'000	*HK\$'000*
(a) Other income		
Interest income from bank deposits	**434**	1,112
Sundry income	**550**	3
	984	1,115
(b) Other net income/(loss)		
Net foreign exchange gain/(loss)	**944**	(4,590)

7 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Staff costs

	2017	2016
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**3,357**	3,526
Contributions to defined contribution retirement plan	**124**	133
	3,481	3,659

(b) Other items

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories	**43,902**	321
Depreciation	**1,959**	1,669
Amortisation of intangible assets	**748**	—
Licence charges	**1,038**	1,155
Operating lease charges in respect of		
– rental of properties	**1,140**	996
– rental of transmission lines	**995**	939
Auditors' remuneration		
– audit services	**1,185**	818
– tax services	**51**	74
– other services	**65**	60
Repairs and maintenance	**702**	826
Research and development cost	**—**	15
Reversal of impairment loss on trade receivables (net)	**—**	(25,934)

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

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

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**—**	—
Current tax – Overseas		
Provision for the year	**10**	—
	10	—
Deferred tax		
Origination and reversal of temporary differences	**1,061**	(128)
Recognition of unutilised tax losses	**(1,808)**	—
	(747)	(128)
	(737)	(128)

(i) 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. The provision of Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. No Hong Kong Profits Tax has been provided as there was no assessable profits for the year ended 31 December 2017 (2016: Nil).

(ii) Overseas Tax

Taxation for overseas subsidiaries is charged at the approximately current rates of taxation ruling in the relevant countries.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

10 (LOSS)/EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to the ordinary equity shareholders of the Company for the purpose of basic and diluted (loss)/earnings per share	**(6,222)**	3,243

(a) Weighted average number of ordinary shares (basic)

	2017	2016
	Number of shares '000	*Number of shares '000*
Issued ordinary shares at 1 January	**3,112,500**	3,112,500
Weighted average number of ordinary shares at 31 December	**3,112,500**	3,112,500

(b) Weighted average number of ordinary shares (diluted)

	2017	2016
	Number of shares '000	*Number of shares '000*
Weighted average number of ordinary shares (basic) at 31 December	**3,112,500**	3,112,500
Effect of unlisted warrants on deemed issue for nil consideration	**—**	445,352
Weighted average number of ordinary shares (diluted) at 31 December	**3,112,500**	3,557,852

Diluted loss per share is the same as basic loss per share for the year 2017 as the potential ordinary shares under the unlisted warrants have anti-dilutive effects on the basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2017 the Group acquired property, plant and equipment with an aggregate cost of approximately HK$7,578,000 (2016: approximately HK$720,000).

12 BUSINESS COMBINATION

(a) Acquisition of Joint Top Investments Limited

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 provision of mobile telecommunication services and distribution business in Guangdong province in the PRC.

Pursuant to the agreement, the consideration for acquiring entire equity interests in Joint Top, amounting to HK$50,000,000, comprised of cash consideration of HK$10,000,000 payable immediately and a further contingent amount to be settled in the coming 3 years (if applicable) depending upon the fulfilment of certain pre-determined conditions. The contingent consideration payable was recognised as a financial liability.

The following tables summarise the fair value of the identifiable assets acquired and liabilities assumed from the acquisition of Joint Top Group on 8 September 2017 and the calculation of goodwill:

	HK$'000
Property, plant and equipment	439
Intangible assets (note 13)	8,062
Inventories	1,021
Trade receivables	83
Other receivables, deposits and prepayments	3,054
Cash and cash equivalents	3,173
Payable and accruals	(3,451)
Fair value of net assets acquired	12,381
Goodwill (note 14)	28,061
Total consideration	40,442
Cash consideration paid	10,000
Contingent consideration payable	30,442
Total consideration	40,442
Cash consideration paid	10,000
Cash and cash equivalents acquired	(3,173)
Net cash outflow in respect of the PRC Acquisition during the year ended 31 December 2017	6,827

Note: The fair value of the identifiable assets and liabilities arising from the PRC Acquisition as at 8 September 2017 and the related consideration are currently determined provisionally as at 31 December 2017. At the date of these annual financial statements, the necessary valuations and other calculations for the net assets acquired and liabilities assumed have not been finalised and therefore have been provisionally determined based on the latest information available to the management. Any adjustments to these provisional values upon finalisation will be recognised within 12 months of the acquisition date. The adjustments will be calculated as if the fair values had been recognised on the acquisition date. Goodwill will also be adjusted to the amount that would have been recognised if the fair value had been used at the acquisition date.

* For identification purpose only

(b) Acquisition of South Data Communication Pte. Limited

On 13 September 2017, Asia Globe Investments Limited ("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 ("South Data") (the "Singapore Acquisition") at a total consideration of HK$6,000,000, subject to adjustment, which is to be satisfied by the payment of cash consideration at the completion date of the Singapore Acquisition. South Data is a company incorporated in Singapore with limited liability and is principally engaged in the provision of mobile telecommunications services and distribution business in Singapore.

The total consideration for acquiring entire equity interests in South Data, amounting to HK$6,000,000, comprised of cash and contingent consideration receivable from the SG Acquisition Vendor in the coming 2 years (if applicable) depending upon the fulfilment of certain pre-determined conditions.

The following tables summarise the fair value of the identifiable assets acquired and liabilities assumed from the acquisition of South Data on 13 September 2017 and the calculation of goodwill:

	HK$'000
Other receivables	58
Fair value of net assets acquired	58
Goodwill (note 14)	5,942
Total consideration	6,000
Cash consideration paid and net cash outflow in respect of the Singapore Acquisition during the year ended 31 December 2017	6,000

Note: The fair value of the identifiable assets and liabilities arising from the Singapore Acquisition as at 13 September 2017 and the related consideration are currently determined provisionally as at 31 December 2017. At the date of these annual financial statements, the necessary valuations and other calculations for the net assets acquired and liabilities assumed have not been finalised and therefore have been provisionally determined based on the latest information available to the management. Any adjustments to these provisional values upon finalisation will be recognised within 12 months of the acquisition date. The adjustments will be calculated as if the fair values had been recognised on the acquisition date. Goodwill will also be adjusted to the amount that would have been recognised if the fair value had been used at the acquisition date.

Total goodwill generated from acquisitions of subsidiaries as at 31 December 2017 amounted to HK$34,003,000 in aggregate (2016: Nil).

13 INTANGIBLE ASSETS

	Customer contracts *HK$'000*
Cost:	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Acquisition of a subsidiary during the year (note 12)	8,062
At 31 December 2017	8,062
Accumulated amortisation:	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Charge for the year	748
At 31 December 2017	748
Net book value:	
At 31 December 2017	7,314
At 31 December 2016	—

The amortisation charge for the year is included in "administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

14 GOODWILL

	HK$'000
Cost:	
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Acquisition of a subsidiaries during the year (note 12)	34,003
At 31 December 2017	34,003
Accumulated impairment losses:	
At 1 January 2016, 31 December 2016, and 1 January 2017 and 31 December 2017	—
Carrying amount:	
At 31 December 2017	34,003
At 31 December 2016	—

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and operating segment as follows:

	2017	2016
	HK$'000	*HK$'000*
Telecommunications services and distribution business - the PRC	**28,061**	—
Telecommunications services and distribution business - Singapore	**5,942**	—
	34,003	—

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated weighted average growth rate of 27% (2016: Nil) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 17% (2016: Nil). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments

15 AVAILABLE-FOR-SALE SECURITIES

	2017	2016
	HK$'000	*HK$'000*
Available-for-sale equity securities:		
– Listed in Hong Kong	**2,106**	—

16 INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
SIM cards	**1,120**	190
Recharge and top-up vouchers	**98**	17
Mobile phones and equipment	**1,804**	—
	3,022	207

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**15,728**	36,939
Other receivables, deposits and prepayments	**6,697**	3,277
	22,425	40,216

Generally, the distribution business and the provision of telecommunications services to the Group's major customers, including major mobile network operators and their dealers, are made in an open account with credit terms up to 60 days after the date of invoice. Subject to negotiations, credit terms can be extended to three to four months for certain customers with well-established trading and payment records on a case-by-case basis. Provision of telecommunications 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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**11,348**	123
Over 1 month but less than 3 months	**3,809**	162
Over 3 months but less than 6 months	**489**	342
Over 6 months but less than 12 months	**82**	1
Over 12 months but less than 18 months	**—**	4,245
Over 18 months	**—**	32,066
	15,728	36,939

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

	2017	2016
	HK$'000	*HK$'000*
Current	**14,004**	118
Less than 1 month past due	**374**	161
1 to 3 months past due	**828**	127
More than 3 months but less than 12 months past due	**522**	221
More than 12 months but less than 18 months past due	**—**	4,601
More than 18 months past due	**—**	31,711
	15,728	36,939

(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 current and prior years are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**—**	25,934
Impairment loss recognised	**—**	6,100
Reversal of impairment loss	**—**	(32,034)
At 31 December	**—**	—

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 announcement dated 17 August 2016, 28 February 2017 and 1 March 2017 for details.

(c) Trade receivables that are not impaired

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**14,004**	118
Less than 1 month past due	**374**	161
1 to 3 months past due	**828**	127
More than 3 months but less than 12 months past due	**522**	221
More than 12 months but less than 18 months past due	**—**	4,601
More than 18 months past due	**—**	31,711
	1,724	36,821
	15,728	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.

18 CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	*HK$'000*
Deposits with banks	**33,266**	56,919
Cash at bank and other financial institutions	**24,889**	9,219
Cash in hand	**14**	10
	58,169	66,148

19 PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**4,983**	3,746
Other payables and accruals	**4,579**	2,894
	9,562	6,640

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**3,764**	1,859
Over 1 month but less than 3 months	**1,218**	1,887
Over 3 month but less than 6 months	**1**	—
	4,983	3,746

20 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017	2016
	HK$'000	*HK$'000*
Contracted for	**779**	225

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017		2016	
	Properties	**Transmission lines**	Properties	Transmission lines
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	**251**	**623**	996	69
After 1 year but within 5 years	**403**	**400**	—	28
After 5 years	**357**	**—**	—	—
	1,011	**1,023**	996	97

The Group is the lessee in respect of a number of properties and transmission lines held under operating lease agreements. The leases typically run for an initial period of one to ten years (2016: one to three years), with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business in Hong Kong

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 and dealers. 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. The competitiveness of the Group's business has been adversely affected. The monthly average number of activated phone numbers decreased to 48,132 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 the comparatively fall-behind technology of the 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 has successfully upgraded its network in Hong Kong to be compatible with the 4G network in October 2017 and thereafter introduced the 4G services. With the introduction of the new 4G services together 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. The Group has commenced its marketing efforts in promoting its new 4G telecommunications services and is currently actively contacting agents for distribution of its new 4G products. The Group has entered into distribution contracts with three distribution agents and a number of agents have also expressed their interests in becoming the Group's agents. Among the three distribution contracts the Group has entered into, contracts with two of the distributors included a term that the distributors would commit subscription of not less than HK$29 million and HK$21.3 million worth of airtime and mobile data services in aggregate throughout the period ending 31 December 2018, respectively.

As a result of the above measures, the number of users of the Group increased significantly in the fourth quarter of 2017. The total number of activated phone numbers increased by approximately 95.3% to 105,130 as of 31 December 2017 compared to 53,829 as of 31 December 2016. The monthly average number of activated phone numbers for the year ended 31 December 2017 only decreased slightly by approximately 1.2% to 56,007 when compared to 56,691 for the last corresponding year. The average revenue per user ("ARPU") of the Group increased from approximately HK$9.5 for the year ended 31 December 2016 to approximately HK$22.4 for the year ended 31 December 2017. The revenue derived from the provision of telecommunications services increased substantially to approximately HK$15,052,000 for the year ended 31 December 2017 compared to approximately HK$6,415,000 for the last corresponding year.

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 launched in the fourth 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 cooperation agreement, the Group shall provide a mobile telecommunications 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 of the acquisition, Joint Top has become an indirect wholly-owned subsidiary of the Company and thereafter, the Group has engaged in the provision of mobile telecommunications services and distribution business in Guangdong province in the PRC.

GZDT is principally engaged in three main businesses. The first is the provision of mobile telecommunications 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 and 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 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.

GZDT has successfully secured a contract with a telecommunications equipment distributor which includes a term that the relevant distributor has committed to procure sales of mobile phones and equipment in aggregate of not less than RMB50 million throughout the period ending 31 December 2020. For the period after the date of completion of the acquisition to 31 December 2017, the revenue from the distribution of mobile phones and equipment was approximately HK$13,976,000 which represents the sales proceeds of the mobile phone products and equipment, 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 online 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 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 31 December 2017, the revenue from the distribution of mobile top-up and data top-up business was approximately HK$12,229,000. 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 and obtained the approval letter from the Guangdong Communications Administration 廣東省通信管理局備案批准 in December 2017 which allows the Group to sell its SIM cards through distributors to local customers in Guangdong Province who intend to travel abroad and use data services while they are aborad. 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 provision of telecommunications 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 31 December 2017, the revenue from the distribution of mobile top-up and data top-up business was approximately HK$17,839,000. 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

Revenue

For the year ended 31 December 2017, the revenue of the Group increased to approximately HK$59,096,000 compared to approximately HK$6,415,000 for the last corresponding year, representing an increase of approximately 8.2 times. Revenue from the provision of telecommunications services and distribution business accounted for approximately HK$15,138,000 and HK$43,958,000 respectively, representing approximately 25.6% and 74.4% respectively of the Group's revenue for the year ended 31 December 2017. The increase was mainly attributable to the revenue generated from the distribution business by the acquisition of the wholly owned subsidiaries in September 2017 and the revenue generated from the increase in usage of mobile data after the launch of new 4G service in the fourth quarter of 2017.

Cost of Sales

The Group's cost of sales increased by approximately 3.0 times to approximately HK$54,208,000 for the year ended 31 December 2017 compared to approximately HK$13,562,000 for the last corresponding year. The increase was mainly attributable to the increase in cost of roaming data from the provision of telecommunications services and the new distribution business by the acquisition of the wholly owned subsidiaries in September 2017.

Gross Profit/(Loss)

For the year ended 31 December 2016, the Group incurred a gross loss of approximately HK$7,147,000 while for the year ended 31 December 2017, the Group recorded a gross profit of approximately HK$4,888,000. The incurrence of gross profit during the year ended 31 December 2017 was mainly attributable to (i) the increase of revenue and improved gross profit margin from the provision of telecommunications services in the fourth quarter of 2017 and the reduction of the minimum requirement of the monthly purchase amount adopted by the MNOs and (ii) the gross profit contributed from the new distribution business by the acquisition of the wholly owned subsidiaries in September 2017.

Other Income

The Group's other income for the year ended 31 December 2017 decreased by approximately 11.7% to approximately HK$984,000 when compared with approximately HK$1,115,000 for the last corresponding year. The decrease was mainly attributable to the decrease of interest income from bank deposits partly offset by the increase of sundry income.

Other Net Income/(Loss)

For the year ended 31 December 2016, the Group recorded other net loss of approximately HK$4,590,000 while for the year ended 31 December 2017, the Group incurred other net income of approximately HK$944,000. The incurrence of other net income was mainly due to foreign exchange gain arising from the movements in the exchange rate between Hong Kong dollars and Renminbi during the year.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the year ended 31 December 2017 increased by approximately 12.9% to approximately HK$13,775,000 when compared to approximately HK$12,197,000 for the last corresponding year. The increase was primarily due to the amortisation of intangible assets acquired during the year and the increase of depreciation and auditors' remuneration.

Reversal of Impairment Loss on Trade Receivables (net)

In accordance with the Group's policy in provision for doubtful debts, during the year ended 31 December 2016, the Group has made a reversal of impairment loss on trade receivables of approximately HK$25,934,000 while during the year ended 31 December 2017, no reversal of impairment loss on trade receivables has been made. Details are set out in note 17 to the financial statements.

Income Tax

The Group's income tax credit for the year ended 31 December 2017 increased by approximately 4.8 times to approximately HK$737,000 when compared to approximately HK$128,000 for the last corresponding year. The increase was mainly attributable to the partial recognition of unutilised tax losses brought forward.

(Loss)/Profit Attributable to Shareholders

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2017 of approximately HK$6,222,000 while it recorded a profit attributable to equity shareholders of the Company of approximately HK$3,243,000 for the last corresponding year. Excluding the effect of the reversal of impairment loss on trade receivables amounting to approximately HK$25,934,000 for the year ended 31 December 2016, the loss of the Group recorded for the year ended 31 December 2017 was approximately 72.6% less than the loss of the Group recorded for the last corresponding year which was primarily attributable to (i) the increase in revenue and profit generated from the entering into the guaranteed contracts with existing customers and distributors in the fourth quarter of 2017; (ii) the improved gross profit margin for the year ended 31 December 2017; and (iii) the foreign exchange gain recorded for the year ended 31 December 2017 as compared to a foreign exchange loss for the corresponding period in 2016.

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 31 December 2017. The breakdown of the Company's actual use of the IPO Proceeds up to 31 December 2017 is as follows:

	Proposed use of the IPO Proceeds as disclosed in the prospectus of the Company dated 28 May 2010 (the "Prospectus") *HK$ million*	**Actual use of the IPO Proceeds from the date of listing to 31 December 2017** *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 31 December 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 provision 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 started to establish its footprint in Southeast Asia by successfully concluded an acquisition in Singapore. 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 ("**South Data**") (the "**Singapore Acquisition**") 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. South Data is a company incorporated in Singapore with limited liability and is principally engaged in the provision 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 31 December 2017 will be used up in the first half of 2018.

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 31 December 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 has successfully upgraded its network in Hong Kong to be compatible with 4G network in October 2017, 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. The 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 31 December 2017 and the remaining HK$2.2 million is expected to be paid in the first half of 2018.

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

Up to 31 December 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.

CAPITAL STRUCTURE

The Group adopts a sound financial policy, and the cash surplus is deposited with the banks to facilitate extra expenditure or investment. As at 31 December 2017, the Group had no outstanding loan or borrowing, and the gearing ratio (being ratio of total long term borrowings to equity) was therefore inapplicable. As at 31 December 2017, total equity attributable to equity holders of the Company amounted to approximately HK$100,622,000 (as at 31 December 2016: approximately HK$106,620,000).

As of 31 December 2017, the Company had an authorised share capital of HK$100,000,000 divided into 10,000,000,000 shares of a par value of HK$0.01 each ("Shares"), of which 3,112,500,000 Shares were issued.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cash flows and capital contribution from shareholders. As at 31 December 2017, the Group had net current assets of approximately HK$74,164,000 (as at 31 December 2016: approximately HK$100,051,000), including cash and cash equivalents of approximately HK$58,169,000 (as at 31 December 2016: approximately HK$66,148,000). The current ratio was 8.7 as at 31 December 2017, lower than 16.1 as at 31 December 2016.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi ("RMB"), Singapore dollars ("SGD") and United States dollars ("US$"). The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arise. As at 31 December 2017, the Group did not have any derivatives for hedging against the exchange rate risk.

PLEDGE OF ASSETS

As at 31 December 2017, the Group did not have any pledges on its assets.

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITION, DISPOSAL OR SIGNIFICANT INVESTMENT

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 Xiuyu (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) ("GZDT") (the "Joint Top Group") (the "PRC Acquisition"), which is principally engaged in the provision of mobile telecommunications 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 PRC Acquisition, the Joint Top Group 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 disposals of subsidiaries or affiliated companies during the year under review.

STAFF AND REMUNERATION POLICY

As at 31 December 2017, the Group had 18 employees (2016: 10 employees). Among them, 9 employees worked in Hong Kong, 8 employees worked in the PRC and 1 employee worked in Singapore. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. The Group also offers various staff welfare, including medical insurance, share option scheme, housing fund and social insurance. It believes that employees are the most valuable assets of the Group.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

EVENT 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. On 27 February 2018, the Company received a letter from the GEM Listing Committee (the "Committee Letter") setting out its decision to overturn the Decision to suspend trading in the Shares under GEM Listing Rule 9.04 and proceed with cancellation of the Company's listing under GEM Listing Rule 9.14. For details, please refer to the announcement of the Company dated 27 February 2018.

Save as disclosed above, no significant event has taken place subsequent to 31 December 2017 and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018, both days inclusive. In order to ascertain the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, namely Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 7 May 2018.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, during the year ended 31 December 2017, 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 31 December 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 year, and as at 31 December 2017 there was no outstanding share option under the Share Option Scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. During the year ended 31 December 2017 the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules except for the deviations from code provision A.6.7 which 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 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 year ended 31 December 2017 neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

COMPETING INTERESTS

During the year ended 31 December 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. 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 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 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 year ended 31 December 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.

During the year of 2017, the audit committee has (i) reviewed the quarterly and half-yearly results; (ii) reviewed the accounting policies adopted by the Group and issues related to accounting practice; (iii) met with external auditors to discuss on issues arising from the audit and financial reporting matters and reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement; and (iv) assisted the Board to evaluate on the effectiveness of financial reporting procedure and internal control.

The Group's audited results for the year ended 31 December 2017 have been reviewed by the Audit Committee and which was of the opinion that such results complied with the applicable accounting standards and that adequate disclosures had been made.

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

Hong Kong, 27 March 2018

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.