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 2013

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 (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- Turnover for the nine months ended 30 September 2013 was approximately HK$42,611,000, representing a decrease of approximately 21.8% as compared with the corresponding period in 2012.

- Profit attributable to shareholders of the Company for the nine months ended 30 September 2013 was approximately HK$11,128,000, representing a decrease of approximately 36.1% as compared with the corresponding period in 2012.

- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2013.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the three months and the nine months ended 30 September 2013 together with the unaudited comparative figures for the respective corresponding period in 2012 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2013	2012	**2013**	2012
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	4	**12,037**	17,616	**42,611**	54,499
Cost of sales		**(6,351)**	(7,585)	**(19,357)**	(22,238)
Gross profit		**5,686**	10,031	**23,254**	32,261
Other revenue		**5**	7	**37**	39
Administrative expenses		**(3,490)**	(4,173)	**(10,555)**	(11,211)
Profit from operations		**2,201**	5,865	**12,736**	21,089
Finance income/(cost)	5	**164**	(19)	**611**	(23)
Profit before taxation	6	**2,365**	5,846	**13,347**	21,066
Income tax	7	**(390)**	(1,130)	**(2,219)**	(3,641)
Profit for the period attributable to equity shareholders of the Company		**1,975**	4,716	**11,128**	17,425
Earnings per share	8				
– Basic and diluted		**HK$0.002**	HK$0.005	**HK$0.011**	HK$0.017

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 2012, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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. There have been no significant changes to the accounting policies adopted in the Group's financial statements as a result of these developments.

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

4. TURNOVER

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Provision of telecommunications services	**11,815**	17,447	**42,135**	54,056
Provision of telesales dealership services	**222**	169	**476**	443
	12,037	17,616	**42,611**	54,499

5. FINANCE INCOME/(COST)

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest income	**157**	99	**293**	301
Net foreign exchange gain/(loss)	**7**	(118)	**318**	(324)
	164	(19)	**611**	(23)

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
(a) Staff costs:				
Salaries, wages and other benefits	**856**	850	**2,561**	2,551
Contributions to defined contribution retirement plan	**33**	33	**98**	98
	889	883	**2,659**	2,649
(b) Other items:				
Depreciation	**230**	227	**690**	616
Licence charges	**710**	723	**2,147**	2,140
Operating lease charges in respect of				
- rental of properties	**141**	146	**428**	439
- rental of transmission lines	**262**	247	**780**	717
Auditors' remuneration				
- audit services	**217**	236	**650**	599
- tax services	**18**	18	**58**	56
Utilities	**22**	20	**59**	55
Repair and maintenance	**272**	129	**780**	406
Bad debts written off	**—**	—	**—**	19
Cost of inventories	**182**	305	**536**	807

7. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
– Hong Kong Profits Tax	**283**	969	**1,812**	3,169
Deferred tax	**107**	161	**407**	472
Total income tax expense	**390**	1,130	**2,219**	3,641

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 for Hong Kong Profits Tax for the three months and the nine months ended 30 September 2013 is calculated at 16.5% (three months and nine months ended 30 September 2012: 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 2013 is based on the unaudited profit attributable to ordinary equity shareholders of the Company of approximately HK$1,975,000 (three months ended 30 September 2012: approximately HK$4,716,000) and the weighted average number of 1,037,500,000 ordinary shares in issue during the period (three months ended 30 September 2012: 1,037,500,000 ordinary shares).

The calculation of basic earnings per share for the nine months ended 30 September 2013 is based on the unaudited profit attributable to ordinary equity shareholders of the Company of approximately HK$11,128,000 (nine months ended 30 September 2012: approximately HK$17,425,000) and the weighted average number of 1,037,500,000 ordinary shares in issue during the period (nine months ended 30 September 2012: 1,037,500,000 ordinary shares).

(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 2012 and 30 September 2013, and therefore, diluted earnings per share are the same as the basic earnings per share.

9. MOVEMENT OF EQUITY

	Share capital *HK$'000* (Unaudited)	Share premium *HK$'000* (Unaudited)	Other reserve *HK$'000* (Unaudited)	Retained earnings *HK$'000* (Unaudited)	Total equity *HK$'000* (Unaudited)
As at 1 January 2012	10,375	67,499	—	52,618	130,492
Profit and total comprehensive income for the period	—	—	—	17,425	17,425
As at 30 September 2012	10,375	67,499	—	70,043	147,917
As at 1 January 2013	**10,375**	**67,499**	**—**	**74,748**	**152,622**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**11,128**	**11,128**
As at 30 September 2013	**10,375**	**67,499**	**—**	**85,876**	**163,750**

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
– amounts due from third parties	**33,686**	39,478
less: allowance for doubtful debts	**(40)**	(104)
	33,646	39,374
Other receivables and prepayments		
– other receivables	**2,068**	3,072
– deposits and prepayments	**3,117**	4,026
	5,185	7,098
	38,831	46,472

Generally, provision of mobile phone services to the Group's major customers, including major mobile network operators and its dealers, are made in an open account with credit terms up to 30 days after the date of invoice. Subject to negotiations, credit terms could be extended to two to four months for certain customers with well-established trading and payment records on a case-by-case basis. Provision of mobile phone services to the Group's pre-paid users are made with payment in advance, whereas post-paid users are made in an open account with credit terms up to 12 days after the date of invoice. Payments for provision of telesales dealership services are made in bullet payments within one to five months after rendering of services.

(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 balance sheet date:

	As at 30 September 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**3,277**	5,011
Over 1 month but less than 3 months	**6,955**	9,361
Over 3 months but less than 6 months	**8,097**	7,590
Over 6 months but less than 1 year	**5,748**	6,825
Over 1 year	**9,569**	10,587
	33,646	39,374

10. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis *(Continued)*

Included in trade receivables are trade debtors with the following ageing analysis by due date as of the balance sheet date:

	As at 30 September 2013 ***HK$'000*** **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Current	**3,267**	5,011
Less than 1 month past due	**3,410**	4,906
1 to 3 months past due	**8,246**	8,537
More than 3 months but less than 12 months past due	**10,263**	11,766
More than 12 months past due	**8,500**	9,258
	33,686	39,478
Less: allowance for doubtful debts	**(40)**	(104)
	33,646	39,374

(b) Trade receivables that are not impaired

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

	As at 30 September 2013 ***HK$'000*** **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Neither past due nor impaired	**3,267**	5,011
Less than 1 month past due	**3,410**	4,906
1 to 3 months past due	**8,246**	8,537
More than 3 months but less than 12 months past due	**10,262**	11,765
More than 12 months past due	**8,461**	9,155
	30,379	34,363
	33,646	39,374

10. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Trade receivables that are not impaired *(Continued)*

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 are of the view that no impairment allowance is required in respect of these balances as there has been no significant change in credit quality of such customers and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

In particular, the trade receivables as at 30 September 2013 included amounts due from a mobile network operator in China ("that MNO") amounting to approximately HK$20,856,000, of which HK$8,961,000 and HK$8,070,000 fell into "More than 3 months but less than 12 months past due" and "More than 12 months past due" respectively. The credit terms of 30 days were granted by the Group to that MNO as it is in line with the credit policy of the Group and aims to expedite the settlement of the contract sums by that MNO so as to minimize the credit risk exposed to the Group. Although the delay in settlement by that MNO renders the actual credit period to that MNO longer than the contractual credit period, to the best knowledge of the Directors, the Directors consider that the repayment pattern of that MNO is in line with the industry practice as other similar telecommunications service providers in the industry during the period ended 30 September 2013.

The Directors are willing to extend the credit terms to that MNO generally and accept the lengthy and fluctuating actual credit period as the Directors consider that (i) that MNO, being a subsidiary of a company which is listed on the Main Board of the Stock Exchange and the New York Stock Exchange, is a reputable company in China; (ii) the Group has established long term ongoing business relationship with that MNO; and (iii) the Group has been able to receive amounts due from that MNO without any disputes or balances requiring to be written off. Taking into account the above, the Directors are confident that that MNO would fulfill its payment obligations and no impairment allowance is considered necessary as at 30 September 2013.

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 performance of the Group was weakened for the nine months ended 30 September 2013 compared to the corresponding period in 2012. The monthly average number of activated phone numbers decreased by approximately 12.1% to 209,036 in the nine months ended 30 September 2013 when compared to the corresponding period in 2012 and the total number of activated phone numbers decreased by approximately 21.2% to 186,456 as of 30 September 2013 compared to 236,550 as of 31 December 2012.

The Group continued to face difficulties in the extremely competitive mobile services industry particularly in the data access services and mobile communications applications. The greater popularity of smart phone devices also lead to the rapid growth of alternative means of communications via social networking applications which had reduced the usage for traditional voice and short message services. The average revenue per user ("ARPU") of the Group showed a decreasing trend and the ARPU of the Group was approximately HK$22.0 for the nine months ended 30 September 2013, lower than approximately HK$24.7 for the same period last year.

The volume of the Group's airtime sold decreased from approximately 180.1 million minutes for the nine months ended 30 September 2012 to approximately 156.4 million minutes for the nine months ended 30 September 2013; and the revenue derived from the provision of "One Card Multiple Number" service, Hong Kong local mobile phone services and resale of airtime to MNOs decreased from approximately HK$54.1 million to approximately HK$42.1 million during the same period. The Group's revenue per minute of airtime sold decreased from approximately HK$0.30 for the nine months ended 30 September 2012 to approximately HK$0.27 for the nine months ended 30 September 2013.

FINANCIAL REVIEW

For the nine months ended 30 September 2013, the turnover of the Group decreased to approximately HK$42,611,000 compared to approximately HK$54,499,000 for the corresponding period last year, representing a decrease of approximately 21.8%. The decrease in turnover was mainly attributable to the decrease in the monthly average number of activated phone numbers and decrease of airtime usage by users.

The Group's cost of sales decreased by approximately 13.0% to approximately HK$19,357,000 for the nine months ended 30 September 2013 compared to approximately HK$22,238,000 for the corresponding period last year. The cost of sales in respect of the provision of mobile phone services and resale of airtime to MNOs decreased by approximately 12.7% compared to the corresponding period last year. Such decrease was mainly due to the decrease of airtime usage by users. The cost of sales in respect of the provision of telesales dealership services decreased by approximately 23.4% compared to the first nine months of 2012, 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 2013 decreased to approximately HK$23,254,000 compared to approximately HK$32,261,000 for the corresponding period last year and the gross profit margin decreased to 54.6% for the nine months ended 30 September 2013 from 59.2% for the corresponding period last year. The decline in gross profit and gross profit margin was mainly attributable to the increased unit charge for IDD services by telecommunications services providers.

The Group's administrative expenses for the nine months ended 30 September 2013 decreased by approximately 5.9% to approximately HK$10,555,000 compared to approximately HK$11,211,000 for the corresponding period last year. The decrease was mainly attributable to the fee incurred for the application of transfer of listing to Main Board of the Stock Exchange for the nine months ended 30 September 2012, while no such expenses were incurred for the nine months ended 30 September 2013.

For the nine months ended 30 September 2012, the Group incurred finance cost of approximately HK$23,000. For the nine months ended 30 September 2013, the Group recorded finance income of approximately HK$611,000. The finance income incurred was mainly due to foreign exchange gain arising from the movements in the exchange rate between Hong Kong dollars and Renminbi during the period.

The Group's income tax expenses for the nine months ended 30 September 2013 decreased by approximately 39.1% to approximately HK$2,219,000 compared to approximately HK$3,641,000 for the corresponding period last year. The decrease was mainly attributed to the decrease of operation profit.

The Group's profit attributable to equity shareholders of the Company for the nine months ended 30 September 2013 decreased by approximately 36.1% to approximately HK$11,128,000 compared to approximately HK$17,425,000 for the corresponding period last year. The decrease was mainly due to the decrease of gross profit and operating profit.

BUSINESS OUTLOOK

Owing to the intensified competition in the telecommunications market, the Group is cautious and will respond proactively to the pressure and challenges of this ever-changing market. Going forward in the fourth quarter of 2013, 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) further 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 more value-added data communication services; and (ii) introducing RF-SIM in Hong Kong and Macau, to enhance the Group's overall competitiveness.

CONTINGENT LIABILITIES

Elitel Limited, a wholly owned subsidiary of the Company, has previously failed to register as a non-Hong Kong company within the prescribed time limit under Part XI of the Hong Kong Companies Ordinance, that is, within one month of establishment of the place of business in Hong Kong in November 2002. Elitel Limited has subsequently notified the Companies Registry regarding such matter and rectified the late registration by October 2009.

As at the date of this announcement, there is a possibility that the Companies Registry may still take action against Elitel Limited in relation to the late registration and that Elitel Limited may be subject to a penalty in this respect, though no action has been taken by the Companies Registry against Elitel Limited to date. During the period ended 30 September 2013, no action has been taken against the Group by the Companies Registry in respect of this matter.

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.

DIVIDENDS

The Board does not recommend payment of any dividend for the nine months ended 30 September 2013 (nine months ended 30 September 2012: Nil).

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

As at 30 September 2013, 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	696,250,000 *(Note1)*	67.11%
	Beneficial owner	33,750,000	3.25%
Mr. Pang Kwok Chau	Beneficial owner	10,000,000 *(Note 2)*	0.96%
Mr. Wong Kin Wa	Beneficial owner	10,000,000 *(Note 2)*	0.96%

Notes:

(1) The 696,250,000 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 696,250,000 shares under the SFO.

(2) Mr. Pang Kwok Chau and Mr. Wong Kin Wa acquired 10,000,000 shares on 28 March 2012, respectively.

(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 2013, 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 2013, so far as it is known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long position in shares of the Company:

Name	**Nature of Interest/ Capacity**	**Number of Ordinary Shares**	**Approximate Percentage of Shareholding**
New Everich	Beneficial owner	696,250,000	67.11%
Ms. Kwok King Wa	Interest of controlled corporation	696,250,000 *(Note 1)*	67.11%
	Interest of spouse	33,750,000 *(Note 2)*	3.25%

Notes:

(1) The 696,250,000 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 696,250,000 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 interested in the 33,750,000 shares under the SFO.

Save as disclosed above, as at 30 September 2013, so far as it is known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

The Share Option Scheme became 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 2013, there was no outstanding share option under the Share Option Scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2013.

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 securities transactions by directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the nine months ended 30 September 2013, 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 2013, 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.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") on 20 May 2010 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual report and consolidated financial statements, half-yearly report and quarterly reports and to provide advice and comment thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control 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 2013 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, 8 November, 2013

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.