



**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 2022**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE  
“STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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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## **HIGHLIGHTS**

- Revenue for the year ended 31 December 2022 was approximately HK\$151,976,000, representing an increase of approximately 1.1% as compared with 2021.
- Loss attributable to shareholders of the Company for the year ended 31 December 2022 was approximately HK\$12,317,000, representing a decrease of approximately 13.3% when compared with 2021.
- Basic and diluted loss per ordinary share for the year ended 31 December 2022 was 6.66 HK cents respectively as compared with basic and diluted loss of 7.68 HK cents respectively for year ended 31 December 2021.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of Directors (the “Board”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	4, 5	<b>151,976</b>	150,271
Cost of sales		<u>(147,805)</u>	<u>(147,203)</u>
<b>Gross profit</b>		<b>4,171</b>	3,068
Other income	6(a)	<b>309</b>	199
Other net income/(loss)	6(b)	<b>32</b>	(74)
Administrative and other operating expenses		<u>(17,021)</u>	<u>(17,845)</u>
<b>Loss from operations</b>		<b>(12,509)</b>	(14,652)
Finance cost	7(a)	<u>(65)</u>	<u>(62)</u>
<b>Loss before taxation</b>	7	<b>(12,574)</b>	(14,714)
Income tax credit	8	<u>253</u>	<u>494</u>
<b>Loss for the year</b>		<u><b>(12,321)</b></u>	<u>(14,220)</u>
<b>Loss attributable to:</b>			
Equity shareholders of the Company		<b>(12,317)</b>	(14,205)
Non-controlling interest		<u>(4)</u>	<u>(15)</u>
		<u><b>(12,321)</b></u>	<u>(14,220)</u>
<b>Loss per share</b>	10		
– Basic and diluted		<u><b>(6.66) cents</b></u>	<u>(7.68) cents</u>

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Loss for the year	(12,321)	(14,220)
<b>Other comprehensive income for the year</b>		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Equity securities at fair value through other comprehensive income – net movement in the fair value reserve (non-recycling)	(1,153)	(161)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(1,516)	485
<b>Total comprehensive income for the year</b>	<b>(14,990)</b>	<b>(13,896)</b>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company	(14,986)	(13,881)
Non-controlling interest	(4)	(15)
	<b>(14,990)</b>	<b>(13,896)</b>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	2,677	4,218
Other non-current financial assets	13	2,613	1,558
		<u>5,290</u>	<u>5,776</u>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories	14	2,397	871
Trade receivables	15	21,413	24,034
Other receivables, deposits and prepayments	15	3,483	3,581
Pledged bank deposits	16	200	200
Cash and cash equivalents	16	15,858	29,524
		<u>43,351</u>	<u>58,210</u>
<b>Total current assets</b>			
<b>Current liabilities</b>			
Payables and accruals and contract liabilities	17	6,182	6,117
Lease liabilities	18	737	719
Taxation payable		6	19
		<u>6,925</u>	<u>6,855</u>
<b>Total current liabilities</b>			
<b>Net current assets</b>			
		<u>36,426</u>	<u>51,355</u>
<b>Total assets less current liabilities</b>			
		<u>41,716</u>	<u>57,131</u>
<b>Non-current liabilities</b>			
Lease liabilities	18	341	514
Deferred tax liabilities		341	593
		<u>682</u>	<u>1,107</u>
<b>Total non-current liabilities</b>			
<b>Net assets</b>			
		<u>41,034</u>	<u>56,024</u>
<b>Capital and reserves</b>			
Share capital		36,975	36,975
Share premium		74,517	74,517
Exchange reserve		(1,754)	(238)
Fair value reserve		(1,612)	(459)
Accumulated losses		(67,133)	(54,816)
		<u>40,993</u>	<u>55,979</u>
<b>Total equity attributable to equity shareholders of the Company</b>			
Non-controlling interest		41	45
		<u>41,034</u>	<u>56,024</u>
<b>Total equity</b>			

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Exchange reserve	Fair value reserve (non-recycling)	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2021	36,975	74,517	(723)	(298)	(40,611)	69,860	-	69,860
Changes in equity for 2021:								
Loss for the year	-	-	-	-	(14,205)	(14,205)	(15)	(14,220)
Other comprehensive income	-	-	485	(161)	-	324	-	324
Total comprehensive income	-	-	485	(161)	(14,205)	(13,881)	(15)	(13,896)
Capital contribution from non-controlling interest of a subsidiary	-	-	-	-	-	-	60	60
Balance at 31 December 2021 and 1 January 2022	36,975	74,517	(238)	(459)	(54,816)	55,979	45	56,024
Changes in equity for 2022:								
Loss for the year	-	-	-	-	(12,317)	(12,317)	(4)	(12,321)
Other comprehensive income	-	-	(1,516)	(1,153)	-	(2,669)	-	(2,669)
Total comprehensive income	-	-	(1,516)	(1,153)	(12,317)	(14,986)	(4)	(14,990)
Balance at 31 December 2022	36,975	74,517	(1,754)	(1,612)	(67,133)	40,993	41	41,034

## **NOTES TO THE FINANCIAL STATEMENTS**

### **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 of the Cayman Islands. Its principal place of business in Hong Kong is at Office Nos. 1, 2, 14 and 15, 37th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong and its registered office is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company and its subsidiaries are principally engaged in the provision of telecommunications services and distribution business.

### **2 BASIS OF PREPARATION**

The annual results set out in this announcement do not constitute the Group’s financial statements for the year ended 31 December 2022 but are extracted from those financial statements.

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

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- equity securities at fair value through other comprehensive income (“FVOCI”).

### **3 CHANGES IN ACCOUNTING POLICIES**

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4 REVENUE

The principal activities of the Group are the telecommunications services and distribution business. Further details regarding the Group's principal activities are disclosed in note 5.

### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by products or service lines is as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Telecommunications services	<b>2,619</b>	11,096
Distribution business	<b>149,357</b>	139,175
	<b>151,976</b>	150,271

Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by the timing of revenue recognition and by geographic markets is disclosed in notes 5(a) and 5(b) respectively.

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

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Customer A – distribution business	<b>54,103</b>	42,886
Customer B – distribution business	<b>19,346</b>	20,974
Customer C – distribution business	<b>18,846</b>	8,445
Customer D – distribution business	<b>26,747</b>	17,365
Customer E – distribution business	<b>7,642</b>	16,371
Customer F – distribution business	<b>6,960</b>	15,989

### (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The performance obligations arisen from telecommunications services contracts are for period of one year or less or are billed based on usage incurred. The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its contracts for services which had an original expected duration of one year or less, and the transaction price allocated to these unsatisfied contracts has therefore not been disclosed.



## 5 SEGMENT INFORMATION

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

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

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

- (i) Telecommunications services: Provision of telecommunications services
- (ii) Distribution business: Distribution of mobile phones and electronic products and distribution of mobile and data top-up e-vouchers

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

### (a) Segment results

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	Telecommunications services <i>HK\$’000</i>	2022 Distribution business <i>HK\$’000</i>	Total <i>HK\$’000</i>
<b>Disaggregated by timing of revenue recognition</b>			
Point in time	–	149,357	149,357
Over time	2,619	–	2,619
	<hr/>	<hr/>	<hr/>
<b>Revenue from external customers</b>	2,619	149,357	151,976
	<hr/>	<hr/>	<hr/>
<b>Reportable segment revenue and consolidated revenue</b>	2,619	149,357	151,976
	<hr/>	<hr/>	<hr/>
<b>Reportable segment (loss)/profit</b>	(154)	4,325	4,171
Other income			309
Other net income			32
Unallocated corporate expenses			(17,021)
Finance cost			(65)
			<hr/>
Consolidated loss before taxation			<u>(12,574)</u>

	Telecommunications services <i>HK\$'000</i>	2021 Distribution business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>			
Point in time	–	139,175	139,175
Over time	11,096	–	11,096
<b>Revenue from external customers</b>	<u>11,096</u>	<u>139,175</u>	<u>150,271</u>
<b>Reportable segment revenue and consolidated revenue</b>	<u>11,096</u>	<u>139,175</u>	<u>150,271</u>
<b>Reportable segment profit</b>	827	2,241	3,068
Other income			199
Other net loss			(74)
Unallocated corporate expenses			(17,845)
Finance cost			<u>(62)</u>
Consolidated loss before taxation			<u><u>(14,714)</u></u>

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

**(b) Geographical information**

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

	Revenue from external customers		Specified non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	85,678	96,789	4,016	4,218
Mainland China	12,195	10,596	–	–
Singapore	54,103	42,886	–	–
	<u>151,976</u>	<u>150,271</u>	<u>4,016</u>	<u>4,218</u>

## 6 OTHER INCOME AND OTHER NET LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(a) Other income</b>		
Interest income on financial assets measured at amortised cost	32	29
Government grants ( <i>note</i> )	216	–
Sundry income	61	170
	<u>309</u>	<u>199</u>

*Note:* In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to retain their current employees or even employ more staff when the business revives as soon as the epidemic situation permits. Under the terms of the grant, the Group shall undertake to employ sufficient number of employees in each subsidy month.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(b) Other net income/(loss)</b>		
Net foreign exchange gain/(loss)	32	(74)

## 7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

<b>(a) Finance cost</b>		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	65	62
<b>(b) Staff costs*</b>		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries, wages and other benefits	4,325	4,783
Contributions to retirement benefit schemes	155	175
	<u>4,480</u>	<u>4,958</u>

(c) **Other items**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation*		
– owned property, plant and equipment	1,537	1,547
– right-of-use assets	660	812
Impairment losses on trade receivables*	599	96
Impairment losses on property plant and equipment*	168	1,835
Operating lease expense*	1,158	1,193
Auditors' remuneration*		
– audit services	1,106	1,075
– tax services	10	10
– other services	5	5
Cost of inventories	144,543	137,229
Licence charges*	838	899
Repair and maintenance*	971	1,072
Data processing and billing management fee*	600	600
Legal and professional fee*	823	1,367
	<u>                    </u>	<u>                    </u>

\* These items are included in “administrative and other operating expenses” in the consolidated statement of profit or loss and other comprehensive income.

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Outside Hong Kong	(1)	18
Deferred tax	(252)	(512)
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>
	(253)	(494)

(i) **Hong Kong Profits Tax**

The Company's Hong Kong subsidiaries are subject to Hong Kong Profits Tax. In addition, whilst the Company and Elitel Limited, a direct wholly-owned subsidiary of the Company, 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 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2022 (2021: Nil) as the Group's operations in Hong Kong sustained a loss for taxation purpose during the year.

*(ii) Tax outside Hong Kong*

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 9 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## 10 LOSS PER SHARE

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

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Loss for the year attributable to the ordinary equity shareholders of the Company for the purpose of basic and diluted loss per share	<u>(12,317)</u>	<u>(14,205)</u>
<b>Weighted average number of ordinary shares (Basic and diluted)</b>		
	<b>2022</b> <b>Number of</b> <b>shares</b>	2021 <i>Number of</i> <i>shares</i>
Issued ordinary shares at 1 January	<u>184,875,000</u>	<u>184,875,000</u>
Weighted average number of ordinary shares at 31 December	<u>184,875,000</u>	<u>184,875,000</u>

The calculation of the basic and diluted loss per share was based on the loss for the year attributable to the equity shareholders of the Company of approximately HK\$12,317,000 (2021: approximately HK\$14,205,000), and the weighted average number of 184,875,000 ordinary shares (2021: 184,875,000 ordinary shares) in issue during the year, to reflect the effect of the Share Consolidation.

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2022 and 2021 as there were no dilutive potential ordinary shares during these years.

## 11 PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Facilities equipment HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:							
At 1 January 2021	1,027	402	1,860	34,488	661	2,637	41,075
Additions	316	-	-	646	6	-	968
<b>At 31 December 2021 and 1 January 2022</b>	<b>1,343</b>	<b>402</b>	<b>1,860</b>	<b>35,134</b>	<b>667</b>	<b>2,637</b>	<b>42,043</b>
Additions	272	-	-	547	5	-	824
<b>At 31 December 2022</b>	<b>1,615</b>	<b>402</b>	<b>1,860</b>	<b>35,681</b>	<b>672</b>	<b>2,637</b>	<b>42,867</b>
Accumulated depreciation:							
At 1 January 2021	1,027	402	1,860	27,054	651	2,637	33,631
Charge for the year	54	-	-	2,292	13	-	2,359
Impairment losses ( <i>note 7(c)</i> )	262	-	-	1,573	-	-	1,835
<b>At 31 December 2021 and 1 January 2022</b>	<b>1,343</b>	<b>402</b>	<b>1,860</b>	<b>30,919</b>	<b>664</b>	<b>2,637</b>	<b>37,825</b>
Charge for the year	104	-	-	2,085	8	-	2,197
Impairment losses ( <i>note 7(c)</i> )	168	-	-	-	-	-	168
<b>At 31 December 2022</b>	<b>1,615</b>	<b>402</b>	<b>1,860</b>	<b>33,004</b>	<b>672</b>	<b>2,637</b>	<b>40,190</b>
Net book value:							
<b>At 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,677</b>	<b>-</b>	<b>-</b>	<b>2,677</b>
At 31 December 2021	-	-	-	4,215	3	-	4,218

### Impairment loss

As at 31 December 2022, the Group's management identified a cash-generating unit, a subsidiary relating to the telecommunication segment in Hong Kong which has continued to underperform, and estimated the corresponding recoverable amount of its property, plant and equipment. Based on these estimates, an impairment loss of approximately HK\$168,000 (2021: approximately HK\$1,835,000) was recognised under other operating expenses to write down the carrying amounts of the related property, plant and equipment to its recoverable amount of approximately HK\$2,677,000. The estimates of recoverable amount were based on the value-in-use model, in which the cash flows were discounted using a discount rate of 15.63% (2021: 13.00%). The discount rate used was pre-tax and reflected specific risks relating to the operation of the relevant subsidiary.

## Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Properties leased for own use, carried at depreciated cost	<i>(i)</i>	–	–
Facilities equipment, carried at depreciated cost	<i>(ii)</i>	<u>587</u>	<u>595</u>
		<u><b>587</b></u>	<u>595</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Depreciation charge of right-of-use assets by class of underlying asset:		
– Properties leased for own use	<b>104</b>	54
– Facilities equipment	<u>556</u>	<u>758</u>
	<u><b>660</b></u>	<u>812</u>
Interest on lease liabilities ( <i>note 7(a)</i> )	<b>65</b>	62
Expense relating to short-term leases		
– rental of properties	<b>1,158</b>	1,193
– rental of transmission lines	<u>–</u>	<u>17</u>

During the year, additions to right-of-use assets were approximately HK\$819,000 (2021: approximately HK\$962,000). This amount primarily related to the capitalised lease payments payable under new agreements entered into during the year.

*Notes:*

**(i) Properties leased for own use**

The Group has obtained the right to use properties as its offices through tenancy agreements. The leases typically run for an initial period of one to two years.

**(ii) Facilities equipment**

The Group leases transmission lines under leases for an initial period of one to three years. None of the leases includes variable lease payments.

## 12 GOODWILL

HK\$'000

### Cost:

At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 34,003

### Accumulated impairment losses:

At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 (34,003)

### Carrying amount

At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 –

The goodwill balance of approximately HK\$28,061,000 was arose from the Mainland China Acquisition and another goodwill balance of approximately HK\$5,942,000 was arose from the Singapore Acquisition. These goodwill balances were fully impaired in 2019 and 2020 respectively.

## 13 OTHER NON-CURRENT FINANCIAL ASSETS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Equity securities designated at FVOCI (non-recycling) ( <i>Note</i> )		
– Listed in Hong Kong	<u>2,613</u>	<u>1,558</u>

*Note:* The equity securities are shares in Hospital Corporation of China Limited (stock code: 3869) and Kingland Group Holdings Limited (stock code: 1751), both of which are listed on the Stock Exchange of Hong Kong Limited. Hospital Corporation of China Limited is mainly engaged in operation and management of privately owned hospitals in the Mainland China. Kingland Group Holdings Limited is engaged in concrete demolition works in Hong Kong and Macau, mainly as subcontractor. The Group designated these listed equity securities as measured at FVOCI (non-recycling), as the investments are held for strategic purposes. No dividends were received on these investments during the year (2021: HK\$Nil).



## 14 INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
SIM cards	166	237
Recharge and top-up vouchers	9	9
Mobile phone and electronic products	2,222	625
	<u>2,397</u>	<u>871</u>

## 15 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Trade receivables</b>		
– amounts due from third parties	40,470	42,492
Less: loss allowance	(19,057)	(18,458)
	<u>21,413</u>	<u>24,034</u>
	-----	-----
<b>Other receivables, deposits and prepayments</b>		
– amounts due from shareholders from non-controlling interests	60	60
– other receivables	257	280
– deposits and prepayments	3,166	3,241
	<u>3,483</u>	<u>3,581</u>
	-----	-----
	<u>24,896</u>	<u>27,615</u>

All of the receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

The amounts due from shareholders from non-controlling interests are unsecured, interest-free and repayable on demand.

## Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Within 1 month	<b>9,856</b>	13,263
Over 1 month but within 3 months	<b>6,816</b>	3,247
Over 3 months but within 6 months	<b>125</b>	1
Over 6 months but within 12 months	<b>4,616</b>	7,523
	<b>21,413</b>	24,034

Generally, the provision of telecommunications services and distribution business to the Group's major customers, including their dealers, are made in an open account with credit terms up to 60 days after the date of invoice. Subject to negotiations, credit terms can be extended to three to six months for certain customers with well-established trading and payment records on a case-by-case basis. Provision of telecommunications services to the Group's prepaid users are billed in advance, whereas postpaid users are made in an open account with credit terms up to 12 days after the date of invoice.

## 16 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Deposits with banks	<b>223</b>	6,224
Cash at banks	<b>15,750</b>	23,375
Cash on hand	<b>85</b>	125
	<b>16,058</b>	29,724
Less: pledged bank deposits ( <i>note</i> )	<b>(200)</b>	(200)
Cash and cash equivalents in the consolidated statement of financial position	<b>15,858</b>	29,524

*Note:* Bank deposits of HK\$200,000 (2021: HK\$200,000) were pledged for the issuance of a performance bond by a bank (*note 19*).

## 17 PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Trade payables</b>		
– amounts due to third parties	3,131	3,079
<b>Other payables and accruals</b>		
– accrued charges and deposits	2,536	2,886
<b>Contract liabilities</b>		
Telecommunications services		
– advance payments	515	152
	<u>6,182</u>	<u>6,117</u>

Trade and other payables and accruals are expected to be settled within one year or are repayable on demand.

### (a) Trade payables

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	489	386
Over 1 month but within 3 months	233	75
Over 3 months but within 12 months	–	2,560
Over 12 months	2,409	58
	<u>3,131</u>	<u>3,079</u>

### (b) Contract liabilities

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group provides telecommunications services to customers through a variety of plans on a prepaid basis. Revenue is recognised using an output method, either as the service entitlement units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the transfer of service to the customer. The service is generally billed in advance, which results in a contract liability.

The above balances represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period, all of which will be recognised as revenue during the subsequent reporting period.

### *Movements in contract liabilities*

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Balance at 1 January	<b>152</b>	591
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	<b>(152)</b>	(591)
Increase due to cash received during the year	<b>1,216</b>	1,454
Decrease due to the recognition of revenue for cash received during the year	<b>(701)</b>	(1,302)
	<hr/>	<hr/>
Balance at 31 December	<b>515</b>	152
	<hr/> <hr/>	<hr/> <hr/>

## **18 LEASE LIABILITIES**

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2022		2021	
	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within 1 year	<u>737</u>	<u>774</u>	<u>719</u>	<u>765</u>
After 1 year but within 2 years	197	209	284	304
After 2 years but within 5 years	<u>144</u>	<u>150</u>	<u>230</u>	<u>247</u>
	<u>341</u>	<u>359</u>	<u>514</u>	<u>551</u>
	<u>1,078</u>	<u>1,133</u>	<u>1,233</u>	<u>1,316</u>
Less: total future interest expenses		<u>(55)</u>		<u>(83)</u>
Present value of lease liabilities		<u>1,078</u>		<u>1,233</u>

## **19 CONTINGENT LIABILITY**

As at 31 December 2022, performance bond of HK\$200,000 (2021: HK\$200,000) was given by a bank in favour of the Office of the Communications Authority as security for due performance and observance of the Group's obligation under the Services-Based Operator Licence. The Group has pledged bank deposits for the above performance bond (*note 16*). At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Group in this regard.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

#### Business in Hong Kong

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

The Group continued its marketing efforts in promoting its telecommunications services and is actively contacting distributors for the distribution of various pre-paid products offered by the Group. However, the Group was unable to secure new contracts with committed subscription from distributors for the year ended 31 December 2022 for the pre-paid products offered by the Group as similar pre-paid roaming products provided by other competitors can easily be found in the highly competitive mobile telecommunications industry. Against the backdrop of the increase in confirmed cases of 2019 coronavirus (the “COVID-19”) pandemic globally since the beginning of 2020, countries around the world have adopted sweeping measures to limit the spread of COVID-19, including full lockdowns, compulsory quarantine for persons travelling into their countries, as well as imposing travel restrictions on the entry of tourists. All these measures have led to decrease in overseas tourists or tourists being unable to travel to Hong Kong. In particular, there was a significant decrease in tourists from Mainland China, this dealt a heavy blow to the tourism and retail industry, while some travel agencies are thereby exposed to financial difficulties or the risk of bankruptcy. As a result of the plunge in the number of tourists from Mainland China and overseas, the sales of the Group’s pre-paid roaming products have therefore been adversely affected.

The revenue derived from the provision of telecommunications services decreased by approximately 19.4% to approximately HK\$2,564,000 for the year ended 31 December 2022 compared to approximately HK\$3,182,000 for the last corresponding year.

The Group has reinforced its cost control and provided extended credit periods to its distributors while staying alert and proactively responding to different special situations. The Group is negotiating with service providers to further reduce the unit cost of airtime and mobile data in order to reduce the selling price of the pre-paid products to enhance competitiveness. The Group is now actively looking for distributors to develop overseas markets to enable overseas users to enjoy mobile data services during their overseas travels at lower charges. The Group believes that various pre-paid product offerings will help the Group broaden its user base as well as the total usage of airtime and mobile data, which in turn will strengthen the market position of the Group and increase our revenue as well as the market share of the Group in the competitive mobile telecommunications industry.

The Group has diversified its business in Hong Kong to the distribution of mobile phones and electronic products which became one of the main revenue streams in Hong Kong. For the year ended 31 December 2022, the revenue generated from such distribution business which represents the sales proceeds of mobile phones and electronic products, net of returns and discounts, decreased by approximately 11.2% to approximately HK\$83,114,000 when compared with approximately HK\$93,607,000 for the last corresponding year. The Group will continue to commit more resources and identify different suppliers to increase its offerings of mobile phones and electronic products, and to expand the source of revenue and enhance business performance.

## **Business in The People’s Republic of China (“the PRC”)**

The Company engaged in the provision of mobile and data top-up services, and mobile phones and electronic products distribution business in the PRC through its indirect wholly-owned subsidiary, Guangzhou Directel Telecommunications Limited\* 廣州直通電訊有限公司 (“GZDT”).

GZDT engages in the provision of mobile and data top-up services sourced from the dealers of the 3 major mobile network operators in the PRC and resells to ultimate users through the e-commerce platform which is connected to various online payment platforms. Various functions of mobile phones such as online shopping, mobile navigation, video watching and online games playing etc. lead to an increasing demand for mobile data traffic and trouble faced by mobile users of insufficient data traffic. Through the mobile and data top-up services provided by GZDT, mobile users can enjoy a special discount rate on the mobile and data top-up which superimpose on their original mobile data packages and thus solve the particular needs of users such as roaming day plan and video watching plan. Rigid isolation and quarantine measures and travel restrictions have been implemented by the PRC government to address the COVID-19 pandemic, and market participants of the mobile top-up industry are affected to a different extent, in particular, due to safety concerns on COVID-19, operation of physical stores are temporarily suspended, reducing the transaction volume of offline channels, and coupled with intense competition within the industry, the mobile and data top-up services sector of the PRC has been facing persistent challenges. As a result of the intense competition within the industry and low profit margins, and coupled with an increase in data traffic included in a monthly fee package by mobile network operators in the PRC while the extra traffic fee beyond the package has been reduced, the amount of top-up by mobile users in addition to the original monthly fee package through the top-up services provided by the Group has decreased. The Group had therefore suspended the top-up services since the third quarter of 2021 and is seeking direct purchase of top-up services from mobile network operators instead of via intermediate distributors so as to increase discount rate, revenue and gross profit. For the year ended 31 December 2022, no revenue has been generated from the provision of mobile and data top-up services when compared with approximately HK\$7,851,000 for the last corresponding year.

GZDT also engaged in the distribution of mobile phones and electronic products. For the year ended 31 December 2022, the revenue generated from the distribution business which represents the sales proceeds of the mobile phones and electronic products, net of returns and discounts, increased by approximately 3.5 times to approximately HK\$12,140,000 when compared with approximately HK\$2,682,000 for the last corresponding year. The increase was mainly attributable to the increase in purchase of the mobile and electronic products by our customers.

GZDT will continue to leverage on its relationship and connections with the telecommunication services/equipment agents/distributors to exploit the mobile phones and electronic products distribution business. In addition to identifying other competent suppliers in different provinces of the PRC to enter into mobile phones and electronic products supply contracts, GZDT can also sell the most popular mobile phones and electronic products with competitive prices to distributors. Meanwhile, GZDT is in active negotiation with other distributors in the PRC and overseas in respect of further potential business collaborations.

## **Business in Singapore**

In September 2017, the Group completed an acquisition of South Data Communication Pte. Ltd. (“South Data”) (the “Singapore Acquisition”), a company incorporated in Singapore, which is principally engaged in the provision of telecommunications services and distribution business in Singapore. In respect of the distribution business, South Data has entered into a contract with one of the largest e-commerce platform operator in Singapore (the “E-commerce Platform Operator”) as a sale channel in which it will purchase mobile and data top-up e-vouchers from South Data and then resell to ultimate mobile users. The E-commerce Platform Operator has a wide distribution channel of over 1,000 point of sales in Singapore and the ultimate users can easily top up their mobile phones through various popular payment methods such as credit cards and online payment. For the year ended 31 December 2022, the revenue derived from the distribution of mobile and data top-up business increased by approximately 26.2% to approximately HK\$54,103,000 when compared with approximately HK\$42,886,000 for the last corresponding year. The Directors are confident that the distribution of mobile and data top-up business would improve the Group’s business performance and operation and act as a foothold in the expansion of telecommunications market to other Asia Pacific territories.

\* For identification only

## Outlook

With the HKSAR Government easing its COVID-19 measures and relaxing restrictions on the entry of tourists in an orderly manner, all sectors are gradually getting back on track, and travel demand is rebounding. Further, it is expected that the full border reopening between Mainland China and Hong Kong in February 2023 will boost visitor arrivals and enliven the business environment. As such, it is believed that the travelling business will soon revive, enabling the Group's roaming products and services to be extensively launched in the market again. In order to seize the opportunities and maintain our position in a highly competitive market, the Group has been constantly reviewing and enhancing our products and services to ensure that we can bring the convenience and pleasure of roaming communications to more customers.

Outbreak of the COVID-19 pandemic has affected the Group's negotiations for new projects and delayed the progress of the existing projects of the Group. As the pandemic has subsided and been brought under control in various countries, the Group is well-prepared for the expected return to normalcy and is closely monitoring market developments, enhancing discussions with business partners while actively creating marketing channels in more regions to develop the Group's business. The Group is cautiously optimistic about its business development in the medium to long term.

For the purpose of facilitating the commencement of the Group's business in the 5G infrastructure sector, the Company entered into a formal cooperation agreement (the "Cooperation Agreement") with MICAS (Hongkong) Corporation Limited (密卡思(香港)有限公司) ("Micas HK") and Smart Cloud Infinity Technology Co., Limited (智雲無界科技有限公司) ("SCIT") on 29 December 2021. With forward-looking industry insight and deep 5G technology reserves, it is the strategic goal of the JV Company and the Group to become a leading solutions provider in the global 5G infrastructure sector. Since the establishment of the JV Company, the parties have been actively involved in product development and marketing and identification of potential commercial customers and application scenarios. However, as the 5G infrastructure and applications in Hong Kong are still in at an early stage of development, the Group has encountered difficulties in marketing the products and applications to commercial customers in Hong Kong, including mobile network operators, major residential property management companies and private housing estates in Hong Kong, and has not been able to reach any commercial terms.

The development and operation of the 5G business continues to be part of the Group's business development agenda and the Group continues to conduct internal research to explore more application scenarios of various types. As the progress of the 5G business is slower than expected, the Company will closely monitor the development of the 5G business and make announcement(s) in accordance with the applicable GEM Listing Rules as and when appropriate.

The Group is continuously exploring suitable business/investment opportunities in the relevant telecommunications business. In addition to exploring new revenue streams, the Group will also implement stringent cost control measures to improve its business and financial performance. The Group is continuously negotiating with telecommunications service providers to further reduce the unit cost of airtime and mobile data.

The Group will accelerate modification of the mode of business development, facilitate collaborative connection of the business segments with other business to create new synergy. With Mobility as a Service (MaaS) as the core, the Group will expand from traditional telecommunications services into the broader and higher value information services in order to widen the development capacity of information service.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2022, the revenue of the Group increased to approximately HK\$151,976,000 compared to approximately HK\$150,271,000 for the last corresponding year, representing an increase of approximately 1.1%. Revenue from the provision of telecommunications services and distribution business accounted for approximately HK\$2,619,000 and HK\$149,357,000 respectively, representing approximately 1.7% and 98.3% of the Group's revenue for the year ended 31 December 2022, respectively. The increase was mainly attributable to the increase in revenue generated from the distribution business in Singapore.

### **Cost of Sales**

The Group's cost of sales increased by approximately 0.4% to approximately HK\$147,805,000 for the year ended 31 December 2022 compared to approximately HK\$147,203,000 for the last corresponding year. The increase in cost of sales was generally in line with the respective changes regarding the revenue derived from the provision of telecommunications services, the distribution of mobile phones and electronics products business and the distribution of mobile and data top-up business.

### **Gross Profit**

The gross profit of the Group for the year ended 31 December 2022 increased by approximately 36.0% to approximately HK\$4,171,000 when compared to approximately HK\$3,068,000 for the last corresponding year. The increase was mainly attributable to the improved gross profit margin of the distribution business in the PRC.

### **Other Income**

The Group's other income for the year ended 31 December 2022 increased by approximately 55.3% to approximately HK\$309,000 when compared with approximately HK\$199,000 for the last corresponding year. The increase was mainly attributable to the increase of sundry income caused by the one-off wage subsidies provided by the HKSAR Government under the "Employment Support Scheme" in 2022.

### **Other Net Income/(Loss)**

For the year ended 31 December 2022, the Group recorded other net income of approximately HK\$32,000 while for the year ended 31 December 2021, the Group incurred other net loss of approximately HK\$74,000. The incurrence of other net income for the year ended 31 December 2022 was mainly due to the foreign exchange gain arising from the movements in the exchange rate between Hong Kong dollars and Singapore dollars during the year.

### **Administrative and Other Operating Expenses**

The Group's administrative and other operating expenses for the year ended 31 December 2022 decreased by approximately 4.6% to approximately HK\$17,021,000 when compared to approximately HK\$17,845,000 for the last corresponding year. The decrease was primarily due to the significant decrease in impairment losses on property, plant and equipment to approximately HK\$154,000 for the year ended 31 December 2022 compared to approximately HK\$1,835,000 for the last corresponding year.

### **Finance Cost**

The Group's finance cost for the year ended 31 December 2022 increased by approximately 4.8% to approximately HK\$65,000 when compared to approximately HK\$62,000 for the last corresponding year. The increase was attributable to the increase in interest on lease liabilities.

### **Income Tax Credit**

The Group's income tax credit for the year ended 31 December 2022 decreased by approximately 48.8% to approximately HK\$253,000 when compared with approximately HK\$494,000 for the last corresponding year. The income tax credit was attributable to the decrease of deferred tax liabilities provided for the property, plant and equipment of the Group.

### **Loss Attributable to Shareholders**

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2022 of approximately HK\$12,317,000, representing a decrease of approximately 13.3% when compared with approximately HK\$14,205,000 for the last corresponding year. The decrease was mainly attributable to the significant decrease in impairment losses on property, plant and equipment.



## OTHER INFORMATION

### Update on the use of proceeds from the placing of the shares of the Company (“Placing”) completed on 2 June 2010 (“IPO Proceeds”)

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

The IPO Proceeds were approximately HK\$69.2 million which had been fully utilised up to 31 December 2022. As disclosed in the announcements of the Company dated 12 September 2018 and 20 December 2021 (the “Announcements”), the Directors had resolved to change part of the use of the unutilised net proceeds from the Placing. Therefore, the breakdown of the Company’s actual use of the IPO Proceeds up to 31 December 2022 is as follows:

	Proposed use of the IPO Proceeds as disclosed in the prospectus of the Company dated 28 May 2010 (the “Prospectus”) <i>HK\$ million</i>	Resolved change of use of the IPO Proceeds as disclosed in the announcement dated 12 September 2018 (the “Announcements”) <i>HK\$ million</i>	Resolved change of use of the IPO Proceeds as disclosed in the announcement dated 20 December 2021 (the “Announcements”) <i>HK\$ million</i>	Actual use of the IPO Proceeds from the date of listing to 31 December 2022 <i>HK\$ million</i> (unaudited)
Expansion of the business of mobile phone services in Macau, Taiwan and other Asia Pacific territories	22.7	22.7	22.7	22.7
Upgrading of the Group’s telecommunications equipment for compatible with the mobile network operated by the Group’s service providers in Hong Kong and the PRC	20.8	12.8	12.8	12.8
Development and implementation of RF-SIM business plans in Hong Kong and Macau	18.9	12.3	4.3	4.3
Distribution of mobile phones and equipment overseas ( <i>Note</i> )	–	12.1	20.1	20.1
Working Capital	6.8	9.3	9.3	9.3
Total	<u>69.2</u>	<u>69.2</u>	<u>69.2</u>	<u>69.2</u>

*Note:* As disclosed in the announcements of the Company dated 12 September 2018 and 20 December 2021, the Directors had resolved to allocate part of the use of the unutilised net proceeds to distribution of mobile phones and equipment overseas.

As at the date of this announcement, the Board confirmed that the IPO Proceeds has been fully utilised in accordance with the intentions previously announced by the Company in the Prospectus and Announcements.

## CAPITAL STRUCTURE

The Group adopts a sound financial policy, and the cash surplus is deposited with the banks to facilitate extra expenditure or investment. As at 31 December 2022, 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 2022, total equity attributable to equity holders of the Company amounted to approximately HK\$40,993,000 (as at 31 December 2021: approximately HK\$55,979,000).

As of 31 December 2022, the Company had an authorised share capital of HK\$100,000,000 divided into 500,000,000 shares of a par value of HK\$0.20 each (“Shares”), of which 184,875,000 Shares were issued.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group normally finances its operations with internally generated cash flows and capital contribution from shareholders. As at 31 December 2022, the Group had net current assets of approximately HK\$36,426,000 (as at 31 December 2021: approximately HK\$51,355,000), including cash and cash equivalents of approximately HK\$15,858,000 (as at 31 December 2021: approximately HK\$29,524,000). The current ratio was 6.3 as at 31 December 2022, lower than 8.5 as at 31 December 2021.

## **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 United States dollars (“US\$”). As HK\$ is pegged to the US\$, the Group considers the risk of movements in exchange rate between HK\$ and US\$ to be insignificant. In respect of other currencies, the Group has no significant exposure to currency risk as substantially all the Group’s transactions are denominated in functional currency. However, the management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arises. As at 31 December 2022, the Group did not have any derivatives for hedging against the exchange rate risk.

## **PLEDGE OF ASSETS**

As at 31 December 2022, bank deposits of HK\$200,000 (2021: HK\$200,000) were pledged for the issuance of a performance bond by a bank to a subsidiary in the Group.

## **CONTINGENT LIABILITY**

As at the date of this announcement, a performance bond of HK\$200,000 was given by a bank in favour of the Office of the Communications Authority (“OFCA”) as security for the due performance and observance of the Group’s obligation under Services-Based Operator Licence. The Group has pledged bank deposits for the above performance bond. The Directors do not consider it probable that a claim will be made against the Group.

## **MATERIAL ACQUISITION, DISPOSAL OR SIGNIFICANT INVESTMENT**

The Group did not have any material acquisition, disposal of subsidiaries or affiliated companies or significant investment during the year under review.

## **CAPITAL COMMITMENTS**

As at 31 December 2022, the Group had no commitments contracted for but not provided for in the consolidated financial statements (2021: Nil).

## **STAFF AND REMUNERATION POLICY**

As at 31 December 2022, the Group had 20 employees (2021: 21 employees). Among them, 9 employees worked in Hong Kong, 10 employees worked in the PRC and 1 employee worked in Singapore.

Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. The Group also offers various staff welfare, including medical insurance, share option scheme, housing fund and social insurance. It believes that employees are the most valuable assets of the Group.

## DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2022 and up to the date of this announcement.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023, both days inclusive. In order to ascertain the members' entitlement to the attendance of the forthcoming annual general meeting of the Company to be held on Thursday, 18 May 2023, 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 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 12 May 2023.

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

As at 31 December 2022, 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	104,437,500	56.49%
	Beneficial owner	(Note) 5,062,500	2.74%
Mr. Pang Kwok Chau	Beneficial owner	1,500,000	0.81%
Mr. Wong Kin Wa	Beneficial owner	1,500,000	0.81%

*Note:* The 104,437,500 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 104,437,500 shares under the SFO.

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

<b>Name of Director</b>	<b>Nature of Interest/Capacity</b>	<b>Approximate Percentage of Shareholding</b>
Mr. Li Kin Shing	Beneficial owner	100.00% <i>(Note)</i>

*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 31 December 2022, 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 31 December 2022, 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:**

<b>Name</b>	<b>Nature of Interest/Capacity</b>	<b>Number of Ordinary Shares</b>	<b>Approximate Percentage of Shareholding</b>
New Everich	Beneficial owner	104,437,500	56.49%
Ms. Kwok King Wa	Interest of controlled corporation	104,437,500 <i>(Note 1)</i>	56.49%
	Interest of spouse	5,062,500 <i>(Note 2)</i>	2.74%
Golden Brand Holdings Limited	Beneficial owner	16,500,000	8.92%
Mr. Bai Zhifeng	Interest of controlled corporation	16,500,000 <i>(Note 3)</i>	8.92%

*Notes:*

- (1) The 104,437,500 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 104,437,500 shares under the SFO.
- (2) Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 5,062,500 shares under the SFO.
- (3) The 16,500,000 shares are owned by Golden Brand Holdings Limited which is wholly owned by Mr. Bai Zhifeng.

Save as disclosed above, as at 31 December 2022, 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.

## **COMPETING INTERESTS**

During the year ended 31 December 2022, 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.

Directel Limited is the licensee of the operation rights of RF-SIM in markets other than the PRC (including 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.

Sunward Telecom Limited (“Sunward Telecom”) and its wholly-owned subsidiaries (collectively, the “Sunward Group”) were directly wholly-owned by Mr. Li Kin Shing. Therefore, the Sunward Group are the associates of Mr. Li Kin Shing under the GEM Listing Rules. The Sunward Group, as a whole, is principally engaged in (i) the research and development, production and sales of RF-SIM products; (ii) licensing of the RF-SIM operations rights in markets other than Hong Kong and Macau, and (iii) research and development and technology transfer of CA-SIM application rights to customers.

The Directors confirm that as China-Hongkong Telecom Limited, a wholly-owned subsidiary of the Company, has obtained the exclusive licence of the operation rights of RF-SIM intellectual property rights in Hong Kong and Macau. The Directors further confirm that the services provided by Directel Limited are in territories other than the PRC, Hong Kong and Macau, the services provided by the Sunward Group concentrate on the application of the RF-SIM intellectual property rights in the PRC, and the services provided by the Group regarding the operation rights of RF-SIM intellectual property rights are solely in Hong Kong and Macau. 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.

## **SHARE OPTION SCHEME**

The Company has adopted a new share option scheme (the “Share Option Scheme”) in the annual general meeting held on 11 May 2016, the major terms of the Share Option Scheme were summarized as follows:

### **(i) Purpose of the Share Option Scheme**

The purpose of the New Share Option Scheme is to enable the Company to grant options to Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

### **(ii) Participants of the Share Option Scheme**

The Board of the Company may, at its discretion, grant options to the following persons (the “Eligible Participants”): (i) any full-time or part-time employees, executives, officers; (ii) any directors (including executive directors, non-executive directors, and independent non-executive directors) of the Group; and (iii) any advisors, consultants, agents, suppliers, customers and distributors to the Company or any of the subsidiaries; and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

### **(iii) Total number of shares available for issue under the Share Option Scheme**

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 18,487,500 shares, representing 10% of the shares of the Company in issue as at 31 December 2022. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

**(iv) Maximum entitlement of each participant**

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

**(v) Time of exercise of options**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the Share Option Scheme.

**(vi) The subscription price per share**

The subscription price per share in respect of the share options granted under the Share Option Scheme is such price as determined by the Board of the Company at the time of the grant of the options, but in any case the subscription price shall not be lower than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

**(vii) Payment on acceptance of option**

The offer of a grant of share options may be accepted within 21 days from the date of offer upon payment of a nominal consideration of HK\$1 in total by the grantee.

**(viii) Duration of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 11 May 2016). The Share Option Scheme will terminate or expire (as the case may be) on the earlier (i) the passing of a resolution in general meeting or the Board at any time, and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (Scheme Period).

The Company did not grant or cancel any options under the Share Option Scheme any time during the year, and as at 31 December 2022, there was no outstanding share option under the Share Option Scheme.



## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in this announcement, during the year ended 31 December 2022, 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.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

## **COMPLIANCE WITH THE CORPORATE GOVERNMENT CODE**

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. During the year ended 31 December 2022, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules applicable during the financial year ended 31 December 2022.

A healthy corporate culture throughout the Group is essential to achieving the Group's vision and strategy. It is the Board's responsibility to foster a corporate culture focused on high levels of integrity and a code of conduct to ensure that the Group's vision, values and business strategies are aligned. The Group is committed to maintaining high standards of business ethics and corporate governance in all our activities and operations. Directors, management and employees are all required to act lawfully, ethically and responsibly and the required standards and norms are explicitly set out in the training materials for all new employees and embedded in various policies such as the Group's Employee Handbook (including the Group's Code of Conduct), the Group's Anti-Corruption Policy and the Group's Whistleblowing Policy. Training is conducted from time to time to reinforce the required standards of ethics and integrity.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by directors in securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the adopted code of conduct regarding securities transactions by directors.

## **SCOPE OF WORK OF AUDITOR**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.



## AUDIT COMMITTEE

The Company has established an audit committee (“Audit Committee”) on 20 May 2010 with written terms of reference in compliance with the GEM Listing Rules. The Terms of Reference of the Audit Committee were revised and adopted by the Board on 31 December 2018. For details, please refer to the Terms of Reference of the Audit Committee published on the Company’s website and the Stock Exchange website on 31 December 2018. The Audit Committee consists of the three independent non-executive Directors, namely, Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Liu Kejun. Ms. Lee Man Yee, Maggie is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review the Company’s annual report and consolidated financial statements, half-yearly report and quarterly reports and to provide advice and comment thereon to the Board. The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the financial reporting, risk management and internal control systems and the management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2022. The Company has conducted review of its risk management and internal control systems periodically and has convened meeting periodically to discuss the financial, operational and risk management control. The Audit Committee is of the view that the risk management and internal control system implemented by the Group during the period under review had been valid and adequate.

During the year of 2022, the audit committee has (i) reviewed the quarterly and half-yearly results; (ii) reviewed the accounting policies adopted by the Group and issues related to accounting practice; (iii) met with external auditors to discuss on issues arising from the audit and financial reporting matters and reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement; and (iv) assisted the Board to evaluate on the effectiveness of financial reporting procedure and internal control.

The Group’s audited results for the year ended 31 December 2022 have been reviewed by the Audit Committee and which was of the opinion that such results complied with the applicable accounting standards and that adequate disclosures had been made.

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

Hong Kong, 27 March 2023

*As at the date of this announcement, the executive Directors are Mr. Pang Kwok Chau and Mr. Li Wang; the non-executive Directors are Mr. Li Kin Shing, Mr. Wong Kin Wa and Mr. Hu Tiejun; and the independent non-executive Directors are Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Liu Kejun.*

*This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) 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).*