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 2020

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 year ended 31 December 2020 was approximately HK$213,786,000, representing a decrease of approximately 12.7% as compared with 2019.

- Loss attributable to shareholders of the Company for the year ended 31 December 2020 was approximately HK$668,000, representing a decrease of approximately 98.9% when compared with 2019.

- Basic and diluted loss per ordinary share for the year ended 31 December 2020 was 0.36 HK cents respectively as compared with basic and diluted loss (restated) of 34.00 HK cents respectively for year ended 31 December 2019.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020	2019
	Note	***HK$'000***	*HK$'000*
Revenue	*4, 5*	**213,786**	244,823
Cost of sales		**(211,892)**	(243,584)
Gross profit		**1,894**	1,239
Other income	*6(a)*	**800**	406
Other net income/(loss)	*6(b)*	**36,405**	(2,626)
Administrative and other operating expenses		**(38,799)**	(57,784)
Profit/(loss) from operations		**300**	(58,765)
Finance cost	*7(a)*	**(80)**	(51)
Profit/(loss) before taxation	*7*	**220**	(58,816)
Income tax expense	*8*	**(888)**	(260)
Loss for the year attributable to equity shareholders of the Company		**(668)**	(59,076)
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Equity securities at fair value through other comprehensive income			
– net movement in the fair value reserve (non-recycling)		**(153)**	(867)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of			
overseas subsidiaries		**1,079**	(519)
Total comprehensive income for the year attributable to equity shareholders of the Company		**258**	(60,462)
Loss per share	*10*		(Restated)
– Basic		**(0.36) cents**	(34.00) cents
– Diluted		**(0.36) cents**	(34.00) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	11	**7,444**	9,523
Goodwill	14	**–**	5,942
Intangible assets	13	**–**	–
Other non-current financial assets	15	**1,719**	1,872
Deferred tax assets		**–**	1,142
Total non-current assets		**9,163**	18,479
Current assets			
Inventories	16	**297**	2,483
Trade receivables	17	**24,973**	28,378
Other receivables, deposits and prepayments	17	**4,557**	9,649
Pledged bank deposits	18	**200**	200
Cash and cash equivalents	18	**37,154**	56,625
Total current assets		**67,181**	97,335
Current liabilities			
Payables and accruals and contract liabilities	19	**3,944**	7,443
Lease liabilities	20	**968**	567
Taxation payable		**21**	11
Total current liabilities		**4,933**	8,021
Net current assets		**62,248**	89,314
Total assets less current liabilities		**71,411**	107,793
Non-current liabilities			
Contingent consideration payables	12(a)	**–**	36,127
Lease liabilities	20	**446**	687
Deferred tax liabilities		**1,105**	1,377
Total non-current liabilities		**1,551**	38,191
Net assets		**69,860**	69,602
Capital and reserves			
Share capital		**36,975**	36,975
Share premium		**74,517**	74,517
Exchange reserve		**(723)**	(1,802)
Fair value reserve		**(298)**	(145)
Accumulated losses		**(40,611)**	(39,943)
Total equity		**69,860**	69,602

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital	Share premium	Warrant reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits/ (accumulated losses)	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2019	31,125	46,749	1,654	(1,283)	722	19,092	98,059
Changes in equity for 2019:							
Loss for the year	–	–	–	–	–	(59,076)	(59,076)
Other comprehensive income	–	–	–	(519)	(867)	–	(1,386)
Total comprehensive income	–	–	–	(519)	(867)	(59,076)	(60,462)
Shares issued under warrant subscription agreement	5,850	27,768	(1,613)	–	–	–	32,005
Unlisted warrants lapsed during the year	–	–	(41)	–	–	41	–
Balance at 31 December 2019 and 1 January 2020	36,975	74,517	–	(1,802)	(145)	(39,943)	69,602
Changes in equity for 2020:							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(668)**	**(668)**
Other comprehensive income	**–**	**–**	**–**	**1,079**	**(153)**	**–**	**926**
Total comprehensive income	**–**	**–**	**–**	**1,079**	**(153)**	**(668)**	**258**
Balance at 31 December 2020	**36,975**	**74,517**	**–**	**(723)**	**(298)**	**(40,611)**	**69,860**

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 2020 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 2020 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:

– contingent consideration.

– 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:

	2020	2019
	HK$'000	*HK$'000*
Telecommunications services	**36,292**	61,723
Distribution business	**177,494**	183,100
	213,786	244,823

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 who are known to the Group to be subject to common control, amounting to 10% or more of the Group's aggregate revenue during the year are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A – distribution business	**69,045**	70,379
Customer B – distribution business	**–**	28,678
Customer C – distribution business	**43,407**	–

(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 profit (i.e. revenue less cost of sales). Segment profits 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 2020 and 2019 is set out below.

		2020	
	Telecommunications services	**Distribution business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Disaggregated by timing of revenue recognition			
Point in time	**–**	**177,494**	**177,494**
Over time	**36,292**	**–**	**36,292**
Revenue from external customers	**36,292**	**177,494**	**213,786**
Reportable segment revenue and consolidated revenue	**36,292**	**177,494**	**213,786**
Reportable segment profit	**(874)**	**2,768**	**1,894**
Other income			**800**
Other net income			**36,405**
Unallocated corporate expenses			**(38,799)**
Finance cost			**(80)**
Consolidated profit before taxation			**220**

	2019		
	Telecommunications services	Distribution business	Total
	HK$'000	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition			
Point in time	–	183,100	183,100
Over time	61,723	–	61,723
Revenue from external customers	61,723	183,100	244,823
Reportable segment revenue and consolidated revenue	61,723	183,100	244,823
Reportable segment profit	(2,724)	3,963	1,239
Other income			406
Other net loss			(2,626)
Unallocated corporate expenses			(57,784)
Finance cost			(51)
Consolidated loss before taxation			(58,816)

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**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**108,193**	119,333	**7,444**	9,484
Mainland China	**36,548**	54,480	**–**	–
Singapore	**69,045**	71,010	**–**	39
	213,786	244,823	**7,444**	9,523

6 OTHER INCOME AND OTHER NET INCOME/(LOSS)

	2020 HK$'000	2019 HK$'000
(a) Other income		
Interest income on financial assets measured at amortised cost	**252**	322
Government grants *(note)*	**538**	–
Sundry income	**10**	84
	800	406

Note: In 2020, 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 provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

	2020 HK$'000	2019 HK$'000
(b) Other net income/(loss)		
Net foreign exchange gain	**278**	68
Fair value change on contingent consideration	**917**	(2,694)
Gain on extinguishment of contingent consideration	**35,210**	–
	36,405	(2,626)

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance cost

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	**80**	51

(b) Staff costs

	2020 HK$'000	2019 HK$'000
Salaries, wages and other benefits	**4,468**	4,805
Contributions to defined contribution retirement plan	**164**	320
	4,632	5,125

(c) Other items

	2020	2019
	HK$'000	*HK$'000*
Amortisation of intangible assets*	**–**	2,435
Depreciation*		
– owned property, plant and equipment	**2,156**	2,926
– right-of-use assets	**846**	420
Impairment losses on trade receivables*	**14,597**	3,547
Impairment losses on other receivables and prepayments*	**1,159**	2,026
Impairment losses on property, plant and equipment*	**262**	590
Impairment losses on intangible assets*	**–**	2,434
Impairment losses on goodwill*	**5,942**	28,061
Auditors' remuneration*		
– audit services	**1,067**	1,318
– tax services	**10**	10
– other services	**5**	5
Cost of inventories	**176,267**	179,517
Licence charges*	**922**	854
Repair and maintenance*	**1,259**	1,697

* 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:

	2020	2019
	HK$'000	*HK$'000*
Current tax – Outside Hong Kong	**18**	11
Deferred tax	**870**	249
	888	260

(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 2020 is calculated at 16.5% (2019: 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 2020 (2019: 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 2020 (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to the ordinary equity shareholders of the Company for the purpose of basic and diluted loss per share	**(668)**	(59,076)

Weighted average number of ordinary shares (Basic and diluted)

	2020	2019
	Number of shares	*Number of shares*
		(Restated)
Issued ordinary shares at 1 January	**184,875,000**	155,625,000
Effect of unlisted warrants exercised	**–**	18,110,950
Weighted average number of ordinary shares at 31 December	**184,875,000**	173,735,950

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$668,000 (2019: approximately HK$59,076,000), and the weighted average number of 184,875,000 ordinary shares (2019 (restated): 173,735,950 ordinary shares) in issue during the year, as restated to reflect the effect of the share consolidation (i.e. every twenty issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into one ordinary share of HK$0.2 each in the share capital of the Company which became effective from 20 January 2021) (the "Share Consolidation"). Comparative figures have also been restated on the basis that the Share Consolidation had been effective in prior years.

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2020 and 2019 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 2019	555	402	1,860	33,003	635	2,637	39,092
Additions	163	–	–	620	15	–	798
At 31 December 2019 and 1 January 2020	**718**	**402**	**1,860**	**33,623**	**650**	**2,637**	**39,890**
Additions	**309**	**–**	**–**	**865**	**11**	**–**	**1,185**
At 31 December 2020	**1,027**	**402**	**1,860**	**34,488**	**661**	**2,637**	**41,075**
Accumulated depreciation:							
At 1 January 2019	–	250	1,147	22,092	545	2,397	26,431
Charge for the year	118	79	372	2,597	28	152	3,346
Impairment losses *(notes 7(c))*	566	–	–	–	24	–	590
At 31 December 2019 and 1 January 2020	**684**	**329**	**1,519**	**24,689**	**597**	**2,549**	**30,367**
Charge for the year	**100**	**73**	**341**	**2,365**	**35**	**88**	**3,002**
Impairment losses *(notes 7(c))*	**243**	**–**	**–**	**–**	**19**	**–**	**262**
At 31 December 2020	**1,027**	**402**	**1,860**	**27,054**	**651**	**2,637**	**33,631**
Net book value:							
At 31 December 2020	**–**	**–**	**–**	**7,434**	**10**	**–**	**7,444**
At 31 December 2019	34	73	341	8,934	53	88	9,523

Impairment loss

During the year ended 31 December 2020, certain subsidiaries of the Group have been operating under a difficult market condition. This represented an indication that the non-financial assets of those subsidiaries may be impaired. The Group assessed the recoverable amounts of those subsidiaries, which are also the cash-generating unit ("CGU"), to be HK$Nil. As a result, an impairment loss on property, plant and equipment of HK$262,000 (2019: HK$590,000) was recognised at 31 December 2020.

Right-of-use assets

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

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Properties leased for own use, carried at depreciated cost	*(i)*	**–**	34
Facilities equipment, carried at depreciated cost	*(ii)*	**707**	627
		707	661

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

	2020	2019
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
– Properties leased for own use	**100**	118
– Facilities equipment	**746**	302
	846	420
Interest on lease liabilities *(note 7(a))*	**80**	51
Expense relating to short-term leases		
– rental of properties	**1,363**	1,495
– rental of transmission lines	**156**	657

During the year, additions to right-of-use assets were approximately HK$1,135,000 (2019: approximately HK$725,000). This amount primarily related to the capitalised lease payments payable under new agreements entered into during the year.

(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 CONTINGENT CONSIDERATION PAYABLES

(a) Acquisition of Joint Top Investments Limited

On 8 September 2017, the Group completed the acquisition of Joint Top Investments Limited ("Joint Top") together with its subsidiary, Guangzhou Directel Telecommunications Limited* 廣州直通電訊有限公司 ("GZDT") (together with Joint Top, the "Joint Top Group") (the "PRC Acquisition"). Following the completion, Joint Top became an indirect wholly-owned subsidiary of the Company and thereafter, the Group has been engaging in the provision of telecommunications services and distribution business in Guangdong province in the PRC.

Pursuant to the sale and purchase agreement, the consideration for acquiring the entire equity interests in Joint Top, amounting to HK$50,000,000, comprised cash consideration of HK$10,000,000 payable immediately and a further contingent amount to be settled in 2021 (if applicable) depending upon the fulfilment of certain pre-determined conditions.

In view of the worse-than-expected performance of Joint Top Group, on 24 December 2020, the Group and the vendor entered into a supplemental sale and purchase agreement. Pursuant to the supplemental agreement, those clauses in relation to the fulfillment of certain pre-determined conditions were removed and the total consideration was revised to HK$10,000,000, which had already been settled in 2017. The contingent consideration was recognised as a financial liability under "Contingent consideration payables" at a fair value of HK$35,210,000 at 24 December 2020 (2019: HK$36,127,000). Following the conclusion of the supplemental agreement, a "gain on extinguishment of contingent consideration payables" of HK$35,210,000 was recognised in the consolidated statement of profit or loss and other comprehensive income (see note 6(b)).

(b) Acquisition of South Data Communication Pte. Ltd.

On 13 September 2017, Asia Globe Investments Limited ("Asia Globe"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party vendor, pursuant to which Asia Globe agreed to purchase and the vendor agreed to sell the entire issued share capital of South Data Communication Pte. Ltd. ("South Data") (the "Singapore Acquisition") at a total consideration of HK $6,000,000, which is to be satisfied by the payment of cash consideration at the completion date of the Singapore Acquisition. South Data is a company incorporated in Singapore with limited liability and is principally engaged in the provision of telecommunications services and distribution business in Singapore.

The total consideration for acquiring the entire equity interests in South Data, amounting to HK$6,000,000, comprised cash and contingent consideration receivables from the vendor in 2021 (if applicable) depending upon the fulfillment of certain pre-determined conditions. No contingent consideration receivable was recognised as a financial asset at 31 December 2019 and 2020.

13 INTANGIBLE ASSETS

	Customer contracts
	HK$'000
Cost:	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	8,062
Accumulated amortisation:	
At 1 January 2019	3,193
Charge for the year	2,435
Impairment losses *(notes 7(c))*	2,434
At 31 December 2019, 1 January 2020 and 31 December 2020	8,062
Net book value:	
At 31 December 2020	–
At 31 December 2019	–

The amortisation charge for the year was included in "administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

14 GOODWILL

	HK$'000
Cost:	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	34,003
Accumulated impairment losses:	
At 1 January 2019	–
Impairment losses *(note 7(c))*	28,061
At 31 December 2019 and 1 January 2020	28,061
Impairment losses *(note 7(c))*	5,942
At 31 December 2020	34,003
Carrying amount:	
At 31 December 2020	–
At 31 December 2019	5,942

The goodwill of approximately HK$28,061,000 arising from the PRC Acquisition was attributable to the synergy from the established distribution network and sales channels of GZDT to penetrate into the Mainland China market through the distribution of the Group's SIM cards.

The goodwill of approximately HK$5,942,000 arising from the Singapore Acquisition was attributable to the synergy from the established distribution network and sales channels of South Data to penetrate into the Singapore market through distribution of the Group's mobile and data top-up e-vouchers.

(a) Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's group of CGU identified according to the countries of operation as follows:

	2020	2019
	HK$'000	*HK$'000*
Telecommunications services and distribution business		
– Mainland China	**–**	–
Telecommunications services and distribution business - Singapore	**–**	5,942

(b) Impairment loss

During the year ended 31 December 2020, a subsidiary of the Group in Singapore was operating under a difficult market condition. This represented an indication that the non-financial assets of that subsidiary may be impaired. The Group assessed the recoverable amounts of the related CGU in Singapore to be HK$Nil and therefore recorded an impairment of HK$5,942,000 (2019: HK$Nil) on the carrying amount of goodwill at 31 December 2020.

During the year ended 31 December 2019, a subsidiary of the Group in Mainland China was loss-making and operating under a difficult market condition. This represented an indication that the non-financial assets of that subsidiary might be impaired. The Group assessed the recoverable amounts of the related CGU in Mainland China to be HK$Nil, and therefore recorded an impairment loss on goodwill and intangible assets of HK$28,061,000 and HK$2,434,000 (see note 13) respectively in 2019.

15 OTHER NON-CURRENT FINANCIAL ASSETS

	2020	2019
	HK$'000	*HK$'000*
Equity securities designated at FVOCI (non-recycling) (Note)		
– Listed in Hong Kong	**1,719**	1,872

Note: The equity securities are shares in Hospital Corporation of China Limited, a listed equity securities (stock code: 3869) listed on the Stock Exchange of Hong Kong Limited, and mainly engaged in operation and management of privately owned hospital in the PRC. The Group designated the 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 (2019: HK$Nil).

16 INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
SIM cards	**93**	1,009
Recharge and top-up vouchers	**6**	2
Mobile phone and electronic products	**198**	1,472
	297	2,483

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**43,335**	32,143
Less: loss allowance	**(18,362)**	(3,765)
	24,973	28,378
Other receivables, deposits and prepayments	**4,557**	9,649
	29,530	38,027

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

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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**12,132**	12,436
Over 1 month but within 3 months	**9,999**	7,189
Over 3 months but within 6 months	**597**	2,573
Over 6 months but within 12 months	**2,245**	6,180
	24,973	28,378

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.

18 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	*HK$'000*
Deposits with banks	**16,718**	25,476
Cash at banks	**20,478**	31,153
Cash on hand	**158**	196
	37,354	56,825
Less: pledged bank deposits (note)	**(200)**	(200)
Cash and cash equivalents in the consolidated statement of financial position	**37,154**	56,625

Note: Bank deposits of HK$200,000 (2019: HK$200,000) were pledged for the issuance of a performance bond by a bank.

19 PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Trade payables		
– amounts due to third parties	**360**	2,165
Other payables and accruals		
– accrued charges and deposits	**2,993**	4,017
Contract liabilities		
Telecommunications services		
– advance payments	**591**	1,261
	3,944	7,443

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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**170**	1,193
Over 1 month but within 3 months	**141**	951
Over 3 months but within 12 months	**32**	7
Over 12 months	**17**	14
	360	2,165

(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

	2020	2019
	HK$'000	*HK$'000*
Balance at 1 January	**1,261**	886
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	**(1,261)**	(886)
Increase due to cash received during the year	**1,375**	3,436
Decrease due to the recognition of revenue for cash received during the year	**(784)**	(2,175)
Balance at 31 December	**591**	1,261

20 LEASE LIABILITIES

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

	2020		2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	**968**	**1,016**	567	619
After 1 year but within 2 years	**138**	**158**	308	338
After 2 years but within 5 years	**258**	**290**	235	282
After 5 years	**50**	**51**	144	150
	446	**499**	687	770
	1,414	**1,515**	1,254	1,389
Less: total future interest expenses		**(101)**		(135)
Present value of lease liabilities		**1,414**		1,254

21 CONTINGENT LIABILITY

As at 31 December 2020, performance bond of HK$200,000 (2019: 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 18). 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 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 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 2020 for the pre-paid products offered by the Group and similar pre-paid roaming products provided by other competitors can easily be found in the highly competitive mobile telecommunications industry. As the backdrop of increase in confirmed cases of novel coronavirus (the "COVID-19") pandemic globally since the beginning of 2020, countries around the world have adopted sweeping measures to stem the spread of the COVID-19 including but are not limited to full lockdowns, compulsory quarantine for persons travelling into their countries, limitation of opening hours for businesses, as well as imposing travel restrictions on the entry of tourists. All these measures have led to decrease in overseas tourists or no access for them to travel to Hong Kong, particularly a significant decrease in tourists from the PRC, and heavily stricken the tourist industry and the retail industry, while some travel agencies are thereby exposed to financial difficulties or 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 been therefore adversely affected.

The revenue derived from the provision of telecommunications services significantly decreased by approximately 80.7% to approximately HK4,374,000 for the year ended 31 December 2020 compared to approximately HK$22,668,000 for the last corresponding year.

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 pre-paid 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 pre-paid 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 year ended 31 December 2020, the revenue generated from such distribution business which represents the sales proceeds of mobile phones and electronic products, net of returns and discounts, increased by approximately 7.4% to approximately HK$103,819,000 when compared with approximately HK$96,665,000 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 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 has engaged 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 resale 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 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, mobile and data top-up services sector of the PRC has been facing persistent challenges. For the year ended 31 December 2020, the revenue generated from the provision of mobile and data top-up services decreased by approximately 16.8% to approximately HK$31,855,000 when compared with approximately HK$38,298,000 for the last corresponding year. As a result of the intense competition within the industry and low profit margin, 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 the mobile users in addition to the original monthly fee package through the top-up services provided by the Group has been decreased. The Group 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. The Directors believe that with the COVID-19 pandemic easing and under control in the PRC, and the increasing demand for mobile data traffic owing to the greater popularity of the 5th generation mobile network in the PRC, the revenue generated from mobile and data top-up services will contribute to and further strengthen the Group's overall revenue in the future.

Leveraging its established relationships, GZDT also engaged in the distribution of mobile phones and electronic products. GZDT has successfully secured a contract with a telecommunications equipment distributor which includes a term that the relevant distributor has committed to purchase of mobile phones and electronic products in aggregate of not less than RMB50 million throughout the period ending 31 December 2020. Such commitment was fulfilled in 2020. For the year ended 31 December 2020, the revenue generated from the distribution business which represents the sales proceeds of the mobile phones and electronic products, net of returns and discounts, decreased by approximately 71.2% to approximately HK$4,630,000 when compared with approximately HK$16,104,000 for the last corresponding year. The decrease was mainly attributable to the cancellation in purchase of the mobile and electronic products by our customers as a result of the outbreak of the COVID-19 in the early 2020. Besides, individual distributors defaulted repayments due to deteriorating operation environment, resulting in a necessary impairment losses on trade receivables in this respect by the Group. In order to reduce credit risks, the Group has adopted stricter standards on credit risks to examine and evaluate the capability of customers for satisfaction of debt.

GZDT will continue to leverage on its relationship established 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.

* For identification only

On the other hand, our potential project of distribution of post-paid telecommunications products (including fixed line and mobile telecommunications products) in the PRC supplied by a major PRC telecommunications operator had been suspended indefinitely due to, among others, the adverse market environment caused by the outbreak of COVID-19.

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 already successfully secured 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 and the E-commerce Platform Operator has committed to procure not less than SGD36 million worth of mobile and data top-up credits in aggregate throughout the period ending 31 December 2020. 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. Such commitment was fulfilled in 2020. For the year ended 31 December 2020, the revenue derived from the distribution of mobile and data top-up business decreased slightly by approximately 1.8% to approximately HK$69,045,000 when compared with approximately HK$70,331,000 for the last corresponding year. On the other hand, no revenue had been derived from the provision of telecommunications services for the year ended 31 December 2020 when compared with approximately HK$679,000 for the last corresponding year. The decrease was attributable to the withdrawal of this business starting from the second quarter of 2019 in order to concentrate on the expansion of distribution of mobile and data top-up business by reallocation of our resources in Singapore. 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.

The goodwill of approximately HK$5,942,000 arising from the Singapore Acquisition was attributable to the synergy from the established distribution network and sales channels of South Data to penetrate into the Singapore market through the distribution of the Group's mobile and data top-up e-vouchers. During the year ended 31 December 2020, South Data was operating under a difficult market condition. This represented an indication that the non-financial assets of South Data may be impaired. For the purposes of impairment testing, the net carrying amount of the goodwill has been allocated to the cash generating unit relating to the Singapore Acquisition (the "CGU in Singapore"). The recoverable amounts of the CGU in Singapore are determined from value in use calculations. The key assumptions for the value in use calculations are those in relation to the discount rates, growth rates and gross profit margin during the year. For details, please refer to note 14 to the financial statements. Due to the fact that the actual performance of South Data in 2020 did not meet the expectation and the business forecast, the Directors are of the view that the goodwill could not be recovered from the CGU in Singapore. Therefore the goodwill arising from the Singapore Acquisition of approximately HK$5,942,000 was fully impaired during the year.

Outlook

Since the development of COVID-19 pandemic remains uncertain, it is still unable to exclude the possibility that the pandemic will cause further impact on the Group's operating results, and the business environment of the Group will continue to be full of challenges. With the COVID-19 pandemic easing and under control in the PRC, all industries have vigorously pushed for resumption of production and work, and the authorities have launched several policies that benefit the increase in consumption as well as consumers and manufacturers. Financial regulators in the PRC have strengthened fiscal and taxation support for manufacturing enterprises. In view of the above factors, the Group still remains a cautious positive attitude towards the medium to long-term business development.

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. The Group will stay alert to the development and status of the COVID-19 pandemic, continue to assess its impact on the financial condition and operating results of the Group and take necessary actions to maintain operations stability.

The Company is continuously exploring suitable business development/investment opportunities in the relevant telecommunications business, and will issue announcement(s) in accordance with the applicable GEM Listing Rules, as and when appropriate.

Besides exploring new revenue sources, the Group will at the same time implement stringent cost control measures in order to improve its business and financial performance. The Group is continuously negotiating with the 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 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 2020, the revenue of the Group decreased to approximately HK$213,786,000 compared to approximately HK$244,823,000 for the last corresponding year, representing a decrease of approximately 12.7%. Revenue from the provision of telecommunications services and distribution business accounted for approximately HK$36,292,000 and HK$177,494,000 respectively, representing approximately 17.0% and 83.0% of the Group's revenue for the year ended 31 December 2020, respectively. The decrease was mainly attributable to the significant decrease in the revenue generated from the provision of telecommunications services.

Cost of Sales

The Group's cost of sales decreased by approximately 13.0% to approximately HK$211,892,000 for the year ended 31 December 2020 compared to approximately HK$243,584,000 for the last corresponding year. The decrease in cost of sales was 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 2020 increased by approximately 52.9% to approximately HK$1,894,000 when compared to approximately HK$1,239,000 for the last corresponding year. The increase was mainly attributable to the improved gross profit margin for the provision of telecommunications services in Hong Kong due to the reduced unit cost and the decline in usage of mobile data by the mobile users.

Other Income

The Group's other income for the year ended 31 December 2020 increased by approximately 97.0% to approximately HK$800,000 when compared with approximately HK$406,000 for the last corresponding year. The increase was mainly attributable to the government grants which was composed of the wage subsidies provided by the HKSAR Government under the "Employment Support Scheme".

Other Net Income/(Loss)

For the year ended 31 December 2019, the Group recorded other net loss of approximately HK$2,626,000 while for the year ended 31 December 2020, the Group incurred other net income of approximately HK$36,405,000. The incurrence of other net income was mainly attributable to the gain on extinguishment of contingent consideration payables of approximately HK$35,210,000 pursuant to the second supplemental agreement dated 24 December 2020 for the sale and purchase of the entire issued share capital of Joint Top Investments Limited ("Joint Top").

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the year ended 31 December 2020 decreased by approximately 32.9% to approximately HK$38,799,000 when compared to approximately HK$57,784,000 for the last corresponding year. The decrease was primarily due to the significant decrease in impairment losses on goodwill and intangible assets to approximately HK$5,942,000 for the year ended 31 December 2020 when compared to approximately HK$30,495,000 for the last corresponding year which was partially offset by the increase in impairment losses on trade receivables to approximately HK$14,597,000 for the year ended 31 December 2020 compared to approximately HK$3,547,000 for the last corresponding year.

Finance Cost

The Group's finance cost for the year ended 31 December 2020 increased by approximately 56.9% to approximately HK$80,000 when compared to approximately HK$51,000 for the last corresponding year. The increase was mainly due to the increase in interest on lease liabilities.

Income Tax Expense

The Group's income tax expense for the year ended 31 December 2020 increased by approximately 2.4 times to approximately HK$888,000 when compared to approximately HK$260,000 for the last corresponding year. The increase was mainly attributable to the decrease of deferred tax assets due to the reversal of tax losses recognised in prior years.

Loss Attributable to Shareholders

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2020 of approximately HK$668,000, representing a decrease of approximately 98.9% when compared with approximately HK$59,076,000 for the last corresponding year. The significant decrease in loss was mainly attributable to (i) the incurrence in other net income due to the gain on extinguishment of contingent consideration payables for the acquisition of Joint Top; and (ii) the significant decrease in impairment losses on goodwill and intangible assets.

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, amongst which approximately HK$61.2 million had been utilised up to 31 December 2020. As disclosed in the announcement of the Company dated 12 September 2018, 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 2020 is as follows:

	Proposed use of the IPO Proceeds as disclosed in the prospectus of the Company dated 28 May 2010 (the "Prospectus") *HK$ million*	**Resolved change of use of the IPO Proceeds as disclosed in the announcement dated 12 September 2018 (the "Announcement")** *HK$ million*	**Actual use of the IPO Proceeds from the date of listing to 31 December 2020** *HK$ million* (unaudited)
Expansion of the business of mobile phone services in Macau, Taiwan and other Asia Pacific territories	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
Development and implementation of RF-SIM business plans in Hong Kong and Macau	18.9	12.3	4.3
Distribution of mobile phones and equipment overseas *(Note)*	–	12.1	12.1
Working capital	6.8	9.3	9.3
Total	69.2	69.2	61.2

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

The remaining unutilised changed use of IPO Proceeds of approximately HK$8.0 million allocated to development and implementation of RF-SIM business plans in Hong Kong and Macau have been placed as interest bearing deposits in banks. Based on the information currently available and the Board's estimation of the future market condition, the Company is not intended to utilise the unutilised IPO Proceeds in the forthcoming 6 months.

Development and implementation of RF-SIM business plans in Hong Kong and Macau

Up to 31 December 2020, approximately HK$4.3 million out of approximately HK$12.3 million of the changed use of IPO Proceeds allocated to development and implementation of RF-SIM business plans in Hong Kong and Macau has been utilised. Upon completion of the Placing, the Group originally intended to launch and promote the use of RF-SIM technology for applications including the access control services and promotion services for commercial customers and mobile wallet and payment services immediately upon the Placing. In view of this, the Group had explored with mobile network operators in Hong Kong to launch the above applications. However, the Group experienced difficulties in promoting the above applications to mobile network operators in Hong Kong because the market of electronic wallet and payment has been dominated by a stored value smart card system. The Group had also approached potential partners in Macau to attempt to launch similar RF-SIM applications but failed to reach any conclusion.

After attempting for around three years, the Group decided to shift the application of RF-SIM technology to smart living with mobile access to doors and other facilities. The Group approached various major residential property management companies to introduce the application of RF-SIM technology for smart living in large-scale private housing estates in Hong Kong. However, the co-operations were not materialised as the Group failed to agree the commercial terms with the management companies.

Since the completion of the Placing, the development and implementation of RF-SIM business continues to be one of the business development agendas of the Group and the Group continues to conduct in-house research to explore the different applications of the RF-SIM technology. The slow utilisation of the IPO Proceeds originally allocated to this segment was due to the slower than expected business development progress. The Company will closely monitor the development of its RF-SIM business and will consider the need to further change the use of the IPO Proceeds allocated to this segment if appropriate.

As at the date of this announcement, the Board confirmed that there is no plan to change the resolved change of the use of IPO Proceeds as disclosed in the announcement of the Company dated 12 September 2018. If there is any change to the resolved change of the use of IPO Proceeds, announcement will be published by the Company in accordance with the GEM Listing Rules.

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 2020, 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 2020, total equity attributable to equity holders of the Company amounted to approximately HK$69,860,000 (as at 31 December 2019: approximately HK$69,602,000).

As of 31 December 2020, the Company had an authorised share capital of HK$100,000,000 divided into 10,000,000,000 shares of a par value of HK$0.01 each ("Shares"), of which 3,697,500,000 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 2020, the Group had net current assets of approximately HK$62,248,000 (as at 31 December 2019: approximately HK$89,314,000), including cash and cash equivalents of approximately HK$37,154,000 (as at 31 December 2019: approximately HK$56,625,000). The current ratio was 13.6 as at 31 December 2020, higher than 12.1 as at 31 December 2019.

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 2020, the Group did not have any derivatives for hedging against the exchange rate risk.

PLEDGE OF ASSETS

As at 31 December 2020, bank deposits of HK$200,000 (2019: 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 2020, the Group had no commitments contracted for but not provided for in the consolidated financial statements (2019: Nil).

STAFF AND REMUNERATION POLICY

As at 31 December 2020, the Group had 23 employees (2019: 22 employees). Among them, 10 employees worked in Hong Kong, 12 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 2020 (2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

An extraordinary general meeting was held on 18 January 2021 in which the resolution in relation to the share consolidation on the basis that every twenty (20) issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of HK$0.20 each in the share capital of the Company (the "Share Consolidation") was passed. The Share Consolidation became effective on 20 January 2021. For further information, please refer to the Company's announcement dated 11 December 2020, the Company's circular dated 31 December 2020 and the Company's announcement date 18 January 2021.

Subsequent to the Share Consolidation and as at the date of this announcement, an aggregate of 184,875,000 shares are in issue.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 10 May 2021 to Thursday, 13 May 2021, both days inclusive. In order to ascertain the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 7 May 2021.

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

As at 31 December 2020, 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	2,088,750,000 *(Note)*	56.49%
	Beneficial owner	101,250,000	2.74%
Mr. Pang Kwok Chau	Beneficial owner	30,000,000	0.81%
Mr. Wong Kin Wa	Beneficial owner	30,000,000	0.81%

Note: The 2,088,750,000 shares are owned by New Everich Holdings Limited ("New Everich") which is owned by Mr. Li Kin Shing and Ms. Kwok King Wa as to 54% and 46% respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 2,088,750,000 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% *(Note)*

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 2020, 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 2020, 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	2,088,750,000	56.49%
Ms. Kwok King Wa	Interest of controlled corporation	2,088,750,000 *(Note 1)*	56.49%
	Interest of spouse	101,250,000 *(Note 2)*	2.74%
Golden Brand Holdings Limited	Beneficial owner	330,000,000	8.92%
Mr. Bai Zhifeng	Interest of controlled corporation	330,000,000 *(Note 3)*	8.92%

Notes:

(1) The 2,088,750,000 shares are owned by New Everich which is owned by Mr. Li Kin Shing and Ms. Kwok King Wa as to 54% and 46% respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 2,088,750,000 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 101,250,000 shares under the SFO.

(3) The 330,000,000 shares are owned by Golden Brand Holdings Limited which is wholly owned by Mr. Bai Zhifeng.

Save as disclosed above, as at 31 December 2020, 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 2020, 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.

SHARE OPTION SCHEME

The Company has conditionally adopted a new share option scheme (the "Share Option Scheme") in the annual general meeting held on 11 May 2016, for the purpose of providing incentives or rewards to eligible participants (including employees, executives or officers, directors including executive directors, non-executive directors and independent non-executive directors, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high caliber employees. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 11 May 2016.

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 369,750,000 shares, representing 10% of the shares of the Company in issue as at 31 December 2020. 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.

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. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less 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.

The Company did not grant or cancel any options under the Share Option Scheme any time during the year, and as at 31 December 2020, 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 2020, 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 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 2020, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

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 2020 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 2020. 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 2020, 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 2020 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, 25 March 2021

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 GEM website at www.hkgem.com for at least 7 days from the day of its publication and on the Company's website at www.directel.hk.