



Directel Holdings Limited
直通電訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8337

2016 Environmental, Social and Governance Report

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1 ABOUT THIS REPORT

BASIS OF PREPARATION

This report is the 2016 Environmental, Social and Governance Report of Directel Holdings Limited prepared in accordance with the general disclosure requirements set out in Appendix 20 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong (the “GEM Listing Rules”), which truly reflects the performance of three major responsibilities, namely economic, environmental and social responsibilities, by the Company in 2016.

BUSINESS OF THE GROUP

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

REPORTING PERIOD AND SCOPE

The reporting period of this report covers the financial year of 2016 (from 1 January 2016 to 31 December 2016), which is the same as the reporting period of the Group’s annual report for the year ended 31 December 2016. The subject of this report is Directel Holdings Limited and its major subsidiaries. The principal place of business is the office of the Group in Hong Kong.

Sources of information:

The information disclosed in this report is mainly sourced from internal files of the Company and public information in the market. All information contents have been reviewed and confirmed by the management and overseeing departments of the Company. Should you have queries or opinions on any contents of this report, please do not hesitate to contact our company secretary Andrew Li via email: info@directel.hk or phone: 2859 9388.



2 ENVIRONMENT

2.1 ENVIRONMENT RELATED POLICIES

The Group is a mobile virtual network operator. The Board of Directors also acknowledges well the importance of performing as a responsible corporate citizen. The Group has been implementing environmental protection and energy saving measures, where practicable to improve the efficiency of resources consumption. In establishing internal policies, the Group has strictly complied with the relevant laws and regulations on environmental protection implemented by the government. The Group will review the workflow process and the execution of relevant measures from time to time to ensure consistent implementation of the relevant policies.

The working environment of the Group is an indoor office located in Hong Kong without any industrial plants. As such, the business of the Group does not generate any hazardous waste, air emission and waste water directly. The Group responds to the initiative of green office in its daily business operations by improving the efficiency of resources consumption, reducing waste generation through paper recycling, etc.

2.2 USE OF RESOURCES

The Group strives to use resources effectively and minimize the discharge of wastes. In the ordinary course of business, we have gradually implemented various energy saving and emission reduction measures. The relevant examples are as follows:

Energy saving

- 1) Keep indoor air-conditioning temperature at 25°C;
- 2) Encourage staff to shut down computers after work and switch off the lights if the employees are expected to be away from the room for more than one hour;
- 3) Encourage staff to switch office equipment, such as printers and computers, to energy saving mode (the equipment will enter the sleep mode under the standby condition); and
- 4) Replace the lighting system in the office by LED lights gradually.

Reduce the use of resources

- 1) Encourage double-side printing and reuse of waste paper;
- 2) Purchase green and environmental printing paper; and
- 3) Encourage to use electronic channels for internal correspondence and communication as far as possible.

2 ENVIRONMENT

2.3 EMISSIONS

Being a mobile virtual network operator, the Group's business does not directly generate air or waste water emissions except for domestic waste water. During the reporting period, the Group did not generate any hazardous waste. The general non-hazardous wastes generated in the office include office waste papers, stationery and packing materials, etc. Waste recycling bins are available in the Hong Kong office to collect and classify waste paper, plastic bottles, used printer ink cartridges and other general garbage for recycling treatment. Hints and information on energy saving and waste reduction are distributed periodically through internal emails of the Company to educate employees of the relevant issues.

2.4 ENVIRONMENT AND NATURAL RESOURCES

The Group strives to reduce the impact of business on the environment and other natural resource yet our business operation does not have material pollution or damage has been caused to air, land, water and ecosystem in the surroundings. Company policies and measures on use of resources and emissions have been explained in detail in the above sections.

2.5 COMPLIANCE

During the year, the Group has not discovered any material violation of environment related regulations.



3 SOCIETY

3.1 EMPLOYMENT AND LABOUR PRACTICES

3.1.1 Staff and remuneration benefits

The Group, in general, cares about labour rights persistently and understands that employees are the most important assets of the Group. We support diversification in employees and ensure that employees will not be discriminated due to their race, age, sex, marital status, religion or belief. In the “Corporate System and Code of Conduct” of the Group, it has clearly stated the management procedures for employee recruitment, selection and departure, employee remuneration and appraisal system.

Employees of the Group have a fair, just and open remuneration review and promotion mechanism. Remuneration is monitored and reviewed annually by the Remuneration Committee. The content and criteria of performance appraisal are determined according to the businesses of various departments and the nature of different job positions. In addition to basic salary, employees are also entitled to receive performance-linked business bonus. Employees with outstanding performance will receive bonus or promotion plus salary increase as rewards. Salaries will be compiled into a salary statement by the human resources and administration department according to the relevant salary system and the statistics on the attendance, business bonus, reward and penalty systems for staff in various departments for submission to the chief accountant of the finance department for periodic review. The remuneration of employees of the Group is generally, at the mid-level of various industries.

Employees are entitled to enjoy paid leaves pursuant to the relevant laws and regulations, such as statutory holidays, work injury leave, marriage leave, maternity leave and sick leave, etc. The Group has various channels for staff communication. For example, opinions collection box, staff complaints hotline, mailbox and interviews, etc. are available for employees to express their opinions at any time to facilitate improvements in the operation of the Group. In the process of making a complaint, the personal data of the employee are strictly protected.

During the year, the Group has not discovered any material violation of employment and labour related regulations.

3.1.2 Health and safety

The Group adheres to the “Safety First” principle and strives to provide a safe and comfortable working environment for employees. We monitor and assess risks on regular basis in accordance with the Occupational Safety and Health Ordinance.

Although the nature of jobs in the Group are low-danger positions, and there was not any past record of material occupational incidents, we do not take this lightly. In each financial year, the Group will evaluate and identify the risk of safety in various facilities and premises of work, and precautionary measures are recommended accordingly. For example, regular checks will be conducted on first aid kits and fire services equipment to ensure they are placed in a prominent position and are properly maintained.

For fire prevention, the Group participates in fire drills organized on regular basis by the building management every year, and conducts post-event evaluation on the efficiency and smooth process of the fire drill to make improvements. Focus of attention is on the emergency evacuation route and whether all employees can reach the gathering point within time limit. We also evaluate the safety system of the Group on regular basis with follow-up actions to create a safe and healthy working environment for employees.

During the year, the Group has not discovered any material violation of occupational health and safety related regulations.

3.1.3 Development and training

The Group considers our employees as important assets and enhances the standard and skills of our employees mainly through training to satisfy the corporate development needs. The human resources department is responsible for hosting the corporate annual training program, and organize, coordinate and supervise the training activities. The Group will provide suitable training for employees of different ranks and positions.

All department heads are required to identify and formulate training programs according to departmental needs at the beginning of each year, and complete the "Training Request Form" for submission to the head of personnel and administration department. The head of human resources and administration department will discuss with the heads of various departments on the training requests of their subordinates and confirm the corporate annual training program. Contents of trainings may include on-the-job trainings at various levels as well as internal and external courses, with contents including management and skills. The head of human resources and administration department request the heads of departments to monitor the job performance of their subordinates after completion of the training and submit a reply in report form to assess the effect of training. The training cycle ranges from three days to one month depending on the items. The trainings for employees include classroom training, practical training and on-the-job training sessions.

After completion of the on-the-job training sessions, the department heads will conduct appraisals on the participants and complete the "Record of on-the-job training results", and re-training will be arranged for employees who have failed in the appraisal.

3.1.4 Labour standards

The Group attaches particular importance on the issues of labour exploitation and child labour. It has formulated clear policies to prevent compulsory labour and employment of child labour, and has insisted on monitoring the recruitment process frequently to prevent the occurrence of illegal conduct. The Group has strictly complied with all local ordinances related to labour, such as the Employment Ordinance and subsidiary legislation, namely the Employment of Children Regulations and the Employment of Young Persons (Industry) Regulations, the Employees' Compensation Ordinance, the Immigration Ordinance and the Mandatory Provident Fund Schemes Ordinance.

The Group will not force any employees to work overtime. All overtime work is performed on voluntary basis, and employees may choose to apply for overtime work or knock off on time, and a daily limit is set on the maximum number of overtime hours. Regulations on overtime work are clearly stated and explained under the attendance system set out in the Staff Handbook. Employees who work overtime are require to fill in the Overtime Application Form in advance, which will be signed and verified by the responsible officer of the department. If it has complied with the required procedures, it will be considered as overtime work, otherwise it will not be treated as overtime work. The salaries of overtime work will be paid based on specially agreed overtime pay.

During the year, the Group has not discovered any material violation of labour related regulations.



3 SOCIETY

3.2 OPERATING PRACTICES

3.2.1 Product responsibility

The Group's major products are mobile phone prepaid SIM cards and recharge vouchers. We strive not only to provide consumers with stable and diversified mobile communication services, but also to ensure the clarity and transparency of payment plans, comprehensive protection of customers' privacy and thoughtful aftersales service. The Group has strictly complied with Trade Descriptions Ordinance and Personal Data (Privacy) Ordinance.

Signal quality

The Group is a qualified mobile virtual network operator and its licence has strict requirements on the management of communication quality. If communication signal is affected or disrupted due to technical fault, the Group is required to report to the Communications Authority of Hong Kong immediately, and is also required to inform the Authority and submit a report stating the reasons and follow-up measures after resumption of communication. Details of the report will be uploaded to the website of the Communications Authority of Hong Kong for the general public's information. The Group has not occurred any significant incident of signal problems during the reporting period.

Product label

The Group's product cover design has also strictly complied with the Trade Descriptions Ordinance and will seek legal advice as and when necessary. The terms and conditions of the mobile phone prepaid SIM cards or recharge vouchers are clearly stated on all covers, such as the valid period of the mobile phone prepaid SIM card, charges for phone calls and mobile data, other additional charges (such as Hong Kong Government Licence Fees), lower limit of data transmission speed and signal coverage area, etc. The purpose is to enable consumers to know clearly the details of the charges and services, and will not be misled by baiting advertising to spend wrongfully. The Group has always refused unscrupulous sales practices and has placed utmost importance on consumers' interest and its own reputation.

Customers' privacy

The Group emphasizes highly on customer relationship management and has promised not to reveal customers' personal data to maintain customer loyalty and attract new customers. Thus, the Group will not be slow in protecting customers' personal data, after all we need to access and retain huge volume of customers' personal privacy data in operating our business, such as name, sex, photocopy of identity card or passport, occupation, address, telephone number and email address, etc. There are provisions regulating the collection, retention, retrieval, change and removal of customers' personal data, and reference is also made to the Personal Data (Privacy) Ordinance. In customer contracts, we have also stated clearly the purpose of and security measures for the collection of personal data. Our customer service employees and the relevant employees of the financial and accounting department are entitled to inspect customers' data to verify the identity of the customers, answer enquiries and handle billing issues. Only authorized back-office employees may change or renew customers' information. And personal data files are generally retained for about 5 years to provide reply on inquiry from some government departments (such as SFC, Police and ICAC).

Channels for customers' complaints

The Group also emphasizes highly on customers' experience, therefore our enquiry and complaint hotlines are stated clearly on the cover of our product package to ensure that customers can receive satisfactory and thoughtful aftersales services. Moreover, the Group will compile statements on sales analysis of various products on regular basis to further improve our products and align them closer with consumers' demand.

During the year, the Group has not discovered any material violation of product responsibility related regulations.

3.2.2 Supply chain management

The Group's major suppliers are manufacturers of SIM cards and package covers. The Group has established the relevant policy on supply chain management, such as the Procurement Management Rules of the Group which have explicitly stated, among other things, the method of procurement, selection of suppliers, review and approval process and management, to ensure that the process is fair and transparent.

In the process of supplier selection, the Group must firstly consider whether the manufacturer has relevant qualifications (such as ISO9001), whether capital funding is sufficient, and whether it is capable of dealing with the number of orders, and secondly whether it can satisfy our needs in technical aspects, and whether the aftersales service is comprehensive, etc. Furthermore, we will also require the supplier to provide samples for inspection, after the samples have passed the inspection tests, we will visit the plant of the supplier for site inspection.

Apart from the above conditions on product quality, price, aftersales service and reputation, the Group is further improving its supply chain management policy. In future, the social responsibility of the supplier and its environmental protection policy will also be included in the factors for consideration. Site inspection will be conducted from time to time to examine whether the supplier has complied with the environmental protection and social responsibilities.

3.3 ANTI-CORRUPTION

Anti-corruption is a main commercial ethics principle among enterprises and the Group firmly refuses damages to the fair competition environment in society. The Group has established formal management policies to prevent bribery, fraud and leakage of information, which are stated in the Staff Handbook. All employees must comply with the requirements as specified in the Staff Handbook. The following is a summary of the anti-corruption contents in the Handbook:

Main principles:

- Encourage honest and ethical conduct, including handling conflict of interest honestly;
- Encourage comprehensive, fair, accurate, timely and readily understandable disclosure of information;
- Comply with the relevant laws and government rules; and
- Prevent wrongful conduct.



3 SOCIETY

Employees must not use its relationship with the Company to gain personal advantage:

- An employee must not accept reward, gift, entertainment or other return from any entity that works for or provides service to the Company or attempts to commence business with the Company. Any present or gift regarded as business customs or social etiquette may be accepted only when its category, frequency and value are reasonable;
- An employee must not make profit for himself or others by using confidential or “insider” information; and
- An employee must not steal any business chance or opportunity for the benefit of himself or others.

Employees must not work for competitors of the Company after resignation or departure, and must not carry out related transactions with competitors:

- Within a certain period after the resignation or departure of an employee, he shall not act as director, senior management officer, cooperative partner, advisor or agent in any company which competes with any entity or department of the Company, or have material ownership interest in the competing company, as these have violated the duty of loyalty to the Company and are prohibited by the Company.

The Group has strictly complied with the prevailing laws in Hong Kong in relation to anti-corruption including the Prevention of Bribery Ordinance and the Independent Commission Against Corruption Ordinance.

During the year, the Group has not discovered any material violation of anti-corruption related regulations.

3.4 COMMUNITY INVESTMENT

The Group believes that participating in community activities will help promote harmony in social development, fulfill our responsibilities as a corporate citizen and also demonstrate the Group’s promise to society. Hence, we are planning to encourage employees to participate in social and charitable activities in the coming year, such as youth education or caring for the elderly, etc. To encourage participation of employees in community services and meaningful charitable work, we are planning to allow employees to apply for volunteer holidays.

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