



DIRECTEL HOLDINGS LIMITED

直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8337)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

**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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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

- Revenue for the three months ended 31 March 2023 was approximately HK\$31,667,000, representing a decrease of approximately 12.9% as compared with the corresponding period in 2022.
- Loss attributable to shareholders of the Company for the three months ended 31 March 2023 was approximately HK\$2,698,000, representing a decrease of approximately 42.2% as compared with the corresponding period in 2022.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2023.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2023

The board of Directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the three months ended 31 March 2023 together with the unaudited comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the three months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	31,667	36,356
Cost of sales		(31,024)	(35,904)
Gross profit		643	452
Other income	5(a)	10	11
Other net income	5(b)	236	48
Administrative and other operating expenses		(3,634)	(5,227)
Loss from operations		(2,745)	(4,716)
Finance cost	6(a)	(14)	(16)
Loss before taxation	6	(2,759)	(4,732)
Income tax credit	7	60	63
Loss for the period		(2,699)	(4,669)
Loss attributable to:			
Equity shareholders of the Company		(2,698)	(4,668)
Non-controlling interests		(1)	(1)
		(2,699)	(4,669)
Loss per share	9		
– Basic and diluted (HK cents)		(1.46)	(2.52)

	For the three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(2,699)	(4,669)
Other comprehensive income for the period, net of income tax:		
<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)	(10)	(185)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	331	163
	<u> </u>	<u> </u>
Total comprehensive income for the period	<u>(2,378)</u>	<u>(4,691)</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	(2,377)	(4,690)
Non-controlling interests	(1)	(1)
	<u> </u>	<u> </u>
	<u>(2,378)</u>	<u>(4,691)</u>

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

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 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 quarterly financial report 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 2022, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The quarterly financial report contains condensed consolidated first quarterly statement of profit or loss and other 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 2022 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 (“IFRSs”).

The quarterly financial report for the three months ended 31 March 2023 is unaudited, but has been reviewed by the Company’s audit committee.

3. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued a number of amendments to IFRS 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. REVENUE

The principal activities of the Group are the telecommunications services and distribution business. Disaggregation of revenue from contracts with customers by products or service lines is as follows:

	For the three months ended 31 March	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Telecommunications services	1,131	487
Distribution business	30,536	35,869
	<u>31,667</u>	<u>36,356</u>

5. OTHER INCOME AND OTHER NET INCOME

	For the three months ended 31 March	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
(a) Other income		
Interest income on financial assets measured at amortised cost	5	5
Sundry income	5	6
	<u>10</u>	<u>11</u>
(b) Other net income		
Net foreign exchange gain	236	48
	<u>236</u>	<u>48</u>

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	For the three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Finance cost		
Interest on lease liabilities	<u>14</u>	<u>16</u>
(b) Staff costs		
Salaries, wages and other benefits	1,065	1,139
Contributions to retirement benefit schemes	<u>35</u>	<u>39</u>
	<u>1,100</u>	<u>1,178</u>
(c) Other items		
Depreciation		
– owned property, plant and equipment	382	389
– right-of-use assets	148	150
Impairment losses on trade receivables	98	1,502
Auditors' remuneration		
– audit services	278	274
Cost of inventories	30,239	35,335
Licence charges	251	285
Repair and maintenance	252	264
Data processing and billing management fee	<u>150</u>	<u>150</u>

7. INCOME TAX CREDIT IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Deferred tax	<u>60</u>	<u>63</u>

(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 the three months ended 31 March 2023 is calculated at the rate of 16.5% (2022: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2023 (2022: Nil) as the Group's operations in Hong Kong either had no assessable profits or had tax losses brought forward to offset estimated assessable profits for the period.

(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.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: Nil).

9. 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:

	For the three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to the ordinary equity shareholders of the Company for the purpose of basic and diluted loss per share	<u>(2,698)</u>	<u>(4,668)</u>
Weighted average number of ordinary shares (Basic and diluted)		
	For the three months ended 31 March	
	2023	2022
	Number of shares	Number of shares
Issued ordinary shares at 1 January and 31 March	<u>184,875,000</u>	<u>184,875,000</u>
Weighted average number of ordinary shares at 31 March	<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 period attributable to the equity shareholders of the Company of approximately HK\$2,698,000 (2022: approximately HK\$4,668,000), and the weighted average number of 184,875,000 ordinary shares (2022: 184,875,000 ordinary shares) in issue during the period.

Diluted loss per share was the same as basic loss per share for the three months ended 31 March 2023 and 2022 as there were no dilutive potential ordinary shares during these periods.

10. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	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	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Balance at 1 January 2022	36,975	74,517	(238)	(459)	(54,816)	55,979	45	56,024	
Loss for the period	-	-	-	-	(4,668)	(4,668)	(1)	(4,669)	
Other comprehensive income for the period	-	-	163	(185)	-	(22)	-	(22)	
Total comprehensive income for the period	-	-	163	(185)	(4,668)	(4,690)	(1)	(4,691)	
Balance at 31 March 2022	36,975	74,517	(75)	(644)	(59,484)	51,289	44	51,333	
Balance at 1 January 2023	36,975	74,517	(1,754)	(1,612)	(67,133)	40,993	41	41,034	
Loss for the period	-	-	-	-	(2,698)	(2,698)	(1)	(2,699)	
Other comprehensive income for the period	-	-	331	(10)	-	321	-	321	
Total comprehensive income for the period	-	-	331	(10)	(2,698)	(2,377)	(1)	(2,378)	
Balance at 31 March 2023	36,975	74,517	(1,423)	(1,622)	(69,831)	38,616	40	38,656	

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business in Hong Kong

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

The Group continued its marketing efforts in promoting its telecommunications services and is actively contacting distributors for the distribution of various prepaid products (including travel prepaid SIM card and local prepaid SIM card) offered by the Group. However, the Group continued to experience pricing pressure from other competitors for prepaid products and similar prepaid roaming products in the mobile telecommunications industry that remains highly competitive. On the other hand, with the HKSAR Government easing its COVID-19 measures and relaxing restrictions on the entry of tourists in an orderly manner, travel demand has recovered significantly following the full border reopening between Mainland China and Hong Kong in February 2023. Further, the relevant government authorities have also implemented several favourable measures to stimulate spending, leading to a significant increase in inbound and outbound tourists, and the travelling business has revived quickly, enabling the Group’s roaming products and services to be extensively launched in the market again.

The revenue derived from the provision of telecommunications services increased by approximately 1.4 times to approximately HK\$1,119,000 for the three months ended 31 March 2023 compared to approximately HK\$472,000 for the last corresponding period.

The Group has reinforced its cost control and provide extended credit periods to its distributors while staying alert to and proactively respond to different special situations. The Group is negotiating with the service providers to further reduce the unit cost of airtime and mobile data and thus the Group would be able to reduce the selling price of the prepaid products to enhance competitiveness. The Group is now actively looking for distributors to develop overseas markets to enable overseas users who would like to enjoy mobile data services during their overseas travels at lower charges. The Group believes that various prepaid product offerings will help the Group to 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 stream in Hong Kong. For the three months ended 31 March 2023, 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 21.9% to approximately HK\$14,167,000 when compared with approximately HK\$18,131,000 for the last corresponding period. 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 PRC

The Group 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 has engaged in the distribution of mobile phones and electronic products. For the three months ended 31 March 2023, 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 2.9 times to approximately HK\$2,416,000 when compared with approximately HK\$623,000 for the corresponding period last 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 established and connections with the telecommunications 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 three months ended 31 March 2023, the revenue derived from the distribution of mobile and data top-up business decreased by approximately 18.5% to approximately HK\$13,953,000 when compared with approximately HK\$17,115,000 for the corresponding period last 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.

Outlook

With the HKSAR Government easing its COVID-19 measures and relaxing restrictions on the entry of tourists in an orderly manner, Hong Kong is gradually entering a new post-epidemic stage, and the business environment is gradually getting back on track. Meanwhile, travel demand has recovered significantly following the full border reopening between Mainland China and Hong Kong in February 2023. Further, the relevant government authorities have also implemented several favourable measures to stimulate spending, leading to a significant increase in inbound and outbound tourists, and the travelling business has revived quickly, 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 identification only*

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

For the three months ended 31 March 2023, the revenue of the Group decreased to approximately HK\$31,667,000 compared to approximately HK\$36,356,000 for the corresponding period last year, representing a decrease of approximately 12.9%. Revenue from the provision of telecommunications services and distribution business accounted for approximately HK\$1,131,000 and HK\$30,536,000 respectively, representing approximately 3.6% and 96.4% of the Group's revenue for the three months ended 31 March 2023, respectively. The decrease was mainly attributable to the decrease in revenue generated from the distribution business in Hong Kong and Singapore.

The Group's cost of sales decreased by approximately 13.6% to approximately HK\$31,024,000 for the three months ended 31 March 2023 compared to approximately HK\$35,904,000 for the corresponding period last year. The decrease 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.

The Group's gross profit increased by approximately 42.3% to approximately HK\$643,000 for the three months ended 31 March 2023 when compared to approximately HK\$452,000 for the corresponding period last year. The increase was mainly attributable to the improved gross profit margin for the provision of telecommunications services.

The Group's other income for the three months ended 31 March 2023 decreased by approximately 9.1% to approximately HK\$10,000 when compared with approximately HK\$11,000 for the corresponding period last year. The decrease was mainly attributable to the decrease of sundry income.

The Group's other net income for the three months ended 31 March 2023 increased by approximately 3.9 times to approximately HK\$236,000 when compared with approximately HK\$48,000 for the corresponding period last year. The increase was attributable to the foreign exchange gain arising from the movements in the exchange rate between Hong Kong dollars, Renminbi and Singapore dollars.

The Group's administrative and other operating expenses for the three months ended 31 March 2023 decreased by approximately 30.5% to approximately HK\$3,634,000 when compared to approximately HK\$5,227,000 for the corresponding period last year. The decrease was primarily due to the significant decrease of impairment losses on trade receivables to approximately HK\$98,000 for the three months ended 31 March 2023 when compared to HK\$1,502,000 for the corresponding period last year.

The Group's finance cost for the three months ended 31 March 2023 decreased by approximately 12.5% to approximately HK\$14,000 when compared with approximately HK\$16,000 for the corresponding period last year. The decrease was attributable to the decrease in interest on lease liabilities.

The Group's income tax credit for the three months ended 31 March 2023 decreased by approximately 4.8% to approximately HK\$60,000 when compared with approximately HK\$63,000 for the corresponding period last year. Such income tax credit was attributable to the decrease of deferred tax liabilities provided for the property, plant and equipment of the Group.

The Group recorded a loss attributable to equity shareholders of the Company for the three months ended 31 March 2023 of approximately HK\$2,698,000, representing a decrease of approximately 42.2% when compared with approximately HK\$4,668,000 for the last corresponding period. The decrease was mainly attributable to the significant decrease of impairment losses on trade receivables for the three months ended 31 March 2023.

CONTINGENT LIABILITIES

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 the 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.

PLEDGE OF ASSETS

As at 31 March 2023, bank deposits of HK\$200,000 (2022: HK\$200,000) were pledged for the issuance of a performance bond by a bank to a subsidiary in the Group.

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: Nil).

MATERIAL ACQUISITION, DISPOSAL OR SIGNIFICANT INVESTMENT

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

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

As at 31 March 2023, 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 provisions 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 <i>(Note)</i>	56.49%
	Beneficial owner	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:

Name of Director	Nature of Interest/Capacity	Approximate Percentage of Shareholding
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 March 2023, 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 March 2023, 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	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 March 2023 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 adopted a share option scheme (the “Share Option Scheme”) at the annual general meeting held on 11 May 2016. Details and the principal terms of the Share Option Scheme have been set out in the circular of the Company dated 31 March 2016 under the section headed “APPENDIX II – PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME” and in the latest annual report of the Company.

The Company did not grant or cancel any options under the Share Option Scheme any time during the three months ended 31 March 2023, and as at 31 March 2023, 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 the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules during the three months ended 31 March 2023.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the three months ended 31 March 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

COMPETING INTERESTS

During the three months ended 31 March 2023, 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”) are 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.

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 comments 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 three months ended 31 March 2023. 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 systems implemented by the Group during the period had been valid and adequate.

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 Group’s unaudited results for the three months ended 31 March 2023 have been reviewed by the Audit Committee. 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, 10 May 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 for at least 7 days from the day of its publication and on the Company’s website at www.directel.hk.