



**DIRECTEL HOLDINGS LIMITED**

**直通電訊控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code : 8337)**

**THIRD QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

**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 the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## HIGHLIGHTS

- Turnover for the nine months ended 30 September 2011 was approximately HK\$51,389,000, representing an increase of approximately 7.8% as compared with the corresponding period in 2010.
- Profit attributable to shareholders of the Company for the nine months ended 30 September 2011 was approximately HK\$16,015,000, representing an increase of approximately 34.1% as compared with the corresponding period in 2010.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2011.

## UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and the nine months ended 30 September 2011 together with the unaudited comparative figures for the respective corresponding period in 2010 as follows:

### CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 September		For the nine months ended 30 September	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	4	18,246	17,720	51,389	47,662
Cost of sales		(6,711)	(7,134)	(21,193)	(19,568)
<b>Gross profit</b>		<b>11,535</b>	<b>10,586</b>	<b>30,196</b>	<b>28,094</b>
Administrative expenses		(4,057)	(4,337)	(12,733)	(13,745)
<b>Profit from operations</b>		<b>7,478</b>	<b>6,249</b>	<b>17,463</b>	<b>14,349</b>
Finance income	5	964	269	1,678	420
<b>Profit before taxation</b>	6	<b>8,442</b>	<b>6,518</b>	<b>19,141</b>	<b>14,769</b>
Income tax	7	(1,393)	(1,079)	(3,126)	(2,827)
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b>7,049</b>	<b>5,439</b>	<b>16,015</b>	<b>11,942</b>
<b>Earnings per share</b>	8				
– Basic and diluted		HK\$0.007	HK\$0.006	HK\$0.015	HK\$0.014

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

The Group had no components of comprehensive income other than “profit for the period attributable to equity shareholders of the Company” in the periods 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 period attributable to equity shareholders of the Company” in the periods presented.

## **NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY FINANCIAL REPORT**

### **1. BACKGROUND OF THE COMPANY**

Directel Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 28 July 2009 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. 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 are principally engaged in provision of telecommunications services.

### **2. BASIS OF PREPARATION**

The financial information included herein is extracted from the draft quarterly financial report which has been prepared in compliance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and in accordance with substantially the same accounting policies adopted in the Group’s audited financial statements set out in the annual report for the year ended 31 December 2010, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The draft quarterly financial report contains consolidated third quarterly income statement, consolidated statement of comprehensive income and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the financial performance of the Group since the 2010 annual financial statements. The consolidated quarterly financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

### 3. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued certain new IFRS, a number of amendments to IFRS and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Improvements to IFRSs (2010)
- Revised IAS24, Related party disclosures

The adoption of these developments has no material impact on the Group's financial statements as the amendments are consistent with policies currently adopted by the Group.

### 4. TURNOVER

	For the three months ended 30 September		For the nine months ended 30 September	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Provision of telecommunications services	17,887	16,622	49,752	44,808
Provision of telesales dealership services	359	1,098	1,637	2,854
	<u>18,246</u>	<u>17,720</u>	<u>51,389</u>	<u>47,662</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 three months ended 30 September		For the nine months ended 30 September	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Interest income from bank deposits	46	27	110	43
Net foreign exchange gain	918	242	1,568	377
	<u>964</u>	<u>269</u>	<u>1,678</u>	<u>420</u>

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	For the three months ended 30 September		For the nine months ended 30 September	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(a) Staff costs:				
Salaries, wages and other benefits	840	902	2,525	2,207
Contributions to defined contribution retirement plan	33	33	98	95
	<u>873</u>	<u>935</u>	<u>2,623</u>	<u>2,302</u>
(b) Other items:				
Depreciation	46	258	456	957
Bad debts written off	—	20	9	76
Licence charges	607	580	1,819	1,622
Operating lease charges in respect of				
– rental of properties	132	132	396	396
– rental of transmission lines	128	87	365	249
Auditors' remuneration				
– annual audit services	222	264	633	594
– other compliance services	—	62	10	69
Utilities	20	20	53	50
Repair and maintenance	93	104	372	311
Cost of inventories	311	58	799	528
Listing expenses	—	—	—	2,780
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 7. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Current tax				
– Hong Kong Profits Tax	1,360	1,065	3,026	2,922
Deferred tax	33	14	100	(95)
Total income tax expense	<u>1,393</u>	<u>1,079</u>	<u>3,126</u>	<u>2,827</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 three months and the nine months ended 30 September 2011 is calculated at 16.5% (three months and nine months ended 30 September 2010: 16.5%) of the estimated assessable profits for the periods. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the three months ended 30 September 2011 is based on the unaudited profit attributable to ordinary equity shareholders of the Company of approximately HK\$7,049,000 (three months ended 30 September 2010: approximately HK\$5,439,000) and the weighted average number of 1,037,500,000 ordinary shares in issue during the period (three months ended 30 September 2010: weighted average number of 877,427,000 ordinary shares after adjusting for the capitalisation issue in 2010).

The calculation of basic earnings per share for the nine months ended 30 September 2011 is based on the unaudited profit attributable to ordinary equity shareholders of the Company of approximately HK\$16,015,000 (nine months ended 30 September 2010: approximately HK\$11,942,000) and the weighted average number of 1,037,500,000 ordinary shares in issue during the period (nine months ended 30 September 2010: weighted average number of 877,427,000 ordinary shares after adjusting for the capitalisation issue in 2010).

### (b) Diluted earnings per share

There were no potential dilutive ordinary shares for each of the three months and the nine months ended 30 September 2010 and 30 September 2011, and therefore, diluted earnings per share are the same as the basic earnings per share.

## 9. MOVEMENT OF EQUITY

	Share capital <i>HK\$'000</i> (Unaudited)	Share premium <i>HK\$'000</i> (Unaudited)	Other reserve <i>HK\$'000</i> (Unaudited)	Retained earnings <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
As at 1 January 2010	—	—	—	13,975	13,975
Capitalisation issue	7,500	(7,500)	—	—	—
Shares issued under Placing, net of share issuing expenses	2,875	74,999	—	—	77,874
Profit for the period and total comprehensive income for the period	—	—	—	11,942	11,942
As at 30 September 2010	<u>10,375</u>	<u>67,499</u>	<u>—</u>	<u>25,917</u>	<u>103,791</u>
As at 1 January 2011	<b>10,375</b>	<b>67,499</b>	<b>—</b>	<b>34,788</b>	<b>112,662</b>
Profit for the period and total comprehensive income for the period	—	—	—	16,015	16,015
Dividend declared in respect of the previous year	—	—	—	(5,188)	(5,188)
As at 30 September 2011	<u>10,375</u>	<u>67,499</u>	<u>—</u>	<u>45,615</u>	<u>123,489</u>

## 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 kept improving for the nine months ended 30 September 2011 compared to the corresponding period in 2010. The monthly average number of activated phone numbers increased by approximately 27.1% to 220,019 in the nine months ended 30 September 2011 when compared to the corresponding period in 2010. However, total number of activated phone numbers decreased by approximately 1.7% to 227,320 as of 30 September 2011 compared to 231,166 as of 31 December 2010.

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 the average revenue per user (“ARPU”) of the Group had shown a decreasing trend. The ARPU of the Group was approximately HK\$24.1 for the nine months ended 30 September 2011, lower than approximately HK\$27.1 for the same period last year. 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.

The volume of the Group’s airtime sold increased from approximately 127.7 million minutes for the nine months ended 30 September 2010 to approximately 142.6 million minutes for the nine months ended 30 September 2011; 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\$44.8 million to approximately HK\$49.8 million during the same period. The Group’s revenue per minute of airtime sold was approximately HK\$0.35 for the nine months ended 30 September 2011, which remained stable as compared to approximately HK\$0.35 for the nine months ended 30 September 2010.



## FINANCIAL REVIEW

For the nine months ended 30 September 2011, the turnover of the Group increased to approximately HK\$51,389,000 compared to approximately HK\$47,662,000 for the corresponding period last year, representing an increase of approximately 7.8%. The increase in turnover was mainly attributable to the increase in the monthly average number of activated phone numbers which overweighed the decrease in the Group's ARPU.

The Group's cost of sales increased by approximately 8.3% to approximately HK\$21,193,000 for the nine months ended 30 September 2011 compared to approximately HK\$19,568,000 for the corresponding period 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 20.0% when compared to the corresponding period last year. Such increase was mainly due to the increase in airtime usage by users, increased unit charges for IDD services by telecommunications services providers and additional interconnection fees for cross-border networks charged by an affiliate of MNO. The cost of sales in respect of the provision of telesales dealership services decreased by approximately 50.6% when compared to the first nine months of 2010, which was in line with the decrease in the revenue derived from the provision of telesales dealership services.

The gross profit of the Group for the nine months ended 30 September 2011 increased to approximately HK\$30,196,000 when compared to approximately HK\$28,094,000 for the corresponding period last year and the gross profit margin decreased to 58.8% for the nine months ended 30 September 2011 from 58.9% for the corresponding period last year. The decrease in gross profit margin was mainly attributable to the decrease of margin from provision of telecommunications services resulting from increased cost while the sales price generally remained stable in the first nine months of 2011.

The Group's administrative expenses for the nine months ended 30 September 2011 decreased by approximately 7.4% to approximately HK\$12,733,000 compared to approximately HK\$13,745,000 for the corresponding period last year. The decrease was mainly attributable to the listing expenses incurred of approximately HK\$2,780,000 in the first half of 2010, while no such expenses were incurred for the nine months ended 30 September 2011.

The Group's finance income for the nine months ended 30 September 2011 increased by approximately 299.5% to approximately HK\$1,678,000 when compared to approximately HK\$420,000 for the corresponding period last year. The increase was mainly due to the increase of foreign exchange gain arising from the movements in the exchange rate between Hong Kong dollars and Renminbi during the period.

The Group's income tax for the nine months ended 30 September 2011 increased by approximately 10.6% to approximately HK\$3,126,000 when compared to approximately HK\$2,827,000 for the corresponding period last year. The increase was mainly attributed to the improvement of operation profit, while the listing fee incurred was not tax deductible.

The Group's profit attributable to equity shareholders of the Company for the nine months ended 30 September 2011 increased by approximately 34.1% to approximately HK\$16,015,000 compared to approximately HK\$11,942,000 for the corresponding period last year. The increase was mainly due to improvement of gross profit and no more one-off listing expenses incurred in the first nine months of 2011, while there was approximately HK\$2,780,000 in the corresponding period of 2010.

## USE OF PROCEEDS

As stated in the Company's prospectus dated 28 May 2010 (the "Prospectus"), the Group plans to (i) expand the business of mobile phone services in other Asia Pacific territories; (ii) upgrade the Group's telecommunications equipment to be compatible with the 3G mobile networks in Hong Kong and China; and (iii) 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, the Group does not anticipate any change to this plan. During the nine months ended 30 September 2011, the proceeds from the Listing were applied by the Company in accordance with the Directors' assessment of the development of the market condition:

- (1) Since the listing of the Company on 2 June 2010 (the 'Listing'), the Group proceeded to commence with its expansion and business development. The remaining proceeds were not fully applied by the end of September 2011 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 has contracted with and made prepayment to a manufacturer for equipment investment. The Group is at the negotiation stage on the partnership terms with potential partnership with MNOs and dealers in Macau and Taiwan;
- (3) On upgrading the Group's telecommunications equipment for compatibility with the 3G mobile network operated by the Group's service operators in Hong Kong and the PRC, the Company has contracted with and made prepayment to a manufacturer for equipment investment;
- (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) On expenditure relating to working capital, it mainly consisted of the payment of general and administrative expenses, including staff costs (including directors' remuneration), professional fees and other general operating expenses; and
- (6) The unused net proceeds as at 30 September 2011 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 the fourth quarter of 2011, the Group will continue to seek 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.

## **CONTINGENT LIABILITIES**

Elitel Limited failed to register as a non-Hong Kong company within the prescribed time limit under Part XI of the 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 of Hong Kong was still considering whether to take any action against Elitel Limited in relation to its possible breaches of the Companies Ordinance in respect of its failure to register promptly under Part XI of the 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 nine months ended 30 September 2011, 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 Companies Ordinance.

## **DIVIDENDS**

The Board does not recommend payment of any dividend for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

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

As at 30 September 2011, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules:

### (i) Long position in shares of the Company:

Name of Director	Nature of interest/ Capacity	Number of ordinary Shares	Approximate percentage of shareholding
Mr. Li Kin Shing	Interest of controlled corporation	716,250,000 (Note1)	69.04%
	Beneficial owner	33,750,000 (Note2)	3.25%

Notes:

- (1) The 716,250,000 shares are owned by New Everich Holdings Limited ("New Everich") which is owned by Mr. Li Kin Shing and Ms. Kwok King Wa as to 54% and 46% respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 716,250,000 shares under the SFO.
- (2) Mr. Li Kin Shing acquired 33,750,000 shares on 19 May 2011.

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

Name of Director	Nature of interest/Capacity	Approximate percentage of shareholding
Mr. Li Kin Shing	Beneficial owner	100.00%

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

Save as disclosed above, as at 30 September 2011, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2011, so far as it is known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

### Long position in shares of the Company:

Name	Nature of interest/ Capacity	Number of ordinary shares	Approximate percentage of shareholding
New Everich	Beneficial owner	716,250,000	69.04%
Ms. Kwok King Wa	Interest of controlled corporation	716,250,000 (Note 1)	69.04%
	Interest of spouse	33,750,000 (Note 2)	3.25%

### Notes:

- (1) The 716,250,000 shares are owned by New Everich which is owned by Mr. Li Kin Shing and Ms. Kwok King Wa as to 54% and 46% respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 716,250,000 shares under the SFO.
- (2) Mr. Li Kin Shing acquired 33,750,000 shares on 19 May 2011. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Ms. Kwok King Wa is deemed to be interest in the 33,750,000 shares under the SFO.

Save as disclosed above, as at 30 September 2011, so far as it is known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

## **SHARE OPTION SCHEME**

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

The Share Option Scheme became 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 30 September 2011, 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 30 September 2011.

## **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**

During the nine months ended 30 September 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

## **COMPETING INTERESTS**

During the nine months ended 30 September 2011, 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; 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 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.

## **INTEREST OF COMPLIANCE ADVISER**

As at 30 September 2011, 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 nor 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 as 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 primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee consists of the three independent non-executive Directors, namely, Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Chu, Howard Ho Hwa. Ms. Lee Man Yee, Maggie is the chairman of the Audit Committee.

The Group’s unaudited results for the nine months ended 30 September 2011 have been reviewed by the Audit Committee in accordance with Rule 5.30 of the GEM Listing Rules. The Audit Committee was of the opinion that such results complied with the applicable accounting standards and that adequate disclosures had been made.

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

Hong Kong, 3 November, 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](http://www.hkgem.com) for at least 7 days from the day of its publication and on the Company’s website at [www.directel.hk](http://www.directel.hk).*