



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 2010**

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

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

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

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

HIGHLIGHTS

- The Company's shares were listed on GEM of the Stock Exchange on 2 June 2010.
- Turnover for the year ended 31 December 2010 was approximately HK\$68,766,000, representing an increase of approximately 32.6% as compared with 2009.
- Profit attributable to shareholders of the Company for the year ended 31 December 2010 was approximately HK\$20,813,000, representing an increase of approximately 105.3% as compared with 2009.
- Basic and diluted earnings per share was HK\$0.023, representing an increase of approximately 64.3% as compared with 2009.
- The Board recommended the payment of a final dividend of HK\$0.005 per ordinary share for the year ended 31 December 2010.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2010 together with the comparative figures for 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Turnover	4	68,766	51,875
Cost of sales		<u>(27,683)</u>	<u>(25,594)</u>
Gross profit		41,083	26,281
Other income		698	2
Administrative expenses		<u>(17,617)</u>	<u>(18,020)</u>
Profit from operations		24,164	8,263
Finance income	5	<u>1,172</u>	<u>2,786</u>
Profit before taxation	6	25,336	11,049
Income tax	7	<u>(4,523)</u>	<u>(910)</u>
Profit for the year attributable to equity shareholders of the Company		<u>20,813</u>	<u>10,139</u>
Earnings per share	9		
— Basic and diluted		<u>HK\$0.023</u>	<u>HK\$0.014</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group had no components of comprehensive income other than “profit for the year attributable to equity shareholders of the Company” in the years presented. Accordingly, no separate consolidated statement of comprehensive income is presented as the Group’s “total comprehensive income” was the same as the “profit for the year attributable to equity shareholders of the Company” in the years presented.

CONSOLIDATED BALANCE SHEET

		As at 31 December 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	793	1,837
Deferred tax assets		<u>2,711</u>	<u>2,814</u>
Total non-current assets		<u>3,504</u>	<u>4,651</u>
Current assets			
Inventories	11	171	1,473
Trade and other receivables	12	39,584	20,967
Income tax recoverable		454	—
Cash and cash equivalents	13	<u>79,387</u>	<u>4,812</u>
Total current assets		<u>119,596</u>	<u>27,252</u>
Current liabilities			
Trade and other payables	14	7,977	10,458
Current tax payable		<u>2,393</u>	<u>7,134</u>
Total current liabilities		<u>10,370</u>	<u>17,592</u>
Net current assets		<u>109,226</u>	<u>9,660</u>
Total assets less current liabilities		<u>112,730</u>	<u>14,311</u>
Non-current liabilities			
Deferred tax liabilities		<u>68</u>	<u>336</u>
Total non-current liabilities		<u>68</u>	<u>336</u>
Net assets		<u>112,662</u>	<u>13,975</u>
Capital and reserves			
Share capital	15	10,375	—
Share premium		67,499	—
Other reserve		—	—
Retained earnings		<u>34,788</u>	<u>13,975</u>
Total equity		<u>112,662</u>	<u>13,975</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

		Share capital	Share premium	Other reserve	Retained earnings	Total
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	<i>(Note 15)</i>				
As at 1 January 2009		—	—	—	3,836	3,836
Profit for the year and total comprehensive income for the year		<u>—</u>	<u>—</u>	<u>—</u>	<u>10,139</u>	<u>10,139</u>
As at 31 December 2009		<u>—</u>	<u>—</u>	<u>—</u>	<u>13,975</u>	<u>13,975</u>
As at 1 January 2010		—	—	—	13,975	13,975
Shares issued under						
Placing, net of share issuing expenses	15(ii)	2,875	74,999	—	—	77,874
Capitalisation issue	15(iii)	7,500	(7,500)	—	—	—
Profit for the year and total comprehensive income for the year		<u>—</u>	<u>—</u>	<u>—</u>	<u>20,813</u>	<u>20,813</u>
As at 31 December 2010		<u>10,375</u>	<u>67,499</u>	<u>—</u>	<u>34,788</u>	<u>112,662</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		For the year ended	
		31 December	
		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities		(3,193)	(24,832)
Net cash (used in)/generated from investing activities		(106)	22,150
Net cash generated from/(used in) financing activities		<u>77,874</u>	<u>(3,713)</u>
Net increase/(decrease) in cash		74,575	(6,395)
Cash at beginning of the year	13	<u>4,812</u>	<u>11,207</u>
Cash at end of the year	13	<u>79,387</u>	<u>4,812</u>

NOTES

1. BACKGROUND OF THE COMPANY

Directel Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 28 July 2009 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has established a place of business in Hong Kong and was registered in Hong Kong under Part XI of the Companies Ordinance as a non-Hong Kong company on 25 September 2009. On 2 June 2010, the Company listed its shares with a par value of HK\$0.01 each on the GEM of the Stock Exchange (the “Listing”).

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

2. BASIS OF PREPARATION

Pursuant to the group reorganisation (the “Reorganisation”), the Company allotted and issued 100 shares to New Everich Holdings Limited pursuant to a share swap agreement entered into among the Company, Mr. Li Kin Shing, Ms. Kwok King Wa and Elitel Limited and became the holding company of the Group on 7 September 2009. Details of the Reorganisation are set out in the prospectus of the Company dated 28 May 2010 (the “Prospectus”).

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the Group for the year ended 31 December 2009 have been prepared as if the current group structure had been in existence throughout the years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

This announcement does not comprise the consolidated financial statements for the year ended 31 December 2010 but the information herein has been extracted from the draft consolidated financial statements of the Group for the year ended 31 December 2010.

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards (IASs) and related 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.

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 and liabilities, income and expenses. Actual results may differ from these estimates.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and two new Interpretations that are first effective for the current accounting period of the Group. Of these developments, the amendments introduced by “Improvements to IFRSs (2009)” are relevant to the Group’s financial statements. However, these amendments have had no material impact on the Group’s financial statements as the amendments were consistent with policies already adopted by the Group.

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

4. TURNOVER

	For the year ended 31 December	
	2010	2009
	HK\$’000	HK\$’000
Provision of telecommunications services	64,900	45,555
Provision of telesales dealership services	3,866	5,817
Others	—	503
	<u>68,766</u>	<u>51,875</u>

Revenue from transactions with external customers, including revenue derived from entities which are known to the Group to be under common control with these individual customers, amounting to 10% or more of the Group’s aggregate turnover for each of the years is as follows:

	For the year ended 31 December	
	2010	2009
	HK\$’000	HK\$’000
The largest customer	13,597	8,234
The second largest customer	<u>12,631</u>	<u>6,379</u>

Substantially all of the Group’s revenue are derived from Hong Kong and the Group’s property, plant and equipment are located in Hong Kong.

5. FINANCE INCOME

	For the year ended 31 December	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank deposits	59	1
Net foreign exchange gain	<u>1,113</u>	<u>2,785</u>
	<u><u>1,172</u></u>	<u><u>2,786</u></u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	For the year ended 31 December	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Staff costs:		
Salaries, wages and other benefits	3,157	2,826
Contributions to defined contribution retirement plan	<u>139</u>	<u>129</u>
	<u><u>3,296</u></u>	<u><u>2,955</u></u>
(b) Other items:		
Depreciation	1,209	1,475
Licence charges	1,710	1,791
Operating lease charges in respect of		
- rental of properties	528	496
- rental of transmission lines	337	228
Auditors' remuneration		
- annual audit services	794	60
- other compliance services	66	13
Utilities	68	57
Repair and maintenance	417	345
Bad debts written off	—	107
Allowance for doubtful debts	59	302
Listing expenses	<u><u>2,780</u></u>	<u><u>5,911</u></u>

7. INCOME TAX

	For the year ended	
	31 December	
	2010	2009
	HK\$'000	HK\$'000
Current tax - Hong Kong Profits Tax	4,688	2,257
Deferred tax	<u>(165)</u>	<u>(1,347)</u>
	<u>4,523</u>	<u>910</u>

The Company's Hong Kong subsidiaries are subject to Hong Kong Profits Tax. In addition, the Company and Elitel Limited, although incorporated in the Cayman Islands, are also considered as having a taxable presence in Hong Kong, since they are primarily managed and controlled in Hong Kong. They are subject to tax on an entity basis on income arising in or derived from Hong Kong. The provision for Hong Kong Profits Tax for the year ended 31 December 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the years. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

8. DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.005 per ordinary share for the year ended 31 December 2010. No dividend was paid in respect of the year ended 31 December 2009.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the audited profit attributable to equity shareholders of the Company of approximately HK\$20,813,000 (2009: approximately HK\$10,139,000) and the weighted average number of 917,774,000 (2009: 750,000,000) ordinary shares of the Company (after adjusting for the effect of shares issued upon incorporation, the Reorganisation and capitalisation issue as if all of those shares were outstanding throughout the years ended 31 December 2009 and 2010).

(b) Diluted earnings per share

There were no potential dilutive ordinary shares for each of the years ended 31 December 2009 and 31 December 2010, and therefore, diluted earnings per share are the same as the basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2010, the Group acquired an item of property, plant and equipment with an aggregate cost of approximately HK\$165,000 (2009: approximately HK\$213,000).

11. INVENTORIES

	As at 31 December 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
SIM cards	141	1,465
Recharge vouchers	<u>30</u>	<u>8</u>
	<u>171</u>	<u>1,473</u>

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
Trade receivables	36,301	19,843
Less: allowance for doubtful debts	<u>(123)</u>	<u>(302)</u>
	36,178	19,541
Other receivables and prepayments	<u>3,406</u>	<u>1,426</u>
	<u>39,584</u>	<u>20,967</u>

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

	As at 31 December 2010 HK\$'000	As at 31 December 2009 HK\$'000
Neither past due nor impaired	<u>6,070</u>	<u>2,942</u>
Less than 1 month past due	6,679	4,137
1 to 3 months past due	4,572	3,241
More than 3 months but less than 12 months past due	8,653	5,131
More than 12 months past due	<u>10,204</u>	<u>4,090</u>
	<u>30,108</u>	<u>16,599</u>
	<u>36,178</u>	<u>19,541</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good 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. In particular, the trade receivables as at 31 December 2010 included amounts due from a mobile network operator in China amounting to HK\$25,091,000, of which HK\$7,814,000 and HK\$9,492,000 fell into “More than 3 months but less than 12 months past due” and “More than 12 months past due” respectively. The directors consider (i) that mobile network operator is a reputable company in the PRC; (ii) the Group has established long-term business relationship with that mobile network operator; and (iii) that mobile network operator has maintained a good repayment track record with the Group, the directors are willing to extend credit terms to that mobile network operator generally. As a result, the directors consider other than the write off and impairment loss being made during the year, no impairment allowance is considered necessary in respect of trade receivables as at 31 December 2010.

The Group does not hold any collateral over these balances.

13. CASH AND CASH EQUIVALENTS

	As at 31 December 2010 HK\$'000	As at 31 December 2009 HK\$'000
Cash at bank and on hand	<u>79,387</u>	<u>4,812</u>

14. TRADE AND OTHER PAYABLES

	As at 31 December 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
Trade payables	4,726	5,668
Other payables	<u>3,251</u>	<u>4,790</u>
	<u><u>7,977</u></u>	<u><u>10,458</u></u>

Included in trade and other payables are trade creditors with the following ageing analysis by transaction date as of the balance sheet date:

	As at 31 December 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
Within 1 month	2,750	1,923
Over 1 month but less than 3 months	1,617	1,225
Over 3 months but less than 6 months	359	1,123
Over 6 months but less than 1 year	—	809
Over 1 year	<u>—</u>	<u>588</u>
	<u><u>4,726</u></u>	<u><u>5,668</u></u>

15. SHARE CAPITAL

		As at 31 December 2010		As at 31 December 2009	
	<i>Note</i>	Number of shares	Nominal value <i>HK\$</i>	Number of shares	Nominal value <i>HK\$</i>
Authorised	(i)	<u><u>4,000,000,000</u></u>	<u><u>40,000,000</u></u>	<u><u>5,000,000</u></u>	<u><u>50,000</u></u>

		2010		2009	
	<i>Note</i>	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Issued and fully paid					
At beginning of year	(i)	200	—	—	—
Shares issued upon incorporation	(i)	—	—	100	—
Shares issued upon the Reorganisation	(i)	—	—	100	—
Shares issued under the Placing	(ii)	287,500,000	2,875	—	—
Capitalisation issue	(iii)	<u>749,999,800</u>	<u>7,500</u>	<u>—</u>	<u>—</u>
At end of year		<u><u>1,037,500,000</u></u>	<u><u>10,375</u></u>	<u><u>200</u></u>	<u><u>—</u></u>

Notes:

- (i) The Company was incorporated on 28 July 2009 with an authorised share capital of HK\$50,000 divided into 5,000,000 shares of HK\$0.01 each, and 100 shares of HK\$0.01 each were allotted and issued at par to New Everich Holdings Limited (“New Everich”).

On 7 September 2009, the Company allotted and issued 100 shares of HK\$0.01 each to New Everich pursuant to a share swap agreement entered into among the Company, Mr. Li Kin Shing, Ms. Kwok King Wa and Elitel Limited.

By the written resolutions of the shareholders passed on 20 May 2010, the authorised share capital of the Company was increased by HK\$39,950,000 by the creation of 3,995,000,000 shares of HK\$0.01 each.

- (ii) On 2 June 2010, 287,500,000 ordinary shares of HK\$0.01 each were issued by way of placing at a price of HK\$0.30 per share for cash consideration of HK\$86,250,000 (the “Placing”). The excess of the placing price over the par value of the shares issued was credited to the share premium account. Part of the proceeds of HK\$2,875,000, being the par value of the shares issued, was credited to the Company’s share capital account. The remaining proceeds of HK\$83,375,000 after set off by share issuance expenses of approximately HK\$8,376,000 were credited to the share premium account.
- (iii) On 2 June 2010, pursuant to the written resolutions of the shareholders passed on 20 May 2010, an amount of HK\$7,499,998 standing to the credit of share premium account of the Company was capitalised by issue and allotment of 749,999,800 ordinary shares of HK\$0.01 each credited as fully paid at par to the shareholders whose names appeared on the register of members of the Company as at the close of business of 20 May 2010 upon the Placing.

All the shares issued during the current and prior years rank pari passu in all respects with the then existing shares.

16. COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable are as follows:

	As at 31 December 2010		As at 31 December 2009	
	Properties <i>HK\$'000</i>	Transmission lines <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Transmission lines <i>HK\$'000</i>
Within 1 year	528	288	528	241
After 1 year but within 5 years	<u>—</u>	<u>—</u>	<u>528</u>	<u>140</u>
	<u>528</u>	<u>288</u>	<u>1,056</u>	<u>381</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group’s performance was fairly strong for the year ended 31 December 2010 compared to 2009. Total number of activated phone numbers increased by approximately 61.1% to 231,166 as of 31 December 2010 compared to 143,483 as of 31 December 2009. The monthly average number of activated phone numbers increased by approximately 69.5% to 186,019 in the year of 2010 when compared to 2009.

Owing to the fierce competition in the mobile services industry in Hong Kong and the greater popularity of mobile phone usage, the competitiveness of the Group’s business has been adversely affected and both the average revenue per user (“ARPU”) of the Group and the revenue per minute of airtime sold showed a decreasing trend. The ARPU of the Group was approximately HK\$27.5 for the year ended 31 December 2010, lower than approximately HK\$30.8 for the last year.

The volume of the Group’s airtime sold increased from approximately 102.0 million minutes for the year of 2009 to approximately 184.6 million minutes for the year of 2010; and the revenue derived from “One Card Multiple Number” service, Hong Kong local mobile phone services and resale of airtime to MNOs increased from approximately HK\$45.6 million to approximately HK\$64.9 million during the same period. The Group’s revenue per minute of airtime sold decreased from approximately HK\$0.45 for the year of 2009 to approximately HK\$0.35 for the year of 2010. Such decrease was mainly attributable to the relatively lower ARPU of most newly activated mobile phone numbers which belong to Hong Kong local mobile phone services plans and the cancellation of domestic roaming fees when making international long distance calls in the PRC since 1 January 2010 under the rules and regulations promulgated by the relevant authorities of the PRC in December 2009.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2010, the turnover of the Group increased to approximately HK\$68,766,000 compared to approximately HK\$51,875,000 for the last year, represented an increase of approximately 32.6%. The increase in turnover was mainly attributed to the increase in the monthly average number of activated phone numbers which overweighed the decrease in the Group's ARPU.

Cost of Sales

The Group's cost of sales increased by approximately 8.2% to approximately HK\$27,683,000 for the year ended 31 December 2010 compared to approximately HK\$25,594,000 for the last year, in which the cost of sales in respect of the provision of mobile phone services and resale of airtime to MNOs increased by approximately 17.4% whereas the cost of sales in respect of the provision of telesales dealership services decreased by approximately 24.1%. The cost of sales was in line with the respective changes regarding the revenue derived from the Group's provision of mobile phone services and resale of airtime to MNOs as well as provision of telesales dealership services.

Gross Profit

The gross profit of the Group for the year ended 31 December 2010 increased to approximately HK\$41,083,000 compared to approximately HK\$26,281,000 for the last year due to an improvement in gross profit margin to 59.7% for the year ended 31 December 2010 from 50.7% for the last year. The improvement in gross profit and gross profit margin was mainly attributable to the decrease of average unit cost of Hong Kong airtime resulting from mass purchase and then satisfying the minimum monthly airtime purchase amount adopted by two MNOs.

Administrative Expenses

The Group's administrative expenses for the year ended 31 December 2010 decreased by approximately 2.2% to approximately HK\$17,617,000 compared to approximately HK\$18,020,000 for the last year. The decrease was mainly attributable to the listing expenses incurred of approximately HK\$5,911,000 in the fourth quarter of 2009 and approximately HK\$2,780,000 in the first half year of 2010 respectively.

Finance Income

The Group's finance income for the year ended 31 December 2010 decreased by approximately 57.9% to approximately HK\$1,172,000 compared to approximately HK\$2,786,000 for the last year. The decrease was mainly attributed to the foreign exchange gain arising from foreign currency transactions, where in June 2009 the Group fully settled the balances with certain third parties and related parties denominated in RMB with reference to the historical exchange rate in prior years when such balances were made, while no such transaction occurred in the year of 2010.

Income Tax

The Group's income tax for the year ended 31 December 2010 increased by approximately 397.0% to approximately HK\$4,523,000 compared to approximately HK\$910,000 for the last year. The increase was mainly attributed to the improvement of operation profit, while the listing fee incurred was not tax deductible.

Profit Attributable to Shareholders

The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2010 increased by approximately 105.3% to approximately HK\$20,813,000 compared to approximately HK\$10,139,000 for the last year. The increase was mainly due to the improvement of operation profit.

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the year ended 31 December 2010:

	Business plan up to 31 December 2010 as set out in the Prospectus	Actual business progress up to 31 December 2010
Expanding the business of mobile phone services in other Asia Pacific territories		
Investment in the equipment	Investing in equipment to develop the business of "One Card Multiple Number" service in Macau from June 2010 and onwards; Investing in equipment to expand the business of "One Card Multiple Number" service in Taiwan from August 2010 and onwards	The Group has liaised with two telecommunications equipment manufacturers in relation to the system upgrade, and accepted quotation in respect of the equipment from one of the manufacturers

**Business plan up to
31 December 2010 as
set out in the Prospectus**

**Actual business progress
up to 31 December 2010**

Marketing	Marketing and promotion of the “One Card Multiple Number” service to enhance the popularity of such service in Macau and Taiwan	The Group is preparing a detailed marketing and promotion plan, and continues to monitor the customers’ pattern in Macau and Taiwan closely
Human resources	To hire staff responsible for sales and distribution	The Group is searching for qualified people by itself and through agents.

Upgrading the Group’s telecommunications equipment to be compatible with the 3G mobile networks in Hong Kong and China

Investment in the equipment	To upgrade the HLR data base system and roaming gateway, so that the Group’s system for “One Card Multiple Number” service and Hong Kong local mobile phone services can be compatible with 3G platforms of Hong Kong network operators. After the completion of the first phase of the upgrade, the Group’s users of “One Card Multiple Number” service and Hong Kong local mobile phone services can use 3G mobile data services in Hong Kong (while still using the 2G network when roaming in Mainland). The Group may consider to revise its plan tariffs with reference to the local telecommunications market in Hong Kong.	The Group has liaised with two telecommunications equipment manufacturers in relation to the system upgrade, and accepted quotation in respect of the equipment from one of the manufacturers.
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**Business plan up to
31 December 2010 as
set out in the Prospectus**

**Actual business progress
up to 31 December 2010**

Introducing RF-SIM to the Group's mobile phone services in Hong Kong and Macau

Investment in the equipment	Investing in BOSS system, servers and application system in Hong Kong	The Group is at the negotiation stage on the purchase of equipment
Purchase of specialised SIM cards for RF-SIM	To develop RF-SIM users' base in Hong Kong by (1) replacing ordinary SIM cards of existing users with RF-SIM cards free of charge or at a preferential price; (2) introducing to new users RF-SIM cards free of charge or at a preferential price or subsidies of usage fee; and (3) promoting to dealers or operators via existing sales channels	The Group is at the negotiation stage on the purchase of SIM cards
Purchase of RF-SIM card readers	Testing of RF-SIM readers in Hong Kong; Purchase of RF-SIM card Readers for (1) housing estates and car parks; (2) the delivery of commercial advertisements and coupons; and (3) receiving the coupons (all the card readers will be placed in Hong Kong)	Sample RF-SIM readers were tested with satisfactory results and the Group is at the negotiation stage on the purchase of RF-SIM readers
Payment for technical fee for the system installation	Outsourcing costs to install card readers and system testing in shops and/or housing estates and/or car parks in Hong Kong	The Group has liaised with several service providers and is at the negotiation stage on the service fees
Marketing	To announce the introduction of RF-SIM through promotion campaigns to replace ordinary SIM cards and introduce new users	The Group is preparing a detailed marketing and promotion plan and it is expected to launch campaigns when RF-SIM cards are ready.
Human resources	To hire additional staff to carry out promotion and maintenance	The Group is searching for qualified people by itself and through agents

USE OF PROCEEDS

The net proceeds from the Placing were approximately HK\$69.2 million, which was different from the estimated net proceeds of approximately HK\$69.9 million as disclosed in the Company's announcement dated 1 June 2010 and the estimated net proceeds of approximately HK\$49.8 million estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus. We intend to adjust the use of proceeds in the same manner and in the same proportion as shown in the Prospectus. As stated in the Prospectus, we plan to expand the business of mobile phone services in other Asia Pacific territories, upgrade the Group's telecommunications equipment to be compatible with the 3G mobile networks in Hong Kong and China and introduce RF-SIM to the Group's mobile phone services in Hong Kong and Macau in the forthcoming future. As at the date of this announcement, we do not anticipate any change to this plan. During the period between 2 June 2010, being the date of Listing, and 31 December 2010, there was no significant amount of usage made out of the net proceeds from the Listing as the Group needed more time to negotiate with suppliers and service providers for better terms. The net proceeds from the issue of new shares from the date of Listing to 31 December 2010 had been applied as follows:

	Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus from the 20 May 2010, being the latest practicable date as defined in the Prospectus, to 31 December 2010	Actual use of proceeds from the date of Listing to 31 December 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
Expansion of mobile phone services in Macau, Taiwan and other Asia Pacific territories		
- Macau	8.9	0.0
- Taiwan	1.8	0.0
- other Asia Pacific Territories	<u>0.0</u>	<u>0.0</u>
	10.7	0.0

Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus from the 20 May 2010, being the latest practicable date as defined in the Prospectus, to 31 December 2010	Actual use of proceeds from the date of Listing to 31 December 2010
<i>HK\$ million</i>	<i>HK\$ million</i>

Upgrading the Group's telecommunications equipment for compatible with the 3G mobile network operated by the Group's service operators in Hong Kong and the PRC	9.7	0.0
Development and implementation of RF-SIM business plans in Hong Kong and Macau	11.5	0.0
Working capital	<u>3.6</u>	<u>1.6</u>
Total	<u><u>35.5</u></u>	<u><u>1.6</u></u>

Notes:

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

- (1) Since the Listing on 2 June 2010, the Group proceeded to commence with its expansion and business development. The remaining proceeds were not fully applied by the end of December 2010 in order for the Group to negotiate with suppliers and service providers for better terms.
- (2) On expansion of mobile phone services in Macau, Taiwan and other Asia Pacific territories, the Company is at the negotiation stage on the partnership terms with potential partnership MNOs and dealers in Macau and Taiwan.
- (3) On upgrading the Group's telecommunications equipment for compatible with the 3G mobile network operated by the Group's service operators in Hong Kong and the PRC, the Company has liaised with two telecommunications equipment manufacturers in relation to the system upgrade, and accepted quotation in respect of the equipment from one of the manufacturers.

- (4) On development and implementation of RF-SIM business plans in Hong Kong and Macau, the Company is at the negotiation stage on the purchase of equipment and SIM cards.
- (5) The unused net proceeds as at 31 December 2010 have been placed as interest bearing deposits in banks in Hong Kong.

BUSINESS OUTLOOK

Following the recovery of the global economy since the fourth quarter of 2009, the Group is optimistic and sees enormous opportunities and challenges in the market. Going forward in year of 2011, the Group will continue seeking opportunities in existing business to broaden the Group's customer base and expand the Group's operations by means of strengthening relationship with existing dealers, exploring new qualifying dealers and maintaining its low cost strategy for its marketing activities. Also, the Group will execute its business plan continuously to expand the geographical coverage of mobile phone services provided by the Group through development and expansion of such services in Asia Pacific and the Group will provide a wider variety of value-added services for its users to increase the revenue derived from users' airtime usage through (i) upgrading the Group's telecommunications equipment to be compatible with the 3G mobile networks operated by the Group's service operators in Hong Kong and the PRC as a MVNO enabling its users to enjoy 3G mobile data services; and (ii) introducing RF-SIM in Hong Kong and Macau to broaden the customer base of the Group.

CAPITAL STRUCTURE

As at 31 December 2010, 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 2010, total equity attributable to equity holders of the Company amounted to approximately HK\$112,662,000 (31 December 2009: approximately HK\$13,975,000), which was primarily attributable to the proceeds from the Placing and earnings.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cash flows and capital contribution from shareholders. As at 31 December 2010, the Group had net current assets of approximately HK\$109,226,000 (31 December 2009: approximately HK\$9,660,000), including cash balance of approximately HK\$79,387,000 (31 December 2009: approximately HK\$4,812,000). The current ratio was 11.5 as at 31 December 2010, higher than 1.5 as at 31 December 2009. The increase was mainly due to the funds raised from the Placing.

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”). 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 2010, the Group did not have any derivatives for hedging against the exchange rate risk.

PLEDGE OF ASSETS

As at 31 December 2010, the Group did not have any pledges on its assets.

CONTINGENT LIABILITIES

Elitel Limited failed to register as a non-Hong Kong company within the prescribed time limit under Part XI of the Hong Kong Companies Ordinance, which shall be within one month of the establishment of the place of business in Hong Kong.

As at the date of this announcement, the Companies Registry was still considering whether to take any action against Elitel Limited in relation to its possible breaches of the Hong Kong Companies Ordinance in respect of its failure to register promptly under Part XI of the Hong Kong Companies Ordinance. Elitel Limited may be subject to certain penalty in this respect.

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

During the year ended 31 December 2010, no claims had been made against the Group by the Companies Registry in respect of Elitel Limited’s failure to register as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

As at 31 December 2010, the Group has no specific acquisition target. The Group did not have any material acquisition and disposals of subsidiaries and affiliated companies, and investment during the period under review.

STAFF AND REMUNERATION POLICY

As at 31 December 2010, the Group had 13 employees (31 December 2009: 13 employees). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include medical insurance, share option scheme and contributions to statutory mandatory provident fund scheme to its employees in Hong Kong.

DIVIDENDS

The Board recommended the payment of a final dividend of HK\$0.005 per ordinary share for the year ended 31 December 2010 (2009: Nil). The proposed final dividend will be paid on 25 May 2011 to the shareholders whose names appear on the register of members of the Company on 28 April 2011 if this proposal is approved by the Company's shareholders at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 21 April 2011 to 28 April 2011, both days inclusive. In order to qualify for the recommended final dividend and for the purpose of ascertaining 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 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 20 April 2011.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, during the year ended 31 December 2010, there was no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SHARE OPTION SCHEME

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules from the date of Listing up to 31 December 2010.

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 the directors’ securities transactions 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 directors’ securities transactions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

Save as disclosed in the Prospectus, during the year ended 31 December 2010, 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 2010, save as disclosed below, none of the Directors nor management shareholders (as defined under the GEM Listing Rules) 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 or management shareholders (as defined under the GEM Listing Rules) 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, a management shareholder and a substantial shareholder of the Company, and Ms. Kwok King Wa, a controlling shareholder, a management 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. 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, International Elite Ltd. 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 International Elite Ltd. The Sunward Group, as a whole, is principally engaged in (i) the research and development, production and sales of RF-SIM products; and (ii) licensing of the RF-SIM operations rights in markets other than Hong Kong and Macau.

The Directors confirm that as China-Hongkong Telecom Limited, a wholly-owned subsidiary of the Company, has obtained the exclusive licence of the operation rights of RF-SIM intellectual property rights in Hong Kong and Macau and since the services provided by the Group are mainly in Hong Kong and Macau, there will be no direct competition between the services provided by Directel Limited, which are in territories other than the PRC, Hong Kong and Macau. There will also be no direct competition between the services provided by the International Elite Ltd., which its strategy is to concentrate on the application of the RF-SIM intellectual property rights in the PRC. Nevertheless, the management shareholders (including Mr. Li Kin Shing and 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.

INTEREST OF COMPLIANCE ADVISER

As at 31 December 2010, as notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Compliance Adviser"), except for the agreement entered into between the Company and the Compliance Adviser dated 28 May 2010, neither the Compliance Adviser or its directors, employees or associates had any interests as notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules and all Directors and controlling shareholders and their respective associates and referred to in Rule 11.04 of the GEM Listing Rules.

AUDIT COMMITTEE

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

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

During the year of 2010, 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; and (iii) assisted the Board to evaluate on the effectiveness of financial reporting procedure and internal control.

The Group's results for the year ended 31 December 2010 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, 14 March, 2011

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

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