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ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED 亞洲聯網科技有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 679)

RENEWAL OF CONTINUING CONNECTED TRANSACTION AND NOTICE OF THE EGM

**Independent Financial Advisor to the
Independent Board Committee and the Independent Shareholders**



**FDB Financial Group Ltd
豐展金融集團有限公司**

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from FDB Financial Group containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 34 of this circular.

A notice convening the EGM to be held at Rooms 607-610, 6/F, Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong on Friday, 28 October 2022 at 2:00 p.m. is set out on pages N-1 to N-2 of this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not less than 48 hours before the time for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM should you so wish and, in such event, the relevant proxy form shall be deemed to be revoked.

13 October 2022

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2016 Loan Facility Agreement”	the loan facility agreement dated 31 October 2016 entered into between the Lender and the Borrower in connection with the provision of the revolving loan
“2019 Loan Facility Agreement”	the loan facility agreement dated 21 October 2019 entered into between the Lender and the Borrower in connection with the provision of the revolving loan
“2022 Loan Facility Agreement”	the loan facility agreement dated 7 September 2022 entered into between the Lender and the Borrower in connection with the provision of the Revolving Loan
“Board”	the board of Directors of the Company
“Borrower”	Karl Thomson Financial Group Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Business Day”	a day on which banks are open for general banking business in Hong Kong other than a Saturday
“Cap”	the aggregate of the maximum loan amount that can be granted under the 2022 Loan Facility Agreement i.e. HK\$80,000,000 plus the interest income based on the actual amount drawn and the handling fee that can be charged by the Company
“China” or “PRC”	People’s Republic of China
“Code”	Code of practice dated September 2018 issued by the Licensed Money Lenders Association in carrying out its money lending business
“Company”	Asia Tele-Net And Technology Corporation Ltd, a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the 2022 Loan Facility Agreement and the transactions contemplated thereunder
“Group”	the Company together with its subsidiaries

DEFINITIONS

“HIBOR”	the Hong Kong Interbank Offered Rate is a Hong Kong dollar-based interest rate benchmark for lending between banks in the Hong Kong market
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser” or “FDB Financial Group”	FDB Financial Group Limited, a licensed corporation to carry on type 4 (advising in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the 2022 Loan Facility Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders of the Company, other than the Relevant Shareholders, Mr. Nam and its associates
“J&A”	J&A Investment Limited, a company incorporated under the laws of the British Virgin Islands and owned as to 80% by Mr. Lam and 20% by Mr. Nam. As at the Latest Practicable Date, it is a holder of approximately 4.55% of the issued shares of the Company and approximately 98.63% of the issued shares of Karfun
“Karfun”	Karfun Investments Limited, a company incorporated under the laws of Hong Kong. As at the Latest Practicable Date, it is a holder of approximately 47.37% of the issued shares of the Company
“Latest Practicable Date”	7 October 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lender”	PAL Finance Limited, a company incorporated under the laws of Hong Kong, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	The Rule Governing the Listing of Securities on the Stock Exchange
“Loan Effective Date”	has the meaning ascribed to it under the section headed “2022 LOAN FACILITY AGREEMENT” of this circular

DEFINITIONS

“Medusa”	Medusa Group Limited, a company incorporated under the laws of the British Virgin Islands and wholly owned by Mr. Lam. As at the Latest Practicable Date, it is a holder of approximately 11.38% of the issued shares of the Company
“Mr. Lam”	Mr. LAM Kwok-hing, the chairman of the Board, the Managing Director and controlling shareholder of the Company. As at the Latest Practicable Date, he is the holder of approximately 0.81% issued shares of the Company
“Mr. Nam”	Mr. NAM Kwok-lun, the deputy chairman of the Board and an executive director of the Company
“Prime Rate”	the interest rate announced from time to time by The Hongkong and Shanghai Banking Corporation Limited as its prime rate for lending Hong Kong Dollars
“Relevant Shareholders”	Medusa, Karfun, J&A and Mr. Lam, which together hold 64.11% of the issued share capital of the Company
“Revolving Loan”	a revolving loan facility of an amount not exceeding HK\$80,000,000.00 under the 2022 Loan Facility Agreement
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Share(s)”	Share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	Holder of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wisdom Wealth”	Wisdom Wealth Resources Investment Holding Group Limited, the ultimate parent company of the Borrower and a Company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“p.a.”	per annum
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

亞洲聯網科技有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 679)

Executive Directors:

Lam Kwok Hing (*Chairman*)

Nam Kwok Lun (*Deputy Chairman*)

Independent non-executive Directors:

Cheung Kin Wai

Kwan Wang Wai Alan

Ng Chi Kin David

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal Place of Business
in Hong Kong:*

Rooms 607-610

6/F, Tai Yau Building

181 Johnston Road

Wan Chai

Hong Kong

13 October 2022

To the Shareholders

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION PROVISION OF REVOLVING LOAN

INTRODUCTION

References are made to the announcement dated 21 October 2019 and the circular dated 5 November 2019 issued by the Company in relation to the 2019 Loan Facility Agreement. As the 2019 Loan Facility Agreement will expire on 20 October 2022, the Company has on 7 September 2022 entered into the 2022 Loan Facility Agreement for the purpose of renewing the 2019 Loan Facility Agreement for a period of 3 years. The principal terms under the 2022 Loan Facility Agreement are identical to those under the 2019 Loan Facility Agreement, except for the Cap.

The purpose of this circular is to provide you, among other things, (i) details of the 2022 Loan Facility Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from FDB Financial Group to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

* *For identification purpose only*

LETTER FROM THE BOARD

2022 LOAN FACILITY AGREEMENT

On 7 September 2022 (after trading hours), the Lender, an indirect wholly-owned subsidiary of the Company entered into the 2022 Loan Facility Agreement with the Borrower. The principal terms of the 2022 Loan Facility Agreement are set out below.

Date: 7 September 2022

Parties: (1) PAL Finance Limited as the Lender
(2) Karl Thomson Financial Group Limited as the Borrower

Total amount of Revolving Loan: Up to HK\$80,000,000

The Borrower may draw the Revolving Loan in one or multiple tranches of no less than HK\$1 million per tranche from the Loan Effective Date. The Borrower shall give the Lender at least three (3) Business Days' notice in writing. Any repaid principal amounts of the Revolving Loan will refresh the facility amount available for drawing within the term of the 2022 Loan Facility Agreement

Interest Rate: Interest shall accrue at the Prime Rate on the principal amount of the Revolving Loan calculated from the drawdown date of such tranche until the repayment date. As at the Latest Practicable Date, the Prime Rate quoted by The Hongkong and Shanghai Banking Corporation Limited is 5.125%

The interest rate was agreed upon by the Company and the Borrower with reference to commercial practice and after arm's length negotiations taking into account the Company's cost of capital

The interest is payable monthly in arrears

Term: Commencing from the Loan Effective Date and ending on 20 October 2025

Purpose of fund: As general working capital of the Borrower and its wholly-owned subsidiaries for the furtherance of its financial service businesses

LETTER FROM THE BOARD

Loan Effective Date: The 2022 Loan Facility Agreement will be effective on 21 October 2022 or such later date (the “**Loan Effective Date**”) conditional upon fulfilment of the following conditions:

- (a) all consents or approvals of the Bermuda Monetary Authority, or other relevant regulatory bodies in Hong Kong and Bermuda which are necessary for the granting of the Revolving Loan having been obtained;
- (b) the Independent Shareholders having approved by way of poll at the EGM the entering into of the 2022 Loan Facility Agreement;
- (c) all necessary approvals from the Borrower and its ultimate holding company, Widsom Wealth Resources Investment Holding Group Limited whose shares are listed on the main board of the Stock Exchange (stock code: 0007), having been obtained including but without limitation to the board resolution(s) of the directors of the Borrower and its ultimate holding company approving the 2022 Loan Facility Agreement and the transaction(s) contemplated thereunder; and
- (d) no event of default shall have occurred and be continuing or would result from the making and drawing down of the Revolving Loan.

Events of Default: There shall be an Event of Default if:-

- (a) The Borrower fails to pay any sum due and has failed to rectify the same within 30 days from the due date; or
- (b) The Borrower fails to perform or observe any provision under the 2022 Loan Facility Agreement and has failed to rectify the same within 30 days from the date of the failure; or
- (c) Any representation or warranty made is or proves to have been incorrect or misleading in any respect which in the opinion of the Lender does or may adversely affect the ability of the Borrower to perform its obligations under the 2022 Loan Facility Agreement and has failed to rectify the same within 30 days from the date of the written notice from the Lender; or
- (d) The Borrower stops or suspends payment of all or any material part of its debts as they fall due or commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling all or part of its indebtedness; or
- (e) The Borrower takes any action for (i) the Borrower to be adjudicated or found bankrupt or insolvent or (ii) the winding-up, re-organisation, reconstruction or dissolution of the Borrower.

LETTER FROM THE BOARD

One-time non-refundable handling fee: HK\$240,000, being 0.3% on the Revolving Loan

Security for the Revolving Loan: Unsecured

Repayment: The Borrower may at any time prior to the maturity date repay the Revolving Loan in whole or in part (and/or the interest accrued and thereon from the drawdown date until the actual date of repayment), without any penalty, upon giving 3 Business Days' prior notice to the Lender

REASONS FOR AND BENEFITS OF THE TRANSACTION

(i) Reasons and benefits

As at the Latest Practicable Date, the Company is in the process of identifying suitable investments opportunity with steady income stream to pursue for the surplus cash resource on hand. Currently, the prevailing interest rate offered by The Hongkong and Shanghai Banking Corporation Limited for a 12 months a Hong Kong dollar fixed deposit savings is only 0.3% per annum whilst the Revolving Loan granted to the Borrower can generate an interest rate at the Prime Rate. During the period from December 2021 to August 2022, the Group has invested in various bonds denominated in RMB. The coupon interest rates are from 2.8% to 4%. By entering into the 2022 Loan Facility Agreement, the Company could enhance the return on investment of its surplus cash resources.

(ii) The Group's lending business

The Company is an investment holding company holding investments in various disciplines. While its principal business is the provision of advanced electroplating technologies to different business segments, the Company also engages in other businesses including but not limited to money lending (through the Lender) and trading in listed shares in Hong Kong.

While the money lending business is not a principal business of the Group, the Lender has maintained its money lenders licence since 1997 with money lending as its sole operating business.

Given the money lending business is a highly regulated business in Hong Kong, in addition to credit risks, the money lending business in Hong Kong is subject to legal risks (e.g. anti-money laundering related regulations). The Lender also adheres to the code provisions, in all material aspects, under the Code issued by the Licensed Money Lenders Association in carrying out its money lending business.

LETTER FROM THE BOARD

For the above reasons, the Lender has always adhered to, and will continue to adhere to, the principle of developing its money lending business very cautiously and responsibly. The Lender does not carry out large scale promotions or sales or through the use of any intermediaries. It is highly selective of clients and only lends to those clients with good reference. Number of new loans granted was about 0 to 3 per year on average since the establishment of the business. As at 31 December 2021, excluding the Borrower, the Lender has 2 borrowers, who are individuals, with loan amount ranging from approximately HK\$6,500,000 to HK\$14,500,000. Interest rates charged are between 2.2% – 8% p.a. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, except for the advances to the Borrower under the 2016 Loan Facility Agreement and 2019 Loan Facility Agreement, all the other borrowers are not connected persons of the Company.

Prior to approving loan agreements for potential borrowers, the Lender takes into account the credit assessment practices set out in section 14 in the Code, taking into consideration whether the borrower has recurring income, available assets as securities and results of court debt search reports. The Company seeks to maintain a low-risk appetite and a balance between risk and return in a rational, stable and prudent manner. Based on the Company's risk appetite and current practices, there was no bad debt written off for any loan receivable for past ten years. Loan receivables, being one of the financial assets held by the Group, are subject to impairment review at each reporting date under HKFRS9. When determining the impairment percentage, the Company will make reference to the default rates research report issued by Moody annually. Such research report provides various default rates by industry and by loan tenor. The impairment losses made as of 31 December 2021 was approximately HK\$6,655,000 which on average was 10.5% to the outstanding loan amount.

In deciding the interest rate for independent third parties, the Company will consider the credit profile of the borrower based on the assessment, the size of the loan and loan tenor. For borrowers who do not have recurring income, the Lender will require assets, normally property, as security to the loan. Mortgage plans in Hong Kong can mainly be categorised into 2 types, namely prime rate mortgage plans and HIBOR mortgage plans. Prime rate mortgage plans use prime rate as a base rate and deduct a certain percentage before arriving at an actual charging interest rate. HIBOR mortgage plans use HIBOR as a base rate and add a certain percentage to arrive at an actual charging interest rate. Based on a research done by the Consumer Council in 2021, the average interest rates charged by 20 banks was 1.36% to 2.95%. If a borrower provides the Lender with a second ranking (instead of a first ranking usually provided to banks) mortgage, the Lender will charge a higher interest rate than the market average. The additional interest premium which the Lender charged will depend on the quality or liquidity of the assets. For example, a residential property is definitely more liquid than a commercial property and hence a different additional interest premium will be considered.

For illustration purposes, in 2021, the Lender extended a revolving loan in the amount of HK\$20,000,000 to a customer, which is a retiree with no recurring income. The customer provided a non-prime commercial property as security. The Lender offered an interest rate per annum of Prime Rate + 3% for the first HK\$3,500,000 of the loan and Prime Rate for the balance of the loan of HK\$16,500,000. Also in 2021, the Lender extended a term loan to a customer with monthly recurring income. The customer also provided a residential unit as security. The Lender offered an interest rate of 2.2% per annum. In 2022, the Lender extended a loan to a new customer, which is a company principally engaged in IT solutions in Hong Kong. Having considered the financial position of the borrower (including a relatively high gearing ratio of 50%) and that the borrower could only provide a charge on certain receivable under one of its invoices, the Lender charged an interest rate of 1% as risk premium on top of the prime rate.

LETTER FROM THE BOARD

The fundamental principle in determining the terms of financial assistance to connected persons is that the terms (including the interest rate, security (if any), loan amount) *taken as a whole* would not be better than the terms offered to independent third parties. Having considered all the factors set out in paragraph (iii) below, the Board considered that there is no need for it to charge any risk premium rate on the top of Prime Rate (as in the case of the borrower with no recurring income in the example illustrated above). The Directors are of the view that the adoption of the Prime Rate is fair and reasonable, and in the interest of the Company and its Shareholders as whole.

(iii) Key considerations

While the Lender did not require Wisdom Wealth to guarantee the repayment obligations of the Borrower, in line with its practices in lending to customers as explained in the paragraph “The Group’s lending business” above, the Lender had considered all the following factors from a holistic approach when entering into the 2022 Loan Facility Agreement.

(1) The good track record of the Borrower

Over the past 6 years since the Group agreed to provide a revolving loan to the Borrower in 2016, the Borrower has observed all the terms and conditions under the 2016 Loan Facility Agreement and 2019 Loan Facility Agreement.

(2) The business of the Borrower

The Borrower has been in the financial services business for over 21 years with a solid customer base. Based on the information provided by the Borrower, the Company understands that unlike some other security brokerage houses who offer zero commission or even rebate to attract new clients, the Borrower is very selective in engaging new clients. When it comes to offer margin financing, the Borrower will ensure that the debt to securities ratio is reasonable.

With its business model and as evidenced in the financial statements of the its ultimate parent company Wisdom Wealth, the Borrower has been able to generate stable income. As such, the Lender has made it a term of the 2022 Loan Facility Agreement that the Revolving Loan must only be applied towards the business activities of the Borrower, not other members of the Wisdom Wealth group.

As a financial service provider that provides a range of services, including in particular for margin financing of subscriptions in initial public offerings with an offer period of only a few days, the Borrower has to obtain reliable sources of financing. The Borrower has a good track record by observing all the terms of the 2016 Loan Facility Agreement and 2019 Loan Facility Agreement. As disclosed in the 2021 annual report of Wisdom Wealth, at 31 December 2021, Dr. Hui Chi Ming, the ultimate controller of the Borrower, has advanced approximately HK\$161,225,000 to the Wisdom Wealth group unsecured at zero coupon rate. The Company understands that the entering into the 2022 Loan Facility Agreement provides the Borrower with an additional readily available and reliable means of financing.

LETTER FROM THE BOARD

(3) Financial position of the Borrower

The Company has reviewed the consolidated financial statements of the Borrower for last six years. Based on the review, it was noted that (i) the Borrower is able to generate stable annual income between the range of HK\$17 million to HK\$27 million; (ii) average year of business with top 10 debtors is over 10 years (iii) no major bad debt has incurred and (iv) the net assets of the Borrower is much higher than the Revolving Loan. The net assets of the Borrower as at 31 December 2021 and 30 June 2022 was HK\$501 million and HK\$503 million respectively.

The Lender noted that Wisdom Wealth had disclosed in Note 6 of its 2021 financial statements that its weighted average fixed rate and variable rate of interest of borrowing was approximately 13.57% and 5%, respectively. The weighted average fixed rate of interest of borrowing was significantly higher than the Prime Rate.

The Lender considered that this weighted average fixed rate of interest of borrowing of the Wisdom Wealth Group was not relevant in deciding the interest rate under the 2022 Loan Facility Agreement:

- (1) Based on the Lender's findings, as disclosed in Note 3.1 to the 2021 financial statements of Wisdom Wealth, the Wisdom Wealth Group had overdue balances in respect of borrowings of approximately HK\$332,575,000 as at 31 December 2021.
- (2) The overdue amount represents a significant portion of the total carrying amount of fixed rate borrowings of HK\$354,616,000. As such, the calculated weighted average was heavily weighted on the overdue amount, which took into account the default interest rate of such overdue amount.
- (3) The Lender noted that Wisdom Wealth Group had unsecured borrowings of approximately RMB45,000,000 (equivalent to approximately HK\$55,103,000) from three independent third parties with fixed interest rates range from 0%-12% per annum. The Lender understands that, unlike the Revolving Loan, these borrowings were not subject to any usage restriction nor is it subject to any control measures set out in paragraph (iii)(5) below.

Furthermore, based on the information provided by the Borrower, there is clear business, geographical and financial delineation between the Borrower and the borrowers of the abovementioned loans.

- (1) The Borrower is a company engaged in the business in financial services in Hong Kong only, while the borrowers of a significant portion of the overdue amount are principally engaged in property investment in China. In general, borrowers of the property sector in China usually have a higher borrowing cost than borrowers of other commercial sectors due to various measures imposed by the Chinese government and targeted at the property sector with a view to limit their access to financing.

LETTER FROM THE BOARD

- (2) The Borrower and the onshore subsidiaries of Wisdom Wealth are financially independent. The Borrower has never provided guarantee to the obligations of the onshore subsidiaries of Wisdom Wealth and vice versa. The Borrower never has any intercompany transaction with any of these onshore subsidiaries of Wisdom Wealth.

(4) *Litigation searches*

The Company has also conducted court debt search on the Borrower, its associated companies, its ultimate parent company Wisdom Wealth, Mr. Lam and Mr. Nam. Search result shows that none of them has involved in any debt collection court case. The Company considers that the search results show that the Borrower has good credit record.

(5) *Measures to ensure that the Borrower will fulfil its repayment obligations*

The Lender did not identify any suitable security available from the Borrower as the Borrower, in line with other financial services provider, operates as a light-asset business.

The Lender also did not identify suitable security available from Wisdom Wealth as the principal business of Wisdom Wealth are (1) the trading of electronic products; (2) the provision of financial services (3) property investment and (4) oil and gas business. The investment properties are located outside Hong Kong. All of the activities of the trading business are based in the China. The activities of oil and gas business are based in Madagascar. The financial services segment is the only principal segment which carries out its business in Hong Kong, generating revenue denominated in Hong Kong dollar.

Given the measures taken below and for the considerations set out in items (1) to (3) above, the Lender considers that the occurrence of an event of default is extremely low and that the Group could safeguard its assets.

The measures taken by the Lender include the following:

- (1) The Borrower will provide financial statements to the Lender on a monthly basis.
- (2) The Borrower will provide a top 10 debtor list to the Company on a monthly basis. The Lender considered that the sample size (i.e. top 10 in terms of the amount) to be adequate as, based on the previous experience under the 2019 Loan Facility Agreement, receivables due by the top 10 debtors usually covers more than 80% (sometimes over 100%) of the outstanding amount of the Revolving Loan. Further, due to the business nature of the Borrower, the top 10 debtors are usually margin finance customers. The top 10 debtors will cover 60-75% of the total receivables due by the margin finance customers, which represents a significant portion of margin finance customers. These figures proved that the most of (if not all) fund borrowed by the Borrower was applied to its margin finance loans. Based on the information provided by the Borrower, the average leverage ratio for its margin financing loan is only around 30% and hence risk of collectability is fairly low. In case the total amount collectable from the top 10 debtor does not cover more than 80% of the amount of the Revolving Loan then outstanding, the Lender shall request and the Borrower shall provide top 20 debtors instead.

LETTER FROM THE BOARD

- (3) The Lender will be able to review the general collectability of its debtors portfolio and its general financial performance on a monthly basis. Enquiry and suggested actions (including but not limited to selling the Hong Kong listed stock which is held as a collateral by the subsidiaries of the Borrower or lowering the facility previously granted to the customer whose receivable status is deteriorating) shall be made by the Lender to the Borrower if any delinquency of the Borrower's debtors is noted.
- (4) Ms. Yung Wai Ching, the Deputy General Manager of the Company, shall be responsible for reviewing monthly financial position and the general receivable status of the Borrower. She will report any deficiency to the Independent Board Committee and seek for their approval for any suggested action(s). Report will be copied to Mr. Lam and Mr. Nam but since Mr. Lam and Mr. Nam are the only directors of the Borrower, in order to maintain impartialness, they will abstain from voting for board resolutions in relation to any suggested action(s).

The terms of the 2022 Loan Facility Agreement, including the total amount of Revolving Loan and the interest rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices (as explained in paragraph (ii) under the sub-header "The Group's lending business" above), the Borrower's good credit record and its ability to generate solid and stable recurring income.

In view of the above, and the expected interest income to be generated from the Revolving Loan, the Directors are of the view that the terms of the 2022 Loan Facility Agreement (including the Cap) are normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders taken as a whole.

ANNUAL CAP AND BASIS OF DETERMINATION

(i) Historical transaction amounts

Under the 2019 Loan Facility Agreement, the amount available under the revolving loan was HK\$130,000,000.

The maximum loan amount borrowed together with the interest and handling fees paid by the Borrower under the 2019 Loan Facility Agreement were as follows:

	Three months Ended 2019 (HK\$'000)	Year ended 31 December 2020 (HK\$'000)	Year ended 31 December 2021 (HK\$'000)	Six months ended 30 June 2022 (HK\$'000)
Maximum loan amount during the respective period	55,000	73,000	67,500	36,000
Handling fee	390	0	0	0
Interest earned by the Lender	394	3,050	2,445	695
Actual cap utilized (ie Total of above)	<u>55,784</u>	<u>76,050</u>	<u>69,945</u>	<u>36,695</u>

LETTER FROM THE BOARD

(ii) Annual Cap under the 2022 Loan Facility Agreement

When setting out the maximum amount to be drawn by the Borrower under the 2022 Loan Facility Agreement i.e. HK\$80,000,000, the Group has considered (i) the historical transaction amounts; (ii) Group's internal financial resources currently available; and (iii) the benefits for entering into the 2022 Loan Facility Agreement as discussed above

For illustration purposes, assuming the Borrower draws down the maximum loan amount during the term of the 2022 Loan Facility Agreement and that the Prime Rate remains at 5.125% p.a., the Cap will not be more than HK\$84,240,000.00 which is calculated as per below:–

	Year ended 31/12/2023 (HK\$'000)	Year ended 31/12/2024 (HK\$'000)	Period ended 20/10/2025 (HK\$'000)
Maximum loan amount during the respective period	80,000	80,000	80,000
Handling fee	240	0	0
Interest earned by the Lender	4,100	4,100	3,291
Estimated Cap (ie Total of above)	<u>84,340</u>	<u>84,100</u>	<u>83,291</u>

INTERNAL CONTROL

To ensure that the terms of the 2022 Loan Facility Agreement will be complied with and that the annual cap will not be exceeded. The following internal control measures are in place.

- (1) The Finance Department of the Company maintains a loan register which keeps track of the cumulative amount borrowed, interest due at month end and repayment of interest or principle by the Borrower. When the Lender receives a drawdown notice from the Borrower, the Finance Department will update such loan register. Only after considering the new drawdown amount and ensuring the Cap will not be exceeded that the Finance Department shall start to prepare payment to the Borrower through cheque or direct transfer. Ms. Yung Wai Ching, as one of the bank signatories, will verify the correctness of the loan register before approving the payment.
- (2) The independent non-executive Directors who are also members of audit committee will conduct annual independent review on the above measures. They will also review the transactions contemplated under the 2022 Loan Facility Agreement and confirm in the relevant annual report(s) whether the transactions contemplated under the 2022 Loan Facility Agreement have been entered into (i) in the ordinary and usual course of business, (ii) on normal commercial terms or better; and (iii) in accordance with terms of the 2022 Loan Facility Agreement.

LETTER FROM THE BOARD

- (3) The auditors of the Company will also conduct an annual review to confirm whether (i) the 2022 Loan Facility Agreement has received the approvals of the Board, (ii) the transactions under review are in accordance with the terms of the 2022 Loan Facility Agreement and (iii) the Cap is exceeded or not.

FINANCIAL EFFECTS OF THE PROVISION OF REVOLVING LOAN

After taking into account (i) the current financial resources available to the Group and (ii) its day-to-day operating capital requirement, the Group plans to finance the Revolving Loan with its internal resources. The provision of Revolving Loan would not have any impact on the liabilities of the Group as the Revolving Loan is not financed through any additional borrowings. The Group will accrue interest income on the actual loan amount drawn by the Borrower at Prime Rate.

INFORMATION ON THE COMPANY AND THE LENDER

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Company is an investment holding company based in Asia providing advanced technologies to its customers worldwide, with various disciplines with particular strength in electroplating technologies for application in different applications or business segments.

The Lender, PAL Finance Limited, is an indirect wholly-owned subsidiary of the Group holding a money lending licence in Hong Kong and is engaged in money lending business.

INFORMATION ON THE BORROWER

The Borrower, Karl Thomson Financial Group Limited, is an investment holding company with its subsidiaries engaged in the business of securities and futures brokerage, securities margin financing, financial management and advisory services in Hong Kong. Certain subsidiaries of the Borrower are licensed corporations within the meaning of the Securities and Futures Ordinance and are licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 8 (securities margin financing) and Type 9 (asset management) regulated activities. Mr. Nam is the responsible officer for such licenses.

The Borrower is an indirect wholly-owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited, a company listed on the Stock Exchange (stock code: 0007). The ultimate controlling shareholder of Wisdom Wealth Resources Investment Holding Group Limited is Dr. Hui Chi Ming. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, Dr. Hui Chi Ming is a third party independent of the Company and its connected persons.

Mr. Lam and Mr. Nam are the executive directors of Wisdom Wealth Resources Investment Holding Group Limited. Both of them have abstained from voting for any board resolutions in relation to 2022 Loan Facility Agreement.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Lam, who is the Chairman and Managing Director of the Company, controls voting rights attaching to an aggregate of 273,391,167 Shares, representing approximately 64.11% of the issued share capital of the Company, among which (i) 11.38% is held indirectly through Medusa; (ii) 47.37% is held indirectly through Karfun; (iii) 4.55% is held indirectly through J&A and (iv) 0.81% is directly held by Mr. Lam.

Mr. Lam and Mr. Nam do not hold any share in the Borrower. They are the only directors of the Borrower and are in full control of the Borrower. As such, the Borrower is an associate of Mr. Lam and Mr. Nam and a connected person of the Company within the meaning of the Listing Rules.

As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the provision of the Revolving Loan exceed 5% but less than 25%, the entering into of the 2022 Loan Facility Agreement and the provision of the Revolving Loan constitute a disclosable and continuing connected transaction of the Company under Chapter 14 and 14A of the Listing Rules, respectively, and are subject to the reporting, announcement and the Independent Shareholders' approval requirement under the Listing Rules.

Shareholders and potential investors should note that the 2022 Loan Facility Agreement is subject to the approval by the Independent Shareholders and the fulfilment of conditions precedent as stated in page 6 under the sub-header "Loan Effective Date". The 2022 Loan Facility Agreement may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and if there is any doubt, they should consult their professional advisers.

EGM

The EGM will be held at Rooms 607-610, 6/F, Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong on Friday, 28 October 2022 2:00 p.m. to consider and if thought fit approve the 2022 Loan Facility Agreement and the transactions contemplated thereunder. The notice of the EGM is set out on pages N-1 to N-2 of this circular. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by way of poll.

As at the Latest Practicable Date, Mr. Lam and Mr. Nam hold no share in the Borrower but they are the only directors of the Borrower and are in full control of the Borrower. The Lender is an indirectly wholly-owned subsidiary of the Company. Mr. Lam, who is the chairman and Managing Director of the Company, also controls voting rights attaching to an aggregate of 273,391,167 Shares, representing approximately 64.11% of the issued share capital of the Company, among which (i) 11.38% is held indirectly through Medusa; (ii) 47.37% is held indirectly through Karfun; (iii) 4.55% is held indirectly through J&A; and (iv) 0.81% is directly held by Mr. Lam. Further, as at the Latest Practicable Date, Mr. Nam who is the deputy chairman of the Company and an executive Director, through J&A, holds 98.63% of the total issued shares of Karfun. J&A is owned as to 80% by Mr. Lam and 20% by Mr. Nam. As such, the provision of the Revolving Loan by the Lender to the Borrower under the 2022 Loan Facility Agreement constitutes a disclosable and continuing connected transaction of the Company. The Relevant Shareholders, Mr. Nam and their respective associates will abstain from voting on the resolution approving the 2022 Loan Facility Agreement at the EGM.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, save as the Relevant Shareholders, Mr. Nam and their respective associates, no Shareholders (or its close associates) has any material interest in the transactions contemplated under the 2022 Loan Facility Agreement and is required to abstain from voting on the resolution to be proposed at the EGM.

A proxy form for the EGM is enclosed together with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not less than 48 hours before the time for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM should you so wish and, in such event, the relevant proxy from shall be deemed to be revoked.

RECOMMENDATION

The Independent Board Committee, comprising Mr. Cheung Kin Wai, Mr. Kwan Wang Wai Alan and Mr. Ng Chi Kin David (all being independent non-executive Directors) has been established to make recommendation to the Independent Shareholders in relation to the fairness and reasonableness of the transactions contemplated under the 2022 Loan Facility Agreement. Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular; and (ii) the letter from FDB Financial Group to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 34 of this circular in relation to the transactions contemplated under the 2022 Loan Facility Agreement.

The Independent Board Committee having taken into account the advice of FDB Financial Group, considers that the terms of the 2022 Loan Facility Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the proposed resolution at the EGM and to approve the 2022 Loan Facility Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Asia Tele-Net and Technology Corporation Limited
Lam Kwok Hing, M.H. J.P.
Chairman and Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

亞洲聯網科技有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 679)

13 October 2022

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION PROVISION OF REVOLVING LOAN

We refer to the circular dated 13 October 2022 issued by the Company to the Shareholders (the “Circular”) and this letter forms part of it. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions contemplated under the 2022 Loan Facility Agreement between PAL Finance Limited (as Lender) and Karl Thomson Financial Group Limited (as Borrower) constitute a disclosable and continuing connected transaction for the Company and are subject to reporting, announcement and approval of the Independent Shareholders at the EGM and annual review.

The Company is an investment holding company holding investments in various disciplines. While its principal business is the provision of advanced electroplating technologies to different business segments, the Company also engages in other businesses including but not limited to money lending (through the Lender) and trading in listed shares in Hong Kong. The Lender which is a wholly owned subsidiary of the Company has maintained its money lenders licence since 1997 and since then money lending is its sole operating business. Over last 25 years, number of new loans granted is about 0 to 3 per year on average. We are of the view that the entering into the 2022 Loan Facility Agreement is in the ordinary and usual course of business of the Group.

We have been appointed by the Board to consider the terms of the 2022 Loan Facility Agreement and to advise the Independent Shareholders in connection with the 2022 Loan Facility Agreement as to whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned. FDB Financial Group has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from FDB Financial Group as set out in the Circular. Having considered the principal factors, reasons and the advice of FDB Financial Group as set out in its letter of advice, we consider that the 2022 Loan Facility Agreement is on normal commercial terms, and that the terms therein are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the 2022 Loan Facility Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Cheung Kin Wai

Kwan Wang Wai Alan

Ng Chi Kin David

Independent Non-executive Directors

LETTER FROM FDB FINANCIAL GROUP

The following is the letter of advice from the Independent Financial Adviser, FDB Financial Group Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



FDB Financial Group Ltd
豐展金融集團有限公司

13 October 2022

To: The Independent Board Committee and the Independent Shareholders of Asia Tele-Net and Technology Corporation Limited

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS PROVISION OF REVOLVING LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2022 Loan Facility Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 13 October 2022 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

References are made to (i) the announcement of the Company dated 21 October 2019; (ii) the circular of the Company dated 5 November 2019; and (iii) the announcement of the Company dated 7 September 2022 in relation to, among other things, the 2019 Loan Facility Agreement, 2022 Loan Facility Agreement and the transactions contemplated thereunder. As the 2019 Loan Facility Agreement will be expired on 20 October 2022, the Lender and the Borrower entered into the 2022 Loan Facility Agreement to renew the loan for a term of 3 years from 21 October 2022 to 20 October 2025.

As at the Latest Practicable Date, Mr. Lam, who is the Chairman and Managing Director of the Company, also controls voting rights attaching to an aggregate of 273,391,167 Shares, representing approximately 64.11% of the issued share capital of the Company, among which (i) 11.38% is held indirectly through Medusa; (ii) 47.37% is held indirectly through Karfun; (iii) 4.55% is held indirectly through J&A; and (iv) 0.81% is directly held by Mr. Lam. Further, as at the Latest Practicable Date, Mr. Nam, who is the deputy chairman of the Company and an executive Director, through J&A, holds 98.63% of the total issued shares of Karfun. J&A is owned as to 80% by Mr. Lam and 20% by Mr. Nam.

LETTER FROM FDB FINANCIAL GROUP

As at the Latest Practicable Date, Mr. Lam and Mr. Nam do not hold any share in the Borrower but they are the directors of the Borrower. As they are the only directors and are in full control of the Borrower, according to the Rule 1.01 of the Listing Rules, the Borrower is regarded as the close associate of Mr. Lam and Mr. Nam and therefore is a connected person of the Company. As such, the provision of the Revolving Loan by the Lender to the Borrower under the 2022 Loan Facility Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Mr. Lam and Mr. Nam will abstain from voting at the EGM in respect of the resolution approving the 2022 Loan Facility Agreement and the transactions contemplated thereunder. Save as otherwise disclosed, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the 2022 Loan Facility Agreement and is required to abstain from voting at the EGM under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the 2022 Loan Facility Agreement, are more than 5% but less than 25%, the 2022 Loan Facility Agreement and the transactions contemplated thereunder constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Messrs. Cheung Kin Wai, Kwan Wang Wai Alan and Ng Chi Kin David, has been established to advise and provide recommendation to the Independent Shareholders as to (i) whether the terms of the 2022 Loan Facility Agreement are fair and reasonable; (ii) whether the terms are on normal commercial terms, and in the interests of the Company and the Shareholders; and (iii) voting in respect thereof at the EGM. We, FDB Financial Group Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM FDB FINANCIAL GROUP

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Company's interim result announcement for the six months ended 30 June 2022 (the "**2022 Interim Announcement**") and annual report for the year ended 31 December 2021 (the "**2021 Annual Report**"); (ii) the 2022 Loan Facility Agreement; (iii) unaudited management accounts of the Borrower (the "**Borrower Management Accounts**") and (iv) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the management and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries.

This letter is issued to the Independent Shareholders solely in connection for their consideration of the connected transaction in relation to the 2022 Loan Facility Agreement and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONCERNED

In considering whether the terms of 2022 Loan Facility Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

(1) Background information

Information of the Company and the Lender

The Company is a company incorporated in Bermuda with limited liability. The Company is an investment holding company and principally engaged in the electroplating equipment business. With reference to the 2022 Interim Announcement, as at 30 June 2022, the Group recorded approximately HK\$604.1 million cash on hand, including bank deposits of approximately HK\$282.4 million.

The Lender, PAL Finance Limited, is an indirect wholly-owned subsidiary of the Group holding a money lending license in Hong Kong and is engaged in money lending business.

LETTER FROM FDB FINANCIAL GROUP

Information of the Borrower

The Borrower is an investment holding company and principally engaged in the business of securities and futures brokerage, securities margin financing, financial management and advisory services in Hong Kong. Certain subsidiaries of the Borrower are licensed corporations within the meaning of the Securities and Futures Ordinance and are licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 8 (securities margin financing) and Type 9 (asset management) regulated activities. Mr. Nam is the responsible officer for such licenses. In addition, Mr. Lam and Mr. Nam are the only directors sitting in the board of the Borrower and are in full control of the Borrower. As such, the Borrower is a connected person of the Company within the meaning of the Listing Rules.

The Borrower is an indirect wholly-owned subsidiary of the Wisdom Wealth Resources Investment Holding Group Limited, a company listed on the Stock Exchange (stock code: 0007). The ultimate controlling shareholder of Wisdom Wealth Resources Investment Holding Group Limited is Dr. Hui Chi Ming. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, Dr. Hui Chi Ming is a third party independent of the Company and its connected persons.

As per the 2021 annual report of Wisdom Wealth, the fixed rate borrowing of approximately HK\$354.6 million has a weighted average interest rate of 13.57%, which is higher than the Prime Rate charged on the Revolving Loan. The fixed rate borrowing consists loans of approximately HK\$332.6 million which was overdue as at 31 December 2021. A higher effective interest rate was charged on a significant portion of these overdue loans as a result of the default in repayment on the relevant due date.

Based on information that is publicly available and disclosed in the 2021 annual report of Wisdom Wealth, to the best of the Director's knowledge, information and belief having made all reasonable enquiry, the fixed rate borrowings of approximately HK\$354.6 million are unrelated to the Borrower and were mainly borrowings made by the PRC subsidiaries of Wisdom Wealth whose businesses are in property sector. As per the Directors, there is clear operational and financial delineation between the Borrower and the PRC subsidiaries of Wisdom Wealth, and hence the operation and financial condition of the PRC subsidiaries of Wisdom Wealth will not adversely affect the Borrower.

In addition, there is a term stating that the Revolving Loan must only be applied towards the business activities of the Borrower, not other members of the Wisdom Wealth. Although the Borrower is an indirect wholly-owned subsidiary of Wisdom Wealth, as (i) the Revolving Loan will be solely used for the working capital of the Borrower and its wholly-owned subsidiaries; and (ii) there is clear delineation of business between the Borrower and the PRC subsidiaries of Wisdom Wealth, the Directors are of the view that the interest rate charged should be solely determined based on the financial position and credit history of the Borrower and the Prime Rate charged on the Revolving Loan is fair and reasonable.

LETTER FROM FDB FINANCIAL GROUP

Set forth below are the consolidated financial information of the Borrower for the two years ended 31 December 2021 and for the six months ended 30 June 2022 as extracted from the Borrower Management Accounts:

	Year ended		Six months
	31 December		ended 30 June
	2020	2021	2022
	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	22,627	27,431	10,322
Profit before tax	536	6,390	2,148
Profit after tax	504	6,390	2,148

	As at 31 December		As at
	2020		30 June
	2020	2021	2022
	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balance and cash	109,932	110,767	121,011
Net assets	494,614	500,818	502,958

As shown in the above table, the Borrower recorded a profit after tax of HK\$0.5 million and HK\$6.4 million for the years ended 31 December 2020 and 2021 and HK\$2.1 million for the six months ended 30 June 2022. The net assets of the Borrower as at 31 December 2020 and 2021 were approximately HK\$494.6 million and HK\$500.8 million respectively, and the bank balance and cash amounted to approximately HK\$109.9 million and HK\$110.8 million respectively. As at 30 June 2022, the Borrower recorded bank balance and cash and net assets of approximately HK\$121.0 million and HK\$503.0 million respectively.

LETTER FROM FDB FINANCIAL GROUP

(2) Reasons for entering into the 2022 Loan Facility Agreement

As per the 2022 Interim Announcement, as at 30 June 2022, the Group recorded (i) approximately HK\$604.1 million cash on hand; and (ii) net current assets of approximately HK\$766.7 million. With reference to the 2021 Annual Report, the Group's net cash used in operating activities were approximately HK\$288.6 million and HK\$185.9 million for the year ended 31 December 2020 and 2021 respectively and two years average was approximately HK\$237.3 million. As discussed with the Directors, the Company is able to earn interest income from the Revolving Loan by utilizing the idle cash and will not result in any material adverse impact on the financial position. Given that the Group maintained a positive net current assets position and the cash on hand represents approximately two times of average annual cash burn rate of the Group, we concur with the Directors' view that the Group will still have sufficient internal resources to settle the liabilities and for its daily operation after entering into the 2022 Loan Facility Agreement.

The Directors advised that the interest rate of the Revolving Loan is more favorable than that offered by banks in Hong Kong for fixed deposit. In particular, the prevailing interest rate offered by Hongkong and Shanghai Banking Corporation Limited for a 12-month Hong Kong dollar fixed deposit savings is only 0.3% per annum, which is far below the Prime Rate charged on the Revolving Loan. As per the Letter from the Board, during the period from December 2021 to August 2022, the Group has invested in various bonds denominated in RMB and the coupon interest rates are from 2.8% to 4%. With reference to the 2021 Annual Report, the Group also invested in debt instruments which are unsecured bonds carrying annual coupon at 3.15% to 3.35%. The Directors consider that the Prime Rate charged on the 2022 Loan Facility Agreement could enable the Group to generate higher returns on its idle cash over other fixed income products available to the Group.

For our due diligence purpose, we have conducted search regarding the return of bonds and certificate of deposits ("CDs") on the website of HSBC. As at the date of this letter, we notice that there are 20 CDs denominated in Hong Kong dollars or US dollars at all risk levels with maturity of 3 years or less offering coupon rates ranging from 1.65% to 4.9%, with an average of 3.2%. In particular, a corporate bond denominated in US dollars at a risk level of medium to high carries a coupon rate of 4.9% while a certificate of deposit denominated in US dollar at low risk level carries a coupon rate of 1.65%. Besides, we have made reference to the interest rate of 12-month term deposit offered by the seven banks in Hong Kong (including one online bank), and the interest rate range from 0.05% to 2.8% per annum. In view of the above, as the interest rate of the Revolving Loan, being a kind of debt investment product, will be charged at Prime rate, i.e. latest prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited is 5.125%, we concur with the management that the entering into the 2022 Loan Facility Agreement is an efficient deployment of the cash resources to generate higher return.

LETTER FROM FDB FINANCIAL GROUP

We understood from the management that in considering the renewal of the Revolving Loan, they have taken into account (i) the business of the Borrower; (ii) the repayment history of the Borrower in respect of the 2016 Loan Facility Agreement and the 2019 Loan Facility Agreement; (iii) the financial position of the Borrower; (iv) the litigation searches of the Borrower; and (v) measures taken to ensure the compliance of the Borrower. With reference to the Letter from the Board, the Company has reviewed the consolidated financial statements of the Borrower for last six years, based on the review, it was noted that (i) the Borrower is able to generate stable annual income between the range of HK\$17 million to HK\$27 million; (ii) average year of business with top 10 debtors is over 10 years; (iii) no major bad debt has incurred; and (iv) the net assets of the Borrower is much higher than the Revolving Loan. Besides, the Company has conducted court debt search on the Borrower, its associated companies, its ultimate parent company Wisdom Wealth, Mr. Lam and Mr. Nam, and none of them has involved in any debt collection court case. In light of the above, the Directors consider that there is no material recoverability issue noted.

As part of our due diligence work, we have obtained and reviewed (i) the court debt search result conducted by the Company; (ii) the latest consolidated financial statements of the Borrower; and (iii) the repayment record of the Borrower under the 2019 Loan Facility Agreement. From the court debt search result, we are not aware of any records of debt collection dispute involving the Borrower and its associated companies. As at 30 June 2022, the unaudited net asset value attributable to the equity shareholders of the Borrower amounted to approximately HK\$503 million, which is much higher than the Revolving Loan and indicates the repayment ability of the Borrower. In addition, we have obtained the repayment schedule of revolving loan drawn by the Borrower under the 2019 Loan Facility Agreement and reviewed the payment record of the Borrower for the settlement of the outstanding balance. The following table set forth the details of the samples we have selected:

	For the three months ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the six months ended 30 June 2022
Number of repayment record	4	20	19	9
Number of samples selected	2	12	10	6
Sample coverage in terms of number of repayment record	50.0%	60.0%	52.6%	66.7%
Sample coverage in terms of repayment amount	84.6%	73.4%	70.8%	76.0%

We have selected on a random basis and reviewed the settlement records (i.e. bank statements) that cover over 70% of the repayment amount and over 50% of the number of repayment record for each periods covered in the 2019 Loan Facility Agreement (i.e. for the three months ended 31 December 2019, the two years ended 31 December 2021 and six months ended 30 June 2022) and we notice that the Borrower has duly repaid both principal amount and the corresponding loan interests incurred during the drawdown period.

Having considered that (i) the Revolving Loan provides the Group a good opportunity to generate interest income by using idle cash; (ii) there is no material adverse issues regarding the financial position of the Borrower and the Borrower is profit-making for the recent financial years; (iii) no irregularities was noted in the settlement of the previous revolving loan drawn under the 2019 Loan Facility Agreement; and (iv) the interest rate of the Revolving Loan is in line with the Comparables as discussed in the section headed “Assessment of the terms of the 2022 Loan Facility Agreement” below, we are of the view that the 2022 Loan Facility Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Shareholders as a whole.

LETTER FROM FDB FINANCIAL GROUP

(3) Principal terms of the 2022 Loan Facility Agreement

The principal terms of the 2022 Loan Facility Agreement are as follows:

Date	:	7 September 2022
Parties	:	(1) PAL Finance Limited as the Lender (2) Karl Thomson Financial Group Limited as the Borrower
Total amount of Revolving Loan	:	Up to HK\$80,000,000 The Borrower may draw Revolving Loan in one or multiple tranches of no less than HK\$1 million per tranche from the Loan Effective Date. The Borrower shall give the Lender at least three (3) Business Days' notice in writing. Any repaid principal amounts of the Revolving Loan will refresh the facility amount available for drawing within the term of the 2022 Loan Facility Agreement.
Interest rate	:	Prime Rate shall accrue on the principal amount of the Revolving Loan calculated from the drawdown date of such tranche until the repayment date. As at the Latest Practicable Date, Prime Rate quoted by The Hongkong and Shanghai Banking Corporation Limited is 5.125%. The interest rate was agreed upon by the Company and the Borrower with reference to commercial practice and after arm's length negotiations taking into account the Company's cost of capital. Interest is payable monthly in arrears
Term	:	Commencing from the Loan Effective Date and ending on 20 October 2025
Purpose of fund	:	As general working capital of the Borrower and its wholly-owned Subsidiaries for the furtherance of its financial service businesses
Loan Effective Date	:	The 2022 Loan Facility Agreement will be effective on 21 October 2022 or such later date upon occurrence of the followings: (a) all consents or approvals of the Stock Exchange, the Bermuda Monetary Authority, or other relevant regulatory bodies in Hong Kong and Bermuda which are necessary for the granting of the Revolving Loan having been obtained;

LETTER FROM FDB FINANCIAL GROUP

- (b) the Independent Shareholders having approved by way of poll at the EGM the entering into of the 2022 Loan Facility Agreement;
- (c) all necessary approvals from the Borrower and its ultimate holding company, Wisdom Wealth Resources Investment Holding Group Limited whose shares are listed on the main board of the Stock Exchange (stock code: 0007), having been obtained including but without limitation to the board resolution(s) of the directors of the Borrower and its ultimate holding company approving the 2022 Loan Facility Agreement and the transaction(s) contemplated thereunder; and
- (d) no event of default shall have occurred and be continuing or would result from the making and drawing down of the Revolving Loan.

Events of default

: There shall be an Event of Default if:–

- (a) The Borrower fails to pay any sum due and has failed to rectify the same within 30 days from the due date; or
- (b) The Borrower fails to perform or observe any provision under 2022 Loan Facility Agreement and has failed to rectify the same within 30 days from the date of the failure; or
- (c) Any representation or warranty made is or proves to have been incorrect or misleading in any respect which in the opinion of the Lender does or may adversely affect the ability of the Borrower to perform its obligations under 2022 Loan Facility Agreement and has failed to rectify the same within 30 days from the date of the written notice from the Lender; or
- (d) The Borrower stops or suspends payment of all or any material part of its debts as they fall due or commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling all or part of its indebtedness; or
- (e) The Borrower takes any action for (i) the Borrower to be adjudicated or found bankrupt or insolvent or (ii) the winding-up, re-organisation, reconstruction or dissolution of the Borrower.

LETTER FROM FDB FINANCIAL GROUP

One-time non-refundable handling fee	:	HK\$240,000, being 0.3% on the Revolving Loan
Security for the Revolving Loan	:	Unsecured
Repayment	:	The Borrower may at any time prior to the maturity date repay the Revolving Loan in whole or in part (and/or the interest accrued and thereon from the drawdown date until the actual date of repayment), without any penalty, upon giving 3 Business Days' prior notice to the Lender

With reference to the Letter from the Board, the terms of the 2022 Loan Facility Agreement, including the total amount of Revolving Loan and the interest rate applicable, were determined after arm's length negotiations between the parties thereto after having taken into account the prevailing market interest rates and practices and the Borrower's credit record.

Annual Cap and basis of determination

With reference to the Letter from the Board, the maximum loan amount borrowed together with the interest and handling fees paid by the Borrower under the 2019 Loan Facility Agreement were as follows:

	Three months Ended 2019 (HK\$'000)	Year ended 31 December 2020 (HK\$'000)	Year ended 31 December 2021 (HK\$'000)	Six months ended 30 June 2022 (HK\$'000)
Maximum loan amount during the respective period	55,000	73,000	67,500	36,000
Handling fee	390	–	–	–
Interest earned by the Lender	394	3,050	2,445	695
Actual cap utilized (i.e. Total of above)	<u>55,784</u>	<u>76,050</u>	<u>69,945</u>	<u>36,695</u>

When setting out the maximum amount to be drawn by the Borrower under the 2022 Loan Facility Agreement, the Group has considered (i) the historical transaction amounts; (ii) Group's internal financial resources currently available; and (iii) the benefits for entering into the 2022 Loan Facility Agreement. As shown in the above table, the actual cap utilized by the Borrower under the 2019 Loan Facility Agreement ranged from approximately HK\$36.7 million to approximately HK\$76.1 million. Having considered (i) the actual cap utilized by the Borrower under the 2019 Loan Facility Agreement, (ii) the repayment history and the credit risk of Borrower; and (iii) the financial resources available, we are of the view that the basis of determination of the Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM FDB FINANCIAL GROUP

(4) Assessment of the terms of the 2022 Loan Facility Agreement

To assess the fairness and reasonableness of the terms of the 2022 Loan Facility Agreement, we have compared the interest rate of the Company's loan to independent third parties (the “**Independent Loan**”). As per the 2021 Annual report, the Group has granted a few loans with independent third parties and the interest rate of the borrowings charged to the independent third parties ranged from 2.2% to 8%. The table below set forth the details of the Independent Loan for the year ended 31 December 2021 and for the six months ended 30 June 2022:

	Principal amount of the loan	Term	Annual interest rate (%)	Underlying security
For the year ended 31 December 2021				
Loan 1	HK\$20,000,000	2 years	First HK\$3,500,000: Prime Rate plus 3% Beyond HK\$3,500,000: Prime Rate	Non-prime industrial property
Loan 2A	HK\$6,500,000	5 years	Prime Rate	Nil
Loan 2B	HK\$6,500,000	5 years	2.2%	Residential property
For the six months ended 30 June 2022				
Loan 3	HK\$8,000,000	9 months	Prime Rate plus 1%	Receivable of one invoice

As per the management of the Group, the Company will consider the credit profile of the borrowers, loan size and loan tenor from a holistic approach before determining interest rate. For borrowers who do not have recurring income, the Lender will normally require property as security to the loans. As show in the above table, the interest charged on the Independent Loan basically centers around the Prime Rate.

The Directors advised that the borrower of Loan 1 is a retiree and there is no recurring income, and hence collateral is required for Loan 1 and a higher rate of Prime Rate plus 3% is charged for a portion of the loan. While borrower of Loan 2 has recurring income, Prime Rate is charged for Loan 2A and a favourable rate of 2.2% is charged for Loan 2B as the borrower provided collateral. Loan 3 is invoice financing and will have invoices as collateral by its nature, and Prime Rate plus 1% is charged after considering the credit risk of the borrower. As per the management, the Loan 3 borrower is principally engaged in provision of IT solutions in Hong Kong. The Company awares that the Loan 3 borrower has already obtained a sizeable bank facility and the bank facility is secured by the properties owned by the ultimate shareholder. The Company has reviewed the fair value of the underlying properties which is lower than the facility amount granted by such bank and therefore it is not meaningful for the Company to put a second charge on the properties. As a result, the Company has taken the collection right of one particular invoice as collateral. The Company has also reviewed the financial position of the Loan 3 borrower and has noted that their gearing ratio was approximately 50.0%. As a comparison, the gearing ratio of the Borrower was approximately 10.0%. Given this high gearing ratio of the Loan 3 borrower, the Company has therefore charged a higher interest rate (ie Prime Rate plus 1%) as compared to the Revolving Loan.

LETTER FROM FDB FINANCIAL GROUP

We have checked the management account of the Loan 3 borrower as at November 2021 and reviewed the accuracy of the calculation of the gearing ratio and no discrepancies are noted. Having considered that (i) the Loan 3 borrower is a new client and has a higher gearing ratio than the Borrower; and (ii) the Loan 3 borrower has already obtained a bank facility and is relatively high geared, we are of the view that the higher interest rate for Loan 3 is fair and reasonable.

Despite the Revolving Loan is unsecured and the interest rate is lower than some Independent Loan, given that (i) the credit history and income generating ability of borrowers varies case by case; and (ii) the interest charged on the Independent Loan basically centre around Prime Rate, we are of the view that the interest rate of the 2022 Loan Facility Agreement is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole after considering the interest rate charged to independent third parties.

In addition, we have conducted searches to identify provision of loan or financial assistance to connected person with fixed interest rate by listed companies (or through its subsidiary) in Hong Kong which were announced by the listed companies from 1 March 2022 to 31 August 2022, being approximately six months prior to the date of the announcement of the 2022 Loan Facility Agreement. We consider the review period of approximately six months represents a sufficient period of time to reflect the recent market conditions and provide sufficient sample size for our assessment.

To the best of our knowledge and as far as we are aware of, we identified 18 comparable transactions (the “**Comparables**”) which we consider an exhaustive list of that illustrate similar transaction nature. Despite the terms of loan agreements may vary with individual factors, we consider the Comparables can provide a general reference on the key terms for similar transactions in recent market. Set out below is the summary of the Comparables:

Date of announcement	Company (Stock code)	Principal amount of the loan	Term	Annual interest rate (%)	Security/ Guarantee (Y/N)
2/8/2022	China Travel International Investment Hong Kong Limited (308)	RMB210 million	12 months	4.35	N
15/7/2022	Hui Xian Real Estate Investment Trust (87001)	RMB100 million	30 months	5.3	Did not mention
29/6/2022	HC GROUP INC. (2280)	RMB25 million	12 months	8.0	N
27/5/2022	Baiying Holdings Group Limited (8525)	RMB8.0 million	or before 30 November 2022	5.0	Did not mention
24/5/2022	JNBY Design Limited (3306)	RMB100 million	on or before June 30, 2024	4.9	Y
20/5/2022	Shenzhen Investment Limited (604)	RMB500 million	12 March 2023	3.5	Did not mention
20/5/2022	Shenzhen Investment Limited (604)	RMB50 million	12 months	3.5	Did not mention
16/5/2022	China Wan Tong Yuan (Holdings) Limited (6966)	RMB100 million	24 months	12.0	Y
3/5/2022	Shi Shi Services Limited (8181)	HK\$21 million	12 months	10.0	Y
28/4/2022	Smart-Core Holdings Limited (2166)	US\$3.5 million	12 months	8.0	Y
28/4/2022	China Suntien Green Energy Corporation Limited (956)	RMB3 billion	36 months	3.65	Did not mention
28/4/2022	51 Credit Card Inc. (2051)	RMB8 million	36 months	5.8	N

LETTER FROM FDB FINANCIAL GROUP

Date of announcement	Company (Stock code)	Principal amount of the loan	Term	Annual interest rate (%)	Security/ Guarantee (Y/N)
22/4/2022	China Pipe Group Limited (380)	HK\$78.5 million	36 months	5.5	Y
22/4/2022	Metropolis Capital Holdings Limited (8621)	RMB2.35 million	12 months	12.0	N
6/4/2022	Asian Citrus Holdings Limited (73)	RMB7 million	12 months	6.0	Y
4/4/2022	Grandshores Technology Group Limited (1647)	HK\$5.8 million	6 months	8.0	Did not mention
31/3/2022	Yida China Holdings Limited (3639)	RMB251.6 million	15 months	6.0	Y
9/3/2022	Sun Art Retail Group Limited (6808)	RMB100 million	12 months	3.7	Did not mention
All Comparables		Maximum	36 months	12.0	
		Minimum	6 months	3.5	
		Average	17.7 months	6.4	
Comparables without security/guarantee		Maximum	36 months	12.0%	
		Minimum	12 months	4.35%	
		Average	18 months	7.5%	
The Company		HK\$80 million	36 months	5.125%	N

Source: the website of the Stock Exchange (www.hkex.com.hk)

Interest rate

As shown in table above, the annual interest rate of all Comparables ranged from 3.5% to 12.0% while the annual interest rate of the Comparables without security ranged from 4.35% to 12%. The interest rate of the Revolving Loan of 5.125% (i.e. latest Prime Rate) falls within such range and is comparable to the average of the interest rates of the Comparables of approximately 6.4% and 7.5% (without security). As the Prime Rate is close to the low-end range of the annual interest rate of the 4 Comparables without security of approximately 4.35% to 12.0% and is lower than the average of 7.5%, we have made reference to the cost of borrowings of the 4 Comparables without security as per their latest annual report for our further analysis.

The effective interest rates per annum of Metropolis Capital Holdings Limited (stock code: 8621) for fixed rate borrowings range from 2.70% to 14.53%. In particular, their bank borrowing carried weighted average effective interest rate of 6.91% per annum while the other borrowings (from other financial institutions or independent third parties) carried weighted average effective interest rate of approximately 12.34% per annum. The bank borrowing of HC GROUP INC. (stock code: 2280) carried an average interest rate of 6.49% per annum and other borrowings (from independent third parties) bear interest rates ranging from Nil to 10.0% per annum. The interest rates charged by 51 Credit Card Inc. (stock code: 2051) and China Travel International Investment Hong Kong Limited (stock code: 308) were relatively lower among the 4 Comparables without security as their annual interest rates of borrowings are lower and ranged from 5.64% to 8.04% and 1.76%-4.9% respectively. We consider that it is reasonable to charge the interest rate on the loan to connected person at a rate comparable to or higher than their own borrowing costs.

LETTER FROM FDB FINANCIAL GROUP

In contrast, as at the Latest Practicable Date, the Company did not have any bank borrowings and enjoy nil borrowing costs. Although the Prime Rate is close to the low-end range of the annual interest rate of the Comparables without security, consider that (i) the 4 Comparables have a higher cost of borrowings than the Company; and (ii) the interest rate charged by the 4 Comparables reflect their own cost of borrowings, we are of the view that the interest rate charged by the Company is in line with the market practice and the Prime Rate is fair and reasonable so far as the Company and the Shareholders are concerned.

Term

The terms of the Comparables range from 6 months to 36 months, with an average of approximately 17.7 months. The term of the Loan of 36 months is within the range of the Comparables.

Security or Guarantee

For those that have disclosed the terms regarding the security or guarantee, 4 out of 11 Comparables were not secured. As such, it is not uncommon in the market for provision of a loan or financial assistance to a connected person without security or guarantee. Besides, the Borrower is an investment holding company and principally engaged in the business of securities and futures brokerage, securities margin financing, financial management and advisory services in Hong Kong. As discussed with the management, they are aware of the asset-light business model of the Borrower which might not be feasible for the Borrower to provide guarantee to secure the Revolving Loan. Based on the consolidated financial statement of the Borrower as provided by the Company, the Borrower has minimal balance of fixed assets and does not have suitable fixed assets for securing the loan. Consider that (i) the financial strength and repayment ability of the Borrower based on its latest consolidated financial statements as at 30 June 2022; and (ii) there is no previous record of default of payment by the Borrower to the Group, we concur with the management that the credit risk of the Borrower is acceptable and therefore no security is required for the Revolving Loan.

In view that (i) the interest rate is in line with the market practice; (ii) the term of the Revolving Loan is comparable to that of Comparables; and (iii) the Borrower does not have any fixed asset which is suitable for securing the Revolving Loan, we are of the view that the terms under the 2022 Loan Facility Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(5) Financial effects as a result of entering into the 2022 Loan Facility Agreement

Net assets

As per the 2022 Interim Announcement, the unaudited net asset value of the Group as at 30 June 2022 was approximately HK\$1,297.9 million. As the Company plans to finance the Revolving Loan with its internal resources, the entering into of the 2022 Loan Facility Agreement is not expected to have any material effect on the net asset value of the Group.

LETTER FROM FDB FINANCIAL GROUP

Profit or loss

The Group will recognize interest income in the event that any amount is drawn down by the Borrower. The Group is entitled to receive interest income at Prime Rate based on the drawdown amount and the potential interest income will have a positive impact on the Group's earnings.

Liquidity

As per the 2022 Interim Announcement, the Group recorded (i) approximately HK\$604.1 million cash on hand; and (ii) bank borrowings of approximately HK\$60.0 million. It is expected that the Group will have sufficient cash resources for its daily operation and will not materially affect the liquidity of the Group.

(6) Internal control measures

With reference to the Letter from the Board, the Company will maintain adequate internal controls and procedures over the financial and operations of the Borrower, such as the followings:

- The Borrower will provide financial statements and top 10 debtor list to the Company on monthly basis. The Company will review the general collectability of the debtors portfolio and the general financial performance of the Borrower on regular basis.
- Ms. Yung Wai Ching, the Deputy General Manager of the Company, will be responsible for reviewing monthly financial position and the general receivable status of the Borrower. Any deficiency will be reported to the Independent Board Committee and seek for their approval for any suggested action(s).
- The Finance Department of the Company maintains a loan register which keeps track of the cumulative amount borrowed, interest due at month end and repayment of interest or principle by the Borrower. When the Lender receives a drawdown notice from the Borrower, the Finance Department will update and check with the loan register to ensure the accumulated drawdown amount will not exceed the annual caps. Ms. Yung Wai Ching, the Deputy General Manager of the Company, as one of the bank signatories, will verify the correctness of the loan register before approving the drawdown.
- The independent non-executive directors who are also members of audit committee will conduct annual independent review on the above measures. They will also review the transactions contemplated under the 2022 Loan Facility Agreement and confirm in the relevant annual report(s) whether the transactions contemplated under the 2022 Loan Facility Agreement have been entered into (i) in the ordinary and usual course of business, (ii) on normal commercial terms or better and (iii) in accordance with terms of the 2022 Loan Facility Agreement.
- Report will be copied to Mr. Lam and Mr. Nam but since Mr. Lam and Mr. Nam are the only directors of the Borrower, in order to maintain impartialness, they will abstain from voting for board resolutions in relation to any suggested action(s), such as reviewing the accounts of the Borrower and the loan status quarterly during the term of the 2022 Loan Facility Agreement, in order to minimize the risk of default in repayment of the loan.

LETTER FROM FDB FINANCIAL GROUP

- Pursuant to Rule 14A.55 of the Listing Rule, the independent non-executive directors are responsible for reviewing, and confirming in the annual report whether the continuing connected transactions have been entered into: (a) in the ordinary and usual course of business of the listed issuer's group; (b) on normal commercial terms or better; and (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer's shareholders as a whole.

As per the internal control policy of the Group, the Group has maintained a loan register for regular loan account reconciliation. We have obtained and reviewed the loan register of the Group and cross-checked with the repayment record of the Borrower. We have covered over 70% of the repayment amount and over 50% of the number of repayment record for each periods covered in the 2019 Loan Facility Agreement (i.e. for the three months ended 31 December 2019, the two years ended 31 December 2021 and six months ended 30 June 2022) and no discrepancies were found. We consider that the abovementioned measures are in the interests of the Independent Shareholders and would be sufficient for monitoring the transactions contemplated under the 2022 Loan Facility Agreement.

Taking into account the (i) above-mentioned internal control measures and reporting requirements of the continuing connected transactions under Listing Rules; (ii) the transaction amount of the Revolving Loan is restricted by and subject to the annual caps; and (iii) the regular review of the 2022 Loan Facility Agreement by the independent non-executive Directors and auditors of the Company, we are of the view that there are appropriate procedures and arrangements to ensure that the transactions contemplated under the 2022 Loan Facility Agreement will be conducted on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual course of business of the Group. The abovementioned internal control measures will also help the Group to monitor its compliance with the Listing Rules.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that the 2022 Loan Facility Agreement are (i) on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) proposed at the EGM.

Yours faithfully,
For and on behalf of
FDB Financial Group Limited
Wallace Cheung
Executive Director

Note: Mr. Wallace Cheung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of FDB Financial Group Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

a. Director's Interest in the securities of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long position

Name of director	Number of issued ordinary shares held		Total	Percentage of the issued share capital of the Company
	Personal interest	Corporate interest		
Mr. Lam Kwok Hing	3,474,667	269,916,500 (Note)	273,391,167	64.11%

Note: The amount composed of 48,520,666, 201,995,834 and 19,400,000 Shares of the Company that were held by Medusa Group Limited, Karfun Investments Limited and J & A Investment Limited respectively. Medusa Group Limited is a company wholly-owned by Mr. Lam Kwok Hing. Karfun Investments Limited is owned by J & A Investment Limited for approximately 98.63%. Mr. Lam Kwok Hing who is the Chairman and Managing Director of the Company owns 80% shareholding in J & A Investment Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company, or were required, pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

b. Directors' competing interests

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

c. Directors' interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

d. Directors' interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

e. Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company under section 336 of the SFO, the persons other than a Director or chief executive of the Company who had an interest or short position in the shares and 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 were as follows:

Long position

Name of shareholder	Capacity	Number of Shares held	Company's issued share capital
Medusa Group Limited	Beneficial owner	48,520,666	11.38%
Karfun Investments Limited	Beneficial owner	201,995,834	47.37%
J & A Investment Limited	Beneficial owner	19,400,000	4.55%

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and 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 who was, 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 meeting of any other member of the Group or had any share options in respect of such capital.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL ADVERSE CHANGE

As set out in the announcement of the Company dated 26 August 2022 and in the 2022 interim results announcement dated 30 August 2022, the gross profit generated by the electroplating equipment business for the six months ended 30 June 2022 has dropped significantly, the interest income from deferred consideration (as defined in Note 8 to the interim results) has reduced by approximately HK\$93,899,000 and the increase in the reversal of impairment losses under the expected credit loss model of approximately HK\$35,403,000.

Except as disclosed above, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2021, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert whose name and report are contained in this circular:

Name	Qualification
FDB Financial Group	A licensed corporation to carry on type 4 (advising in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2021, the date to which the latest audited consolidated financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

6. LITIGATION

At the Latest Practicable Date, there was no litigation or claim of material importance that is known to the Directors to be pending or threatening against the Company or any of its subsidiaries.

7. GENERAL

- a. The company secretary of the Company is Ms. Yung Wai Ching, who is a member of Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute.
- b. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company in Hong Kong is at Rooms 607-610, 6/F, Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong.
- c. The share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- d. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (www.atnt.biz) up to and including the date which is 14 days from the date of this circular:—

- (a) the bye-laws of the Company;
- (b) the written consent referred to in the paragraph headed “Expert’s qualification and consent” in this Appendix;
- (c) the annual reports of the Company for the two years ended 31 December 2019, 2020 and 2021 and the interim report of the Company for the period ended 30 June 2022;
- (d) the 2022 Loan Facility Agreement; and
- (e) this circular.

NOTICE OF EGM



ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED 亞洲聯網科技有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 679)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Asia Tele-Net and Technology Corporation Limited (the “**Company**”) will be held at Rooms 607-610, 6/F, Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong on Friday, 28 October 2022 at 2:00 p.m. (the “**EGM**”) for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the 2022 loan facility agreement for revolving loan facilities of up to HK\$80,000,000 dated 7 September 2022 (the “**Loan Facility Agreement**”, a copy of which has been produced to the EGM marked “A” and initialed by the Chairman of the meeting for the purpose of identification) between PAL Finance Limited, an indirect wholly-owned subsidiary of the Company, as the lender and Karl Thomson Financial Group Limited as the borrower and the transactions contemplated under the 2022 Loan Facility Agreement as shown in the Company’s circular dated 13 October 2022 be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors of the Company (the “**Directors**”) be and are hereby authorized to do all such acts and things, and to sign and execute all such further documents and to take all steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient or implement and/or give full effect to or in connection with the 2022 Loan Facility Agreement and to agree to any amendment to any of the terms of the 2022 Loan Facility Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

By Order of the Board
Asia Tele-Net and Technology Corporation Limited
Lam Kwok Hing, M.H., J.P.
Chairman and Managing Director

Hong Kong, 13 October 2022

* *For identification purpose only*

NOTICE OF EGM

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head Office and Principal Place of
Business in Hong Kong:*

Rooms 607-610
6/F, Tai Yau Building
181 Johnston Road
Wan Chai

Notes:

1. For the purposes of determining eligibility of the members of the Company to attend and vote at the meeting, the register of members of the Company will be closed. Details of such closures are set out below:

For determining eligibility to attend and vote at the meeting:

Latest time to lodge transfer documents for registration
Closure of register of members
Record date

4:30 p.m. on 24 October 2022
25 to 28 October 2022 (both days inclusive)
28 October 2022

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

2. Any member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf at the EGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent(s) as such member could exercise.
3. A form of proxy for use at the EGM is enclosed.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
5. Where there are joint registered holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders thereof.
6. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the EGM (i.e. not later than 2:00 p.m. on Wednesday, 26 October 2022 (Hong Kong time)) (or any adjournment thereof), and in default the form of proxy shall not be treated as valid.
7. The completion and return of the form of proxy shall not preclude members from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
8. If Typhoon Signal No. 8 or above or "extreme conditions" caused by super typhoons, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.atnt.biz and on the website of the Stock Exchange at www.hkexnews.hk to notify the Shareholders of the date, time and venue of the rescheduled meeting.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
10. As at the date of this notice, the executive directors of the Company are Messrs. Lam Kwok Hing *M.H., J.P.* and Nam Kwok Lun, and the independent non-executive directors of the Company are Messrs. Cheung Kin Wai, Kwan Wang Wai Alan and Ng Chi Kin David.

PRECAUTIONARY MEASURES FOR THE EGM

The health of our shareholders, staff and stakeholders is one of our top concerns. In view of the ongoing development of COVID-19 pandemic, the Company will implement the following precautionary measures at the Extraordinary General Meeting:

- (i) Compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Each attendee will have to submit a completed health declaration form prior to entry into the meeting venue. Based on the declaration provided, the attendee may be denied entry into the meeting venue or be required to leave the meeting venue.
- (iii) Each attendee will be required to wear a surgical face mask throughout the meeting and inside the meeting venue.
- (iv) Seating at the EGM will be arranged so as to maintain a safe distance between attendees.
- (v) No refreshment will be served, and there will be no corporate gift available for distribution.

In addition, the Company reminds all shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this document.

If any shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to our head office and principal place of business in Hong Kong or to our email at info@atnt.biz.

If any shareholder has any question relating to the meeting, please contact Customer Service Hotline of Tricor Secretaries Limited, the Company's share registrar at (852) 2980 1333 from 9:00 a.m. to 6:00 p.m., Monday to Friday (excluding Hong Kong public holidays).