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This circular, for which the directors (the “**Directors**”) of Directel Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief 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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).



DIRECTEL HOLDINGS LIMITED

直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8337)

(1) CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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



軟庫中華

SBI China Capital

SBI China Capital Hong Kong Securities Limited

Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 15 of this circular. This circular will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting. This circular will also be posted on the Company’s website at www.directel.hk.

A notice convening the EGM to be held at Office Nos. 1, 2, 14 and 15, 37th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong on Tuesday, 3 December 2024 at 10:00 a.m. is set out on pages 50 to 52 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. 10:00 a.m. on Sunday, 1 December 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

14 November 2024

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 24 October 2024 in relation to the Loan Capitalisation
“associate(s)”	has the meaning as ascribed to it/them under the GEM Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	day(s) (excluding Saturdays) on which banks are generally open for normal banking business in Hong Kong
“Capitalisation Price”	HK\$0.20 per Capitalisation Share
“Capitalisation Shares”	60,000,000 Shares to be allotted and issued to the Subscriber by the Company at the Capitalisation Price pursuant to the Loan Capitalisation Agreement, each a Capitalisation Share
“Company”	Directel Holdings Limited (直通電訊控股有限公司) (stock code: 8337), a company incorporated in the Cayman Islands with limited liability whose securities are listed on GEM
“Completion”	completion of the allotment and issue of the Capitalisation Shares
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve, if thought fit, the Loan Capitalisation and the transactions contemplated thereunder and the grant of the Specific Mandate to allot and issue the Capitalisation Shares

DEFINITIONS

“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Liu Kejun
“Independent Financial Adviser”	SBI China Capital Hong Kong Securities Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than those who are required under the GEM Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) who are third parties independent of the Company and the connected persons of the Company in accordance with the GEM Listing Rules
“Latest Practicable Date”	11 November 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Loan”	the unsecured shareholder’s loan in the principal amount of HK\$12,000,000 due from the Group to the Subscriber, the outstanding principal amount and accrued interest of which amounted to approximately HK\$12,156,000 as at the Latest Practicable Date

DEFINITIONS

“Loan Capitalisation”	conversion of the principal amount of the Loan into the share capital of the Company by applying such principal amount of the Loan in payment of the subscription amount credited as fully paid to the Subscriber under the Loan Capitalisation Agreement
“Loan Capitalisation Agreement”	the conditional agreement dated 24 October 2024 entered into between the Subscriber and the Company in relation to the Loan Capitalisation
“Long Stop Date”	the date upon the expiry of three (3) months from the date of the Loan Capitalisation Agreement, or such other date as the parties may agree in writing
“Mr. Li” or “Subscriber”	Mr. Li Kin Shing, the controlling shareholder of the Company, beneficially owns 5,062,500 Shares and holding 104,437,500 Shares via his controlled corporation New Everich Holdings Limited, representing in aggregate approximately 59.23% of the issued share capital of the Company
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Capitalisation Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD OF DIRECTORS



DIRECTEL HOLDINGS LIMITED

直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8337)

Non-executive Directors:

Mr. Li Kin Shing (*Chairman*)

Mr. Wong Kin Wa

Executive Director:

Mr. Pang Kwok Chau (*Chief Executive Officer*)

Independent non-executive Directors:

Mr. Chen Xue Dao

Ms. Lee Man Yee, Maggie

Mr. Liu Kejun

Registered office:

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

***Head office and principal
place of business:***

Office Nos. 1, 2, 14 and 15

37th Floor

Hong Kong Plaza

No. 188 Connaught Road West

Hong Kong

14 November 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION
LOAN CAPITALISATION INVOLVING
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement of the Company dated 24 October 2024 in relation to the Loan Capitalisation.

LETTER FROM THE BOARD OF DIRECTORS

The purpose of this circular is to provide you with, among other things, (i) details of the Loan Capitalisation Agreement and the transactions contemplated thereunder; (ii) recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Loan Capitalisation Agreement and the transactions contemplated thereunder; and (iv) a notice of the EGM.

2. THE LOAN CAPITALISATION AGREEMENT

On 24 October 2024 (after the Stock Exchange trading hours), the Company (as issuer) and Mr. Li (as Subscriber) entered into the Loan Capitalisation Agreement, pursuant to which the parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, a total of 60,000,000 Capitalisation Shares at the Capitalisation Price of HK\$0.20 per Capitalisation Share. The aggregate Capitalisation Price of all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising and setting off against the principal amount of HK\$12,000,000 upon Completion.

The Loan was provided by the Subscriber to the Group in January 2024 for the purpose of financing its general working capital requirement. As at the Latest Practicable Date, the Loan amount to approximately HK\$12,156,000, which comprise outstanding principal amount of HK\$12,000,000 and accrued interest of approximately HK\$156,000. The Loan is unsecured and bear interest at the rate of 2% per annum. The Loan is repayable on demand by the Subscriber.

The Loan Capitalisation Agreement

The principal terms of the Loan Capitalisation Agreement are as follows:

- Date : 24 October 2024 (after the Stock Exchange trading hours)
- Parties : 1. the Company (as the issuer); and
2. Mr. Li Kin Shing (as the Subscriber).

Number of Capitalisation Shares

The Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 60,000,000 Capitalisation Shares at the Capitalisation Price of HK\$0.20 per Capitalisation Share. The aggregate Capitalisation Price payable by the Subscriber under the Loan Capitalisation Agreement shall be satisfied by capitalising and setting off against the principal amount of the Loan of HK\$12,000,000 upon Completion.

LETTER FROM THE BOARD OF DIRECTORS

The aggregate accrued interest under the Loan (as at the Latest Practicable Date, approximately HK\$156,000 in accrued interest remains outstanding) shall be repaid by the Company to the Subscriber in cash upon Completion.

The Capitalisation Shares represent (i) approximately 32.45% of the total number of issued Shares as at the date of the Announcement; and (ii) approximately 24.50% of the total number of issued Shares as enlarged by the allotment and issue of the Capitalisation Shares, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares.

The aggregate nominal value of the Capitalisation Shares (with a par value of HK\$0.20 each) is HK\$12,000,000.

The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM.

Capitalisation Price

The Capitalisation Price of HK\$0.20 per Capitalisation Share represents:

- (i) a premium of approximately 138.1% to the closing price of HK\$0.084 per Share as quoted on the Stock Exchange on 24 October 2024, being the date of the Loan Capitalisation Agreement;
- (ii) a premium of approximately 138.1% to the average closing price per Share of HK\$0.084 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;
- (iii) a premium of approximately 138.1% to the average closing price per Share of HK\$0.084 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement; and
- (iv) a premium of approximately 41.8% over the Company's unaudited consolidated net asset value per Share as at 30 June 2024 of approximately HK\$0.141 (calculated by equity attributable to the Shareholders of approximately HK\$26,032,000 as at 30 June 2024 and 184,875,000 Shares in issue as at the date of the Announcement).

LETTER FROM THE BOARD OF DIRECTORS

The Capitalisation Price was arrived at on an arm's length basis between the Company and the Subscriber after taking into account the following factors:

- (i) the recent trading performance of the shares: during the review period from 23 October 2023 to 24 October 2024, the daily closing prices of the Shares ranged from HK\$0.053 per Share recorded on 17 September 2024 and 19 September 2024 to HK\$0.199 per Share recorded on 1 February 2024.
- (ii) the recent market condition: the Company has taken notice of the recent significant economic stimulus measures focuses on liquidity improvements, boosting the real estate sector and stabilizing the financial markets promulgated by the Chinese authorities has increased liquidity and volatility of the stock market in Hong Kong and in the Chinese Mainland; however the trading volume of the Company's Shares remained relatively low during the same period with the average daily trading volume of the Shares for the month of October and up to the date of the Loan Capitalisation Agreement being 14,031 Shares, representing 0.008% of total number of issued shares as at the date of the Loan Capitalisation Agreement.
- (iii) The current financial position and the business prospect of the Group: according to the Interim Report 2024, if excluding the cash inflow from the Loan, cash and cash equivalents of the Group would be lowered from approximately HK\$14.6 million as 31 December 2023 to approximately HK\$9.7 million as at 30 June 2024; for the six months ended 30 June 2024, the Group recorded net loss of approximately HK\$5.2 million and net cash used in operating activities of approximately HK\$4.5 million; the Loan Capitalisation at a considerable premium to the market price will have a positive effect on the Group's financial position and strengthen its net asset value, demonstrating the Subscriber's strong support for the Group's operations and confidence in the Group's business prospects.

The Directors (other than the independent non-executive Directors, who shall provide their views after considering the advice from the Independent Financial Adviser) consider that the Capitalisation Price and the terms of the Loan Capitalisation Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The amount of the total Capitalisation Price shall be satisfied by way of capitalising and setting off against the principal amount of the Loan of HK\$12,000,000. In addition, the Group will use its internal resources to settle the professional fees and all related expenses (expected to be approximately HK\$290,000) which may be borne by the Company in connection with the Loan Capitalisation.

LETTER FROM THE BOARD OF DIRECTORS

Conditions Precedent

Completion of the Loan Capitalisation Agreement is conditional upon the fulfilment of the following conditions:

- (i) the Board having passed and approved the Loan Capitalisation Agreement and the transactions contemplated thereunder;
- (ii) the Independent Shareholders having approved and passed at the EGM, of the necessary resolutions to approve the Loan Capitalisation Agreement and the transaction contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issuance of the Capitalisation Shares);
- (iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Capitalisation Shares and such approval and permission having not subsequently been revoked or withdrawn prior to the commencement of dealings in the Capitalisation Shares on the Stock Exchange;
- (iv) the representations and warrants given by the parties under the Loan Capitalisation Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading until the date of completion; and
- (v) all necessary consents and approvals required to be obtained on the part of the Company in respect of Loan Capitalisation Agreement and the transactions contemplated thereunder having been obtained.

Save for condition (iv) above which can be waived by the Subscriber by notice in writing to the Company, none of the above conditions may be waived by the Company or the Subscriber. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Loan Capitalisation Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Loan Capitalisation Agreement.

As at the Latest Practicable Date, save for condition (i), none of the above conditions has been fulfilled.

Completion

Completion shall take place on or before the tenth (10th) Business Day following the day upon which the conditions precedent have been satisfied (or such later date as may be agreed between the Company and the Subscriber in writing).

LETTER FROM THE BOARD OF DIRECTORS

Ranking of the Capitalisation Shares

The Capitalisation Shares when allotted and issued, shall rank pari passu in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Capitalisation Shares including all dividends declared or payable or distribution made or proposed on or after the date of completion of the Loan Capitalisation.

3. INFORMATION ON THE PARTIES

The Company and The Group

The Company (together with its subsidiaries) is a mobile virtual network operator which is principally engaged in the provision of mobile telecommunications services, telecommunications value-added services and distribution of mobile phones, electronics products and mobile and data top-up e-vouchers. The Group does not have its own telecommunications network infrastructure and its business mainly involves the trading of the airtime and mobile data sourced from mobile network operators in and outside Hong Kong and subsequently sold the airtime and mobile data through different channels and in various forms to users and dealers. The Group also provides services of resales of airtime and mobile data, telesales dealership services and other services.

The Subscriber

As at the Latest Practicable Date, the Subscriber is a controlling shareholder of the Company, beneficially owns 5,062,500 Shares and holding 104,437,500 Shares via his controlled corporation New Everich Holdings Limited, representing in aggregate approximately 59.23% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

4. REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION

Given the Group's financial position, the Group is not in a position to repay the amount due to the Subscriber without tightening the existing financial resources. Given the continuous loss-making financial performance, the Group's liquidity position has not improved. According to the Interim Report 2024, if excluding the cash inflow from the Loan, cash and cash equivalents of the Group would be lowered from approximately HK\$14.6 million as 31 December 2023 to approximately HK\$9.7 million as at 30 June 2024. For the six months ended 30 June 2024, the Group recorded net loss of approximately HK\$5.2 million and net cash used in operating activities of approximately HK\$4.5 million. Due to liquidity pressure and in order to achieve healthy cashflow level, the Group would like to retain cash for general working capital and/or business opportunities. The Loan Capitalisation enables the Group to settle its existing liabilities without utilising the existing financial resources and can avoid cash outflows.

LETTER FROM THE BOARD OF DIRECTORS

The Directors have considered other alternative means for raising funds to settle the Loan, such as bank borrowings, share placement or rights issue. However, having taken into account that:

- (i) debt financing and bank borrowing will inevitably increase the gearing ratio of the Group and lenders generally require pledge of assets from the borrower; the management of the Company discussed with a bank of the Company's intention to raise debt, yet the bank assessed the Company's financial position and informed the Company's management that the likelihood of the Group's success in obtaining a debt financing is low because (a) the Group has been loss-making over the years, and (b) the Group has weak fixed assets base which is not quite suitable to be used as security for loans;
- (ii) other equity financing such as placing of new shares and rights issue usually require attractive discount to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to the Loan Capitalisation. Raising equity will be time consuming due to the due diligence requirements of the potential investor, valuation negotiations, regulatory compliance and general market conditions, all of which contribute to the overall time required to successfully raise equity financing from external investors. Based on the best estimation of the Company's management, additional 3 to 5 month time will be required to engage with potential external investors and to carry out the commercial negotiation and the regulatory/compliance tasks mentioned above. The associated costs such as professional fees, due diligence expenses, marketing and roadshow will inevitably be much higher than the Loan Capitalisation;
- (iii) the Loan Capitalisation will reduce the indebtedness of the Group without cash outflows;
- (iv) the Capitalisation Price represents a considerable premium over the prevailing market price of the Shares as of the date of the Loan Capitalisation Agreement; and
- (v) the Loan Capitalisation demonstrates the support and solid confidence given by the Subscriber to the Group,

the Directors consider that the Loan Capitalisation is a more desirable solution for the Group to settle the Loan.

LETTER FROM THE BOARD OF DIRECTORS

Although the allotment and issue of the Capitalisation Shares will have a dilution effect to the existing Independent Shareholders, having considered (i) the capitalisation of the Loan can alleviate the repayment pressure of the Group and the Capitalisation Price represents a considerable premium over the prevailing market price of the Shares; and (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will (a) reduce the gearing ratio from 46.4% as stated in the Company interim report for the six month ended 30 June 2024 to nil; (b) enlarge the capital base from 184,875,000 issued Shares to 244,875,000 issued Shares; and (c) enhance the net asset position of Company as the Capitalisation Price of HK\$0.20 per Capitalisation Share represents a premium of 41.8% over the Company's unaudited consolidated net asset value per Share as at 30 June 2024 of approximately HK\$0.141, the Directors are of the view that the dilution effect arising from the allotment and issue of the Capitalisation Shares is justifiable in this regard.

In view of the above, the Directors (other than the independent non-executive Directors, who shall provide their views after considering the advice from the Independent Financial Adviser) consider that the terms of the Loan Capitalisation Agreement are fair and reasonable based on the current market conditions and are on normal commercial terms, accordingly, the Loan Capitalisation is in the interest of the Company and the Shareholders as a whole.

5. EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company had not conducted any equity fundraising activities in the past twelve months immediately preceding the date of the Announcement.

6. SPECIFIC MANDATE

The Capitalisation Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

7. APPLICATION FOR LISTING OF THE CAPITALISATION SHARES

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

LETTER FROM THE BOARD OF DIRECTORS

8. EFFECT OF THE LOAN CAPITALISATION ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion and the allotment and issue of the Capitalisation Shares as contemplated under the Loan Capitalisation (assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Capitalisation Shares):

Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Capitalisation Shares	
	No. of Shares	Approximate % Shareholding	No. of Shares	Approximate % Shareholding
New Everich Holdings Limited <i>Note (a)</i>	104,437,500	56.49%	104,437,500	42.65%
Mr. Li (the Subscriber) <i>Note (a)</i>	5,062,500	2.74%	65,062,500	26.57%
Mr. Pang Kwok Chau	1,500,000	0.81%	1,500,000	0.61%
Mr. Wong Kin Wa	1,500,000	0.81%	1,500,000	0.61%
Public				
Golden Brand Holdings Limited <i>Note (b)</i>	16,500,000	8.93%	16,500,000	6.74%
Other Public Shareholders	55,875,000	30.22%	55,875,000	22.82%
Total:	184,875,000	100%	244,875,000	100%

Notes:

- (a) Mr. Li beneficially owns 5,062,500 Shares and holding via New Everich Holdings Limited 104,437,500 Shares. New Everich Holdings Limited is owned by Mr. Li and Ms. Kwok King Wa as to 54% and 46% respectively. Accordingly, Mr. Li is deemed to be interested in the 104,437,500 Shares held by New Everich Holdings Limited. As Ms. Kwok King Wa is the spouse of Mr. Li, Ms. Kwok King Wa is also deemed to be interested in the 5,062,500 Shares held by Mr. Li and the 104,437,500 Shares held by New Everich Holdings Limited.
- (b) The 16,500,000 Shares owned by Golden Brand Holdings Limited which is wholly owned by Mr. Bai Zhifeng. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, other than his shareholding in the Company, Mr. Bai Zhifeng is a third party independent of the Company and its connected persons.

9. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is a controlling shareholder of the Company, beneficially owns 5,062,500 Shares and holding 104,437,500 Shares via his controlled corporation New Everich Holdings Limited, representing in aggregate approximately 59.23% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Loan Capitalisation Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM. The Subscriber and his associates shall abstain from voting in respect of the resolution approving the Loan Capitalisation Agreement and the transactions contemplated thereunder at the EGM.

Mr. Li, being the chairman of the Board and a non-executive Director, has abstained from voting on the Board resolution approving the Loan Capitalisation Agreement and the transactions contemplated thereunder. Save as disclosed above, (i) no other Director has a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder and is required to abstain from voting on the Board resolutions in relation to the aforesaid matters; (ii) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than the Subscriber and Ms. Kwok King Wa (being the spouse of the Subscriber) and their respective associates who will abstain from voting at the EGM in respect of the resolution approving the aforesaid matters, no other Shareholder has any material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

10. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Loan Capitalisation Agreement are on normal commercial terms or better and fair and reasonable, whether the Loan Capitalisation is in the interests of the Company and its shareholders as a whole and as to how to vote at the EGM. SBI China Capital Hong Kong Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

11. EGM

The EGM will be convened at Office Nos. 1, 2, 14 and 15, 37th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong on Tuesday, 3 December 2024 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Capitalisation Shares.

Set out on pages 50 to 52 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Capitalisation Shares. A form of proxy for use by the Shareholders at the EGM or any adjourned meeting is also enclosed herewith.

LETTER FROM THE BOARD OF DIRECTORS

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. 10:00 a.m. on Sunday, 1 December 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution set out in the notice of the EGM will be voted by poll.

Pursuant to Rule 20.34 of the GEM Listing Rules, any Shareholder with a material interest in the transaction and his associates will abstain from voting on the relevant resolutions at the EGM. Accordingly, (i) the Subscriber, being the chairman of the Board, a non-executive Director and the controlling shareholder of the Company who beneficially owns 5,062,500 Shares and holding via New Everich Holdings Limited 104,437,500 Shares, representing in aggregate approximately 59.23% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) New Everich Holdings Limited, being an associate of the Subscriber, will be required to abstain from voting on the resolution(s) to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder at the EGM, including the grant of the Specific Mandate. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than the Subscriber and New Everich Holdings Limited, no other Shareholder has a material interest in the transactions contemplated under the Loan Capitalisation Agreement, including the grant of the Specific Mandate, and will be required to abstain from voting on the resolution(s) to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate to the Directors for the allotment and issue of the Capitalisation Shares to the Subscriber at the EGM.

12. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 28 November 2024 to Tuesday, 3 December 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 27 November 2024.

LETTER FROM THE BOARD OF DIRECTORS

13. RECOMMENDATION

The Directors (including the independent non-executive Directors but excluding the Subscriber who is considered to have material interest in the transactions contemplated under the Loan Capitalisation Agreement) consider that, although the entering into of the Loan Capitalisation Agreement is not conducted in the ordinary and usual course of business of the Company, the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned, and recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

14. GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information of the Group set out in the appendix to this circular.

Completion of the Loan Capitalisation is subject to the satisfaction of the conditions precedent in the Loan Capitalisation Agreement, and the Loan Capitalisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Yours faithfully,
By order of the Board
Directel Holdings Limited
Pang Kwok Chau
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee setting out its recommendation for the purpose of inclusion in this circular.



DIRECTEL HOLDINGS LIMITED

直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8337)

14 November 2024

To the Independent Shareholders

Dear Sirs or Madams,

**(1) CONNECTED TRANSACTION
LOAN CAPITALISATION INVOLVING
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 14 November 2024 issued by the Company (the “**Circular**”) to the Shareholders of which this letter forms part. The capitalised terms defined in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder are: (i) fair and reasonable; (ii) on normal commercial terms or better; (iii) in the interests of the Company and the Independent Shareholders as a whole; and (iv) to advise the Independent Shareholders how to vote at the EGM.

SBI China Capital Hong Kong Securities Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder. The letter of advice from SBI China Capital Hong Kong Securities Limited containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 18 to 43 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 15 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 18 to 43 of the Circular, both of which provide details of the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder. After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that although the entering into of the Loan Capitalisation Agreement is not conducted in the ordinary and usual course of business of the Company, the terms of the Loan Capitalisation under the Loan Capitalisation Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully
For and on behalf of
the Independent Board Committee of
Directel Holdings Limited

Mr. Chen Xue Dao
*Independent non-executive
Director*

Ms. Lee Man Yee, Maggie
*Independent non-executive
Director*

Mr. Liu Kejun
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of a letter of advice from SBI China Capital Hong Kong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for inclusion in this circular.



14 November 2024

*To: The Independent Board Committee and the Independent Shareholders of
Directel Holdings Limited*

Dear Sir or Madam,

CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Loan Capitalisation Agreement and the transaction 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 to the Shareholders dated 14 November 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, on 24 October 2024, the Company (as issuer) and Mr. Li (as Subscriber) entered into the Loan Capitalisation Agreement, pursuant to which the parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, a total of 60,000,000 Capitalisation Shares at the Capitalisation Price of HK\$0.2 per Capitalisation Share. The aggregate Capitalisation Price of all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising and setting off against the principal amount of HK\$12,000,000 upon Completion.

As at the Latest Practicable Date, the Subscriber is a controlling shareholder of the Company, beneficially owns 5,062,500 Shares and holding 104,437,500 Shares via his controlled corporation New Everich Holdings Limited, representing in aggregate approximately 59.23% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Loan Capitalisation Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

be obtained at the EGM. The Subscriber and his associates shall abstain from voting in respect of the resolution approving the Loan Capitalisation Agreement and the transactions contemplated thereunder at the EGM.

Mr. Li, being the chairman of the Board and a non-executive Director, has abstained from voting on the Board resolution approving the Loan Capitalisation Agreement and the transactions contemplated thereunder. Save as disclosed above, (i) no other Director has a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder and is required to abstain from voting on the Board resolutions in relation to the aforesaid matters; (ii) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than the Subscriber and Ms. Kwok King Wa (being the spouse of the Subscriber) and their respective associates who will abstain from voting at the EGM in respect of the resolution approving the aforesaid matters, no other Shareholder has any material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Loan Capitalisation Agreement are on normal commercial terms or better and fair and reasonable, whether the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole and as to how to vote at the EGM. We, SBI China Capital Hong Kong Securities Limited ("**SBI China**"), has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to (i) whether the terms of the Loan Capitalisation Agreement are on normal commercial terms or better and fair and reasonable; (ii) whether the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote at the EGM on the ordinary resolution(s) regarding the transactions contemplated under the Loan Capitalisation Agreement. Our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the transactions contemplated under the Loan Capitalisation Agreement has been approved by the Independent Board Committee.

During the past two years, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fee payable to us in connection with this engagement, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Company pursuant to Rule 17.96 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the EGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the transactions contemplated under the Loan Capitalisation Agreement, we have taken into consideration the following principal factors and reasons:

(1) Information on the Company

The Company (together with its subsidiaries) is a mobile virtual network operator which is principally engaged in the provision of mobile telecommunications services, telecommunications value-added services and distribution of mobile phones, electronics products and mobile and data top-up e-vouchers. The Group does not have its own telecommunications network infrastructure and its business mainly involves the trading of the airtime and mobile data sourced from mobile network operators in and outside Hong Kong and subsequently sold the airtime and mobile data through different channels and in various forms to users and dealers. The Group also provides services of resales of airtime and mobile data, telesales dealership services and other services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance

The following table summarises the financial information of the Group for each of the two years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024 as extracted from the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report 2023**”) and the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report 2024**”), respectively.

	For the six months ended 30 June		For the year ended 31 December	
	2023	2024	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	76,308	68,889	151,976	150,555
– Telecommunications services	2,131	4,481	2,619	7,365
– Distribution business	74,177	64,408	149,357	143,190
Cost of sales	<u>(74,972)</u>	<u>(66,882)</u>	<u>(147,805)</u>	<u>(146,317)</u>
Gross profit	1,336	2,007	4,171	4,238
Other income	41	246	309	225
Other (net loss)/net income	(44)	(218)	32	164
Administrative and other operating expenses	<u>(6,954)</u>	<u>(7,279)</u>	<u>(17,021)</u>	<u>(14,729)</u>
Loss from operations	(5,621)	(5,244)	(12,509)	(10,102)
Finance cost	<u>(26)</u>	<u>(88)</u>	<u>(65)</u>	<u>(51)</u>
Loss before taxation	(5,647)	(5,332)	(12,574)	(10,153)
Income tax credit	<u>124</u>	<u>97</u>	<u>253</u>	<u>236</u>
Loss for the period/year	<u>(5,523)</u>	<u>(5,235)</u>	<u>(12,321)</u>	<u>(9,917)</u>
Loss attributable to:				
Equity shareholders of the Company	(5,521)	(5,235)	(12,317)	(9,935)
Non-controlling interests	<u>(2)</u>	<u>–</u>	<u>(4)</u>	<u>18</u>
	<u>(5,523)</u>	<u>(5,235)</u>	<u>(12,321)</u>	<u>(9,917)</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) *For the six months ended 30 June 2024*

Revenue

For the six months ended 30 June 2024, revenue of the Group decreased to approximately HK\$68.9 million compared to approximately HK\$76.3 million for the corresponding period last year, representing a decrease of approximately 9.7%. Revenue from the provision of telecommunications services and distribution business amounted to approximately HK\$4.5 million and approximately HK\$64.4 million, respectively, representing approximately 6.5% and approximately 93.5% of the Group's revenue for the six months ended 30 June 2024, respectively. The decrease was mainly attributable to the decrease in revenue generated from the distribution business in the PRC and Hong Kong which was partially offset by the increase in revenue generated from the provision of telecommunications services in Hong Kong and the distribution business in Singapore.

The Group engaged in the provision of mobile and data top-up services, and mobile phones and electronic products distribution business in the PRC through its indirect wholly-owned subsidiary, Guangzhou Directel Telecommunications Limited* 廣州直通電訊有限公司 (“GZDT”). GZDT has engaged in the distribution of mobile phones and electronic products. For the six months ended 30 June 2024, revenue generated from the distribution business which represents the sales proceeds of the mobile phones and electronic products, net of returns and discounts, decreased by approximately 30.5% to approximately HK\$3.8 million when compared with approximately HK\$5.5 million for the corresponding period last year. The decrease was mainly attributable to the decrease in purchase of the mobile phones and electronic products by customers.

In Hong Kong, the mobile telecommunications services of the Group were driven by the post-COVID-19 recovery, and revenue derived from roaming services recorded considerable growth in the first half of 2024. Revenue derived from the provision of telecommunications services increased by approximately 1.1 times to approximately HK\$4.5 million for the six months ended 30 June 2024 compared to approximately HK\$2.1 million for the last corresponding period. However, this was offset by the decrease in revenue generated from distribution business, which represents the sales proceeds of mobile phones and electronic products, net of returns and discounts, decreased by approximately 28.5% to approximately HK\$31.3 million when compared with approximately HK\$43.8 million for the last corresponding period. Since the relief of COVID-19 in 2023, offline economy has recovered generally, and online e-commerce started to cool down. All the industries faced challenges caused by slowdown in growth of global economy, interest rate hike by the United States Federal Reserve, and

* *For identification purposes only*

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other factors. Suppliers and customers also faced challenges of different degrees, including customs logistics, insufficient work force in warehouse and higher requirements imposed on vendors from the PRC. Enterprises entered into bottleneck period of development and faced operation difficulties. Some factories or enterprises are expected to transform, which would affect the distribution business in Hong Kong. The Group will continue to commit more resources and identify different suppliers to increase its offerings of mobile phones and electronic products, and to expand the source of revenue and enhance business performance.

In Singapore, the Group, through its indirect wholly-owned subsidiary, South Data Communication Pte. Ltd. (“**South Data**”), has entered into a contract with one of the largest e-commerce platform operators in Singapore (the “**E-commerce Platform Operator**”) as a sale channel in which it will purchase mobile and data top-up e-vouchers from South Data and then resell to ultimate mobile users. The E-commerce Platform Operator has a wide distribution channel of over 1,000 point of sales in Singapore and the ultimate users can easily top up their mobile phones through various popular payment methods such as credit cards and online payment. For the six months ended 30 June 2024, revenue derived from the distribution of mobile and data top-up business increased by approximately 17.7% to approximately HK\$29.3 million when compared with approximately HK\$24.9 million for the corresponding period last year.

Gross profit

The Group’s cost of sales decreased by approximately 10.8% to approximately HK\$66.9 million for the six months ended 30 June 2024 compared to approximately HK\$75.0 million for the corresponding period last year. The decrease in cost of sales was generally in line with the respective changes regarding the revenue derived from the provision of telecommunications services, the distribution of mobile phones and electronics products business and the distribution of mobile and data top-up business. The Group’s gross profit increased by approximately 50.2% to approximately HK\$2.0 million for the six months ended 30 June 2024 compared to approximately HK\$1.3 million for the corresponding period last year. The increase was mainly attributable to the improved gross profit margin of the telecommunications services in Hong Kong; and according to the Company, this was mainly due to the reduced unit cost of roaming data sourced from the mobile network operators.

Loss attributable to equity shareholders of the Company

The Group recorded a loss attributable to equity shareholders of the Company for the six months ended 30 June 2024 of approximately HK\$5.2 million, representing a decrease of approximately 5.2% when compared with approximately HK\$5.5 million for the corresponding period last year. The

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

decrease was mainly attributable to the improved gross profit margin of the telecommunications services in Hong Kong which according to the Company, was offset by the significant increase in impairment losses on trade receivables mainly due to prolonged repayment from one of its customers.

(b) For the year ended 31 December 2023

Revenue

For the year ended 31 December 2023, revenue of the Group decreased to approximately HK\$150.6 million compared to approximately HK\$152.0 million for the last corresponding year, representing a decrease of approximately 0.9%. Revenue from the provision of telecommunications services and distribution business amounted to approximately HK\$7.4 million and approximately HK\$143.2 million, respectively, representing approximately 4.9% and approximately 95.1% of the Group's revenue for the year ended 31 December 2023, respectively. The decrease was mainly attributable to the decrease in revenue generated from the distribution business in the PRC and Singapore which was offset by the increase in revenue generated from the provision of telecommunications services and the distribution business in Hong Kong.

In PRC, revenue generated from the distribution business, which represents the sales proceeds of the mobile phones and electronic products, net of returns and discounts, decreased by approximately 21.4% to approximately HK\$9.5 million for the year ended 31 December 2023 when compared with approximately HK\$12.1 million for the last corresponding year. The decrease was mainly attributable to the decrease in purchase of the mobile and electronic products by customers.

In Hong Kong, revenue derived from the provision of telecommunications services increased by approximately 1.9 times to approximately HK\$7.3 million for the year ended 31 December 2023 compared to approximately HK\$2.6 million for the last corresponding year. Revenue generated from distribution business, which represents the sales proceeds of mobile phones and electronic products, net of returns and discounts, increased by approximately 8.2% to approximately HK\$90.0 million when compared with approximately HK\$83.1 million for the last corresponding year. The result achieved in distribution business was benefited from the online consumption driven by the development of cross-border e-commerce market and COVID-19. However, since the relief of COVID-19 in 2023, offline economy has recovered generally, and online e-commerce started to cool down.

In Singapore, revenue derived from the distribution of mobile and data top-up business decreased by approximately 19.2% to approximately HK\$43.7 million for the year ended 31 December 2023 when compared with approximately HK\$54.1 million for the corresponding period last year.

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Gross profit

The Group's cost of sales decreased by approximately 1.0% to approximately HK\$146.3 million for the year ended 31 December 2023 compared to approximately HK\$147.8 million for the last corresponding year. The decrease in cost of sales was generally in line with the respective changes regarding the revenue derived from the provision of telecommunications services, the distribution of mobile phones and electronic products business and the distribution of mobile and data top-up business. The gross profit of the Group for the year ended 31 December 2023 increased by approximately 1.6% to approximately HK\$4.2 million when compared to approximately HK\$4.2 million for the last corresponding year. The increase was mainly attributable to the improved gross profit margin of the provision of telecommunications services in Hong Kong which was partially offset by the worsened gross profit margin of the distribution business in the PRC. According to the Company, the worsened gross profit margin of the distribution business in the PRC was mainly due to the sales of mobile phones which have a lower profit margin.

Loss attributable to equity shareholders of the Company

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2023 of approximately HK\$9.9 million, representing a decrease of approximately 19.3% when compared with approximately HK\$12.3 million for the last corresponding year. The decrease was mainly attributable to the decrease of administrative and operating expenses caused by reduction in operating lease expense and the decrease in the write-off of irrecoverable trade receivables.

Financial position

The following table summarises the financial position of the Group as at 31 December 2022, 31 December 2023 and 30 June 2024 as extracted from the published Annual Report 2023 and Interim Report 2024:

	As at 31 December		As at
	2022	2023	30 June
	(audited)	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	48,641	39,137	45,398
Total liabilities	7,607	7,763	19,366
Net current assets	36,426	29,945	25,001
Net assets	41,034	31,374	26,032

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Comparison between 31 December 2023 and 30 June 2024

Total assets increased from approximately HK\$39.1 million as at 31 December 2023 to approximately HK\$45.4 million as at 30 June 2024 mainly attributable to the increase in cash and cash equivalents. Cash and cash equivalents increased by approximately HK\$7.1 million to approximately HK\$21.7 million as at 30 June 2024 mainly because of shareholder's loan of HK\$12.0 million obtained from the Shareholders during the first half of 2024 (the "Shareholder's Loan"). If not taking into consideration cash from Shareholder's Loan, the Group's cash and cash equivalents would decrease by approximately HK\$4.9 million to approximately HK\$9.7 million as at 30 June 2024.

Total liabilities increased from approximately HK\$7.8 million as at 31 December 2023 to approximately HK\$19.4 million mainly because of the Shareholder's Loan. As at 30 June 2024, the gearing ratio of the Group, being calculated on the basis of total borrowings over total equity, was approximately 46.4% where gearing ratio was not applicable as at 31 December 2023 given there was no Shareholder's Loan. Net assets decreased from approximately HK\$31.4 million as at 31 December 2023 to approximately HK\$26.0 million as at 30 June 2024 mainly due to the Shareholder's Loan obtained in the first half of 2024 being partially offset by an increase in cash and cash equivalents of approximately HK\$7.1 million.

(b) Comparison between 31 December 2022 and 31 December 2023

Total assets decreased from approximately HK\$48.6 million as at 31 December 2022 to approximately HK\$39.1 million as at 31 December 2023 mainly attributable to the decrease in trade receivables by approximately HK\$5.1 million to approximately HK\$16.3 million as at 31 December 2023. Trade receivables turnover improved from approximately 51.4 days as at 31 December 2022 to approximately 39.5 days as at 31 December 2023. Property, plant and equipment decreased by approximately HK\$1.6 million to approximately HK\$1.1 million as at 31 December 2023 and other non-current financial assets decreased by approximately HK\$1.6 million to approximately HK\$1.0 million as at 31 December 2023. Cash and cash equivalents maintained at similar level of approximately HK\$15.9 million as at 31 December 2022 and approximately HK\$14.6 million as at 31 December 2023.

Total liabilities recorded steadily at approximately HK\$7.6 million as at 31 December 2022 and approximately HK\$7.8 million as at 31 December 2023. Net assets decreased from approximately HK\$41.0 million as at 31 December 2022 to approximately HK\$31.4 million as at 31 December 2023.

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(2) Information of the Subscriber

As at the Latest Practicable Date, the Subscriber is a controlling shareholder of the Company, beneficially owns 5,062,500 Shares and holding 104,437,500 Shares via his controlled corporation New Everich Holdings Limited, representing in aggregate approximately 59.23% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

(3) Reasons for and benefits of the Loan Capitalisation

The Group recorded net cash used in operating activities of approximately HK\$10.0 million and approximately HK\$2.5 million for the years ended 31 December 2022 and 2023, respectively. The Group obtained the Shareholder's Loan as additional funds to ease its cash flow position and retain financial resources to support its working capital needs; and as advised by the management of the Group, funds may also be used for business development when opportunities arise. As at the Latest Practicable Date, the Group has not identified any business opportunities; and cash from the Shareholder's Loan has been placed as short-term deposits with banks. Shareholder's Loan is unsecured, interest bearing at 2.0% per annum, and repayable on demand. Thereafter, given the continuous loss-making financial performance, the Group's liquidity position has not improved. According to the Interim Report 2024, if excluding the cash inflow from the Shareholder's Loan, cash and cash equivalents of the Group would be lowered from approximately HK\$14.6 million as 31 December 2023 to approximately HK\$9.7 million as at 30 June 2024. For the six months ended 30 June 2024, the Group recorded net loss of approximately HK\$5.2 million and net cash used in operating activities of approximately HK\$4.5 million. Due to liquidity pressure, the Group would like to retain cash for general working capital and/or business opportunities. Thus, it intends to capitalise the Shareholder's Loan and the Subscriber is willing to increase his equity investment in the Company at the Capitalisation Price.

We obtained management accounts for the eight months ended 31 August 2024 from the Company, and noted that the Group's staff related expenses (i.e. salary, MPF/retirement fund and staff benefits) amounted to approximately HK\$3.0 million, bad debts/impairment loss on account receivables amounted to approximately HK\$1.2 million and other administrative and operation expenses (including audit fee, consulting fee, legal and professional fee, rent, repair and maintenance, licence fee, billing system management fee, etc.) amounted to approximately HK\$3.9 million. If not taking bad debts/impairment loss on account receivables into consideration, the Group would need around HK\$0.9 million each month to maintain its normal business operation. Management of the Group believes that generally speaking, a company needs to maintain sufficient funds for 12 months of operations to achieve a healthy cashflow, and considered that proceeds from the Shareholder's Loan provides the Group with a reasonable amount of reserve funds for (i) liquidity management in meeting short-term obligations, unexpected expenses or market opportunities (if any); (ii) financial flexibility in satisfying working capital needs; and when cash is not used, it can be placed in short-term deposits for interest income; and (iii)

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relatively low cost of capital compared to other funding methods, not to mention the likelihood of the Group's success in obtaining bank borrowings is low and equity raising activities of the Group will be difficult as discussed below.

Having considered that:

- (i) unforeseen circumstances may arise, such as delay in customer payments or sudden downturns in market conditions, which may result in deterioration in the Group's financial position;
- (ii) investment and/or business opportunities may arise time to time; in such circumstances, the Group may require immediate funding to secure market opportunities;
- (iii) proceeds from the Shareholder's Loan can be placed as a short-term deposit when cash is not used to generate interest income. As advised by the management of the Group, the interest rate of short-term deposits ranges from 3% to 4.15%, which is higher than the interest rate of 2% per annum of the Shareholder's Loan. The Shareholder's Loan has not been used during the period after drawdown; at least HK\$7.0 million of which has been placed as short-term deposits and the rest has not been deposited in short-term deposits for working capital flexibility. Based on details of short-term deposits provided by the Company which contain information on the respective principal amount, term, interest rate and interest received during the period from January 2024 to October 2024, we noted that the amount of interest income generated from short-term deposits was more than the amount of interest expenses in relation to the Shareholder's Loan for the same period. Short-term bank deposits have a term of around two months; thus, the Company can easily withdraw them within short period of time when necessary. In this regard, the Directors consider that there is no need to repay the Shareholder's Loan in part or in full earlier to avoid incurring interest expenses, and
- (iv) the settlement of the Shareholder's Loan was initiated by the management of the Group in view of the Group's tight operating cashflow even after obtaining the proceeds from the Shareholder's Loan. The management of the Group believes that Loan Capitalisation will enable the Group to retain the proceeds from the Shareholder's Loan and at the same time, relieve the Group from obligation to repay the Shareholder's Loan on demand, strengthen its equity base and improve its liquidity position by reducing debt level,

we concurred with the Directors that it is fair and reasonable to conduct the Loan Capitalisation.

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Pursuant to the Loan Capitalisation Agreement, the Capitalisation Price payable by the Subscriber shall be satisfied by capitalising and setting off against the principal amount of HK\$12.0 million upon Completion. Upon Completion, the Shareholder's Loan shall be deemed to have been fully repaid. The aggregate accrued interest under the Shareholder's Loan (as at the Latest Practicable Date, approximately HK\$156,000 in accrued interest remains outstanding) shall be repaid by the Company to the Subscriber in cash upon Completion. Based on the indebted amount owed by the Company to the Subscriber under the Shareholder's Loan in principal amount of HK\$12.0 million, upon Completion, it is expected that net current assets of the Group will be increased by HK\$12.0 million; and the gearing ratio of the Group will be reduced to nil. The Group's financial position will be strengthened as a result of the Loan Capitalisation.

We have discussed with the management of the Group and were given to understand that the Company had considered different types of fund-raising alternatives including but not limited to debt financing and other equity fund raisings, such as placement of shares or rights issue. We are advised by the management of the Group that after discussion with a bank in Hong Kong, the Company understood that the likelihood of its success in obtaining a bank loan is low because (i) the Group has been loss-making over the years and under the current market conditions, it is unlikely that the bank will grant loans without asset pledges; and (ii) the Group has weak fixed assets base and its fixed assets are not properties. In addition, the Group made enquires to two other financial institutions, which are licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, to explore the possibility of equity fund raising. However, one of these financial institutions expressed that it will not interest in the Company's equity fund raising activities after taking into account the Company's current financial position, market capitalisation level and trading liquidity of the Shares. Another financial institution indicated that given the relatively low trading volume of the Shares, it will not interest in the Company's share placement exercise, if any.

Having considered the above and:

- (i) significant discount to the prevailing closing price of the Shares for an equity fund raising exercise (if any) of the Company is inevitable to encourage participation of shareholders and/or potential investors in view of the historical low trading volume of the Shares. In comparison, the Capitalisation Price represents a premium over the closing price of the Shares as at the date of the Loan Capitalisation Agreement;
- (ii) equity fund raising may involve lengthy discussions with potential commercial underwriters and the entire process of equity fund raising will generally take four to six months or more, if business opportunities arise, it may not be able to keep up with the Group's funding needs;
- (iii) equity fund raising activities will involve higher amounts of professional fee;

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- (iv) the Shareholder's Loan is repayable on demand; and the Group's cash position will be reduced if internal resources are used to settle the Shareholder's Loan;
- (v) the Group's indebtedness will be reduced to nil immediately after Completion;
- (vi) Loan Capitalisation demonstrated the controlling shareholder's confidence in the Group's business operation and prospects; and
- (vii) analysis of the Capitalisation Price as discussed in the paragraph headed "(5) Analysis of the Loan Capitalisation Price" below,

we concur with the Directors' view that the Loan Capitalisation can ease the Group's cashflow position and is in the best interests of the Company and the Shareholders as a whole.

(4) Principal terms of the Loan Capitalisation Agreement

The principal terms of the Loan Capitalisation Agreement are as follows:

- Date: 24 October 2024 (after the Stock Exchange trading hours)
- Parties: (1) the Company (as the issuer); and
(2) Mr. Li Kin Shing (as the Subscriber).

Number of Capitalisation Shares

The Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 60,000,000 Capitalisation Shares at the Capitalisation Price of HK\$0.2 per Capitalisation Share. The aggregate Capitalisation Price payable by the Subscriber under the Loan Capitalisation Agreement shall be satisfied by capitalising and setting off against the principal amount of the Shareholder's Loan of HK\$12.0 million upon Completion.

The aggregate accrued interest under the Shareholder's Loan (as at the Latest Practicable Date, approximately HK\$156,000 in accrued interest remains outstanding) shall be repaid by the Company to the Subscriber in cash upon Completion.

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The Capitalisation Shares represent (i) approximately 32.45% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 24.50% of the total number of issued Shares as enlarged by the allotment and issue of the Capitalisation Shares, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares.

The aggregate nominal value of the Capitalisation Shares (with a par value of HK\$0.2 each) is HK\$12.0 million.

The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM.

Capitalisation Price

The Capitalisation Price of HK\$0.2 per Capitalisation Share represents:

- (i) a premium of approximately 138.1% to the closing price of HK\$0.084 per Share as quoted on the Stock Exchange on 24 October 2024, being the date of the Loan Capitalisation Agreement;
- (ii) a premium of approximately 138.1% to the average closing price per Share of HK\$0.084 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;
- (iii) a premium of approximately 138.1% to the average closing price per Share of HK\$0.084 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement; and
- (iv) a premium of approximately 41.8% over the Company's unaudited consolidated net asset value per Share as at 30 June 2024 of approximately HK\$0.141 (calculated by equity attributable to the Shareholders of approximately HK\$26.0 million as at 30 June 2024 and 184,875,000 Shares in issue as at the date of the Announcement).

As mentioned in the Letter from the Board, the Capitalisation Price was arrived on an arm's length basis between the Company and the Subscriber after taking into account the following factors:

- (i) the recent trading performance of the shares: during the review period from 23 October 2023 to 24 October 2024, the daily closing prices of the Shares ranged from HK\$0.053 per Share recorded on 17 September 2024 and 19 September 2024 to HK\$0.199 per Share recorded on 1 February 2024.

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- (ii) the recent market condition: the Company has taken notice of the recent significant economic stimulus measures focuses on liquidity improvements, boosting the real estate sector and stabilizing the financial markets promulgated by the Chinese authorities has increased liquidity and volatility of the stock market in Hong Kong and in the Chinese Mainland; however the trading volume of the Company's Shares remained relatively low during the same period with the average daily trading volume of the Shares for the month of October and up to the date of the Loan Capitalisation Agreement being 14,031 Shares, representing 0.008% of total number of issued shares as at the date of the Loan Capitalisation Agreement.

- (iii) The current financial position and the business prospect of the Group: according to the Interim Report 2024, if excluding the cash inflow from the Shareholder's Loan, cash and cash equivalents of the Group would be lowered from approximately HK\$14.6 million as 31 December 2023 to approximately HK\$9.7 million as at 30 June 2024; for the six months ended 30 June 2024, the Group recorded net loss of approximately HK\$5.2 million and net cash used in operating activities of approximately HK\$4.5 million; the Loan Capitalisation at a considerable premium to the market price will have a positive effect on the Group's financial position and strengthen its net asset value, demonstrating the Subscriber's strong support for the Group's operations and confidence in its business prospects.

The Directors consider that the Capitalisation Price and the terms of the Loan Capitalisation Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The amount of the total Capitalisation Price shall be satisfied by way of capitalising and setting off against the principal amount of the Shareholder's Loan of HK\$12.0 million. In addition, the Group will use its internal resources to settle the professional fees and all related expenses (expected to be approximately HK\$290,000) which may be borne by the Company in connection with the Loan Capitalisation.

Conditions Precedent

Completion of the Loan Capitalisation Agreement is conditional upon the fulfilment of the following conditions:

- (i) the Board having passed and approved the Loan Capitalisation Agreement and the transactions contemplated thereunder;

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- (ii) the Independent Shareholders having approved and passed at the EGM, of the necessary resolutions to approve the Loan Capitalisation Agreement and the transaction contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issuance of the Capitalisation Shares);
- (iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Capitalisation Shares and such approval and permission having not subsequently been revoked or withdrawn prior to the commencement of dealings in the Capitalisation Shares on the Stock Exchange;
- (iv) the representations and warrants given by the parties under the Loan Capitalisation Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading until the date of completion; and
- (v) all necessary consents and approvals required to be obtained on the part of the Company in respect of Loan Capitalisation Agreement and the transactions contemplated thereunder having been obtained.

Save for condition (iv) above which can be waived by the Subscriber by notice in writing to the Company, none of the above conditions may be waived by the Company or the Subscriber. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Loan Capitalisation Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Loan Capitalisation Agreement.

As at the Latest Practicable Date, save for condition (i), none of the above conditions has been fulfilled.

Completion

Completion shall take place on or before the tenth (10th) Business Day following the day upon which the conditions precedent have been satisfied (or such later date as may be agreed between the Company and the Subscriber in writing).

Ranking of the Capitalisation Shares

The Capitalisation Shares when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Capitalisation Shares including all dividends declared or payable or distribution made or proposed on or after the date of completion of the Loan Capitalisation.

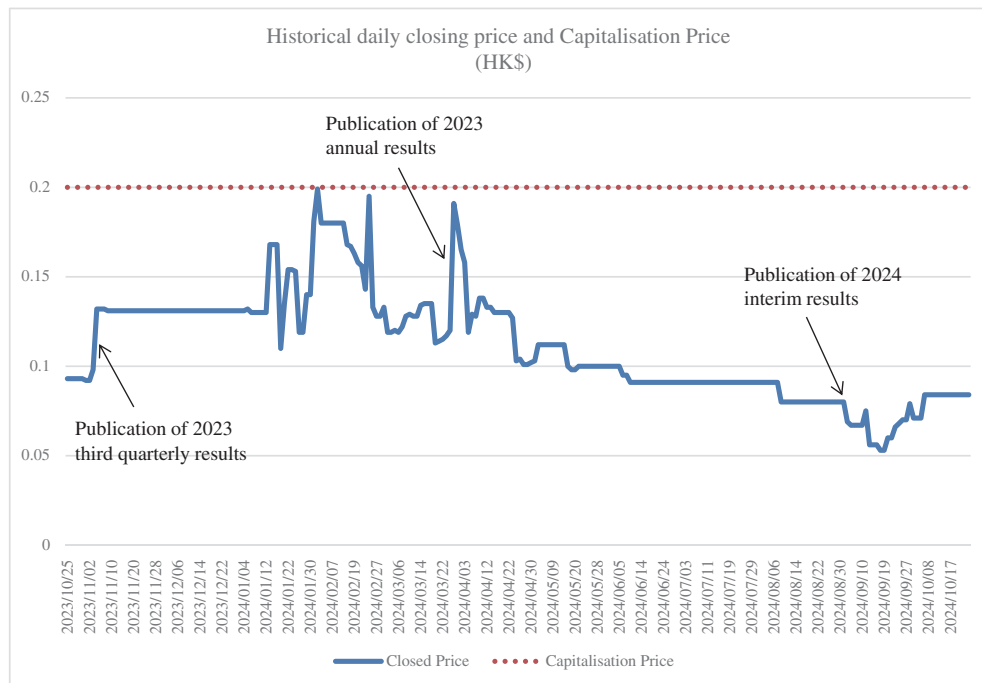
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(5) Analysis of the Loan Capitalisation Price

In order to assess the fairness and reasonableness of the Capitalisation Price, we have performed a review on the daily closing prices and trading volume of the Shares from 25 October 2023 to 24 October 2024, being a period of 12 months prior to and including the date of the Capitalisation Agreement (the “**Review Period**”) and compared with the Capitalisation Price. We consider the Review Period which covers a full year prior to and including the date of the Loan Capitalisation Agreement represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

(a) Analysis on historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



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

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As shown in the chart above, during the Review Period, the daily closing prices of the Shares ranged from HK\$0.053 per Share (the “**Lowest Closing Price**”) recorded on 17 September 2024 and 19 September 2024 to HK\$0.199 per Share (the “**Highest Closing Price**”) recorded on 1 February 2024, with the average closing price of the Shares amounted to approximately HK\$0.111 per Share (the “**Average Closing Price**”).

During the Review Period, the Share price generally increased from HK\$0.092 per Share on 2 November 2023 to HK\$0.132 on 6 November 2023, and remained at similar price level until around 12 January 2024. During the period commencing from 12 January 2024 and ending on 23 April 2024, price of the Shares fluctuated between the HK\$0.11 per Share and the Highest Closing Price of HK\$0.199 per Share. Since then, the price of the Share experienced a general downward trend and reached HK\$0.053 per Share on 19 September 2024. The price per Share increased to reach HK\$0.084 per Share on 24 October 2024. The Directors confirmed that they do not aware the reasons for all of the abovementioned decreases and increases in Share price.

We note that the Capitalisation Price of HK\$0.2 per Capitalisation Share represents (i) a premium of approximately 277.4% over the Lowest Closing Price of HK\$0.053 per Share; (ii) a premium of approximately 0.5% to the Highest Closing Price of HK\$0.199 per Share; and (iii) a premium of approximately 80.2% to the Average Closing Price of approximately HK\$0.111 per Share. Taking into consideration that the Capitalisation Price is above the aforesaid historical closing price range during the Review Period; and as shown in the chart above, the closing price of the Shares demonstrated a downward trend since April 2024, we are of the view that the Capitalisation Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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(b) Review on trading liquidity of the Shares

The following table sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period during the Review Period:

	Total trading volume of the Shares for the month/period	Number of trading days	Average daily trading volume of the Shares for the month/period	Percentage of the average daily trading volume over total number of issued Shares as at the end of the month/period
2023				
October	–	5	–	0.000%
November	66,000	22	3,000	0.002%
December	–	19	–	0.000%
2024				
January	2,125,000	22	96,591	0.052%
February	1,350,000	19	71,053	0.038%
March	2,871,500	20	143,575	0.078%
April	1,091,500	20	54,575	0.030%
May	276,000	21	13,143	0.007%
June	250,000	19	13,158	0.007%
July	80,000	22	3,636	0.002%
August	14,000	22	636	0.000%
September	4,153,500	19	218,605	0.118%
October (up to the date of the Loan Capitalisation Agreement)	224,500	16	14,031	0.008%
Maximum			218,605	0.118%
Minimum			–	0.000%
Average			48,616	0.026%

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

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As illustrated from the table above, the average trading volume of the Shares was low, with a range from 0 Shares to 218,605 Shares during the Review Period, representing approximately 0% to 0.118% of the total number of Shares in issue as at the end of relevant month/period. It illustrates that the trading volume of the Shares was relatively thin during the Review Period. The relatively thin trading liquidity may hinder independent placing agent(s) or underwriter(s) to participate when the Company attempt to conduct an equity fund raising exercise and even if there is such equity fund raising exercise, it is inevitable that significant discount to the current market price of Shares will be required to encourage participation of potential investors.

Having considered that (i) the Subscriber is willing to accept the Loan Capitalisation Price which is much higher than the closing price of the Shares as at the date of the Loan Capitalisation Agreement, this demonstrates his support and confidence to the Group's business operation and prospects; (ii) the thin trading volume and low liquidity of the Shares may hinder the success of an equity fund raising exercise of the Company; and (iii) the Loan Capitalisation will enable the Group to retain cash for general working capital and/or business development when opportunities arise, we are of the view that the Capitalisation Price of HK\$0.2 is on normal commercial terms and is fair and reasonable.

(c) Market comparable analysis

To further assess the fairness and reasonableness of the Capitalisation Price, we have identified, to the best of our knowledge, effort and endeavor, an exhaustive list of 13 comparable transactions (the “**Comparables**”) based on the following criteria: (i) companies listed on the Stock Exchange; (ii) companies that had published announcements in relation to connected transactions subscription of new shares (excluding transactions involving (a) issue of new shares for restructuring scheme, emolument or acquisition purposes, or A shares or domestic shares; and (b) whitewash waiver applications or general offer obligations under the Hong Kong Code on Takeovers and Mergers) under specific mandate for cash consideration for the period from 25 April 2024 to 24 October 2024 (being approximate six months prior to and including the date of the Loan Capitalisation Agreement). The six months period was adopted to demonstrate recent market trends with a sufficient number of Comparables and thus, we consider the six months period is reasonable and representative. We also noted that the terms of the relevant transactions of the Comparables may vary from companies with different financial standings, business performance and prospects. However, we consider that the Comparables represent recent trend of relevant transactions in the prevailing market condition and could provide a general reference.

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				Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of the date of agreement	Premium/ (Discount) of the subscription price over/to the net asset value attributable to owners of the company per share	
	Date of announcement	Stock code	Company name	Premium/ (Discount) of the subscription price over/to the closing price per share on/prior to the date of agreement (approx. %)	Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of the date of agreement (approx. %)	Premium/ (Discount) of the subscription price over/to the net asset value attributable to owners of the company per share (approx. %)
1	23 October 2024	836	China Resources Power Holdings Company Limited	(5.06%)	(3.48%)	4.75%
2	21 October 2024	8370	Zhi Sheng Group Holdings Limited	(60.53%)	(60.63%)	26.14%
3	17 October 2024	8137	Honbridge Holdings Limited	(75.00%)	(77.01%)	(81.63%)
4	10 October 2024	1520	Virtual Mind Holding Company Limited	13.64%	38.89%	56.95%
5	4 October 2024	8051	CircuTech International Holdings Limited (Note 1)	(2.60%)	0.30%	(55.27%)
6	4 September 2024	8646	China Hongguang Holdings Limited	(42.80%)	(34.40%)	(63.15%)
7	2 September 2024	8350	Well Link Securities Holdings Limited	65.60%	66.90%	2,961.85% (Note 2)
8	8 July 2024	209	Winshine Science Company Limited	(9.10%)	(9.10%)	Net liabilities (Note 2)
9	17 June 2024	1176	Zhuguang Holdings Group Company Limited	21.21%	18.34%	(76.98%)
10	7 June 2024	1802	Wenye Group Holdings Limited	(3.50%)	(14.10%)	Net liabilities (Note 2)
11	22 May 2024	8391	Cornerstone Technologies Holdings Limited	12.28%	20.75%	449.75%

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				Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of the date of agreement	Premium/ (Discount) of the subscription price over/to the net asset value attributable to owners of the company per share
Date of announcement	Stock code	Company name	Premium/ (Discount) of the subscription price over/to the closing price per share on/prior to the date of agreement (approx. %)	Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of the date of agreement (approx. %)	Premium/ (Discount) of the subscription price over/to the net asset value attributable to owners of the company per share (approx. %)
12	13 May 2024	511	Television Broadcasts Limited	7.24%	12.68% (36.29%)
13	13 May 2024	1262	Labixiaoxin Snacks Group Limited	(5.17%)	(15.77%) (39.74%)
			Maximum	65.60%	66.90% 449.75%
			Minimum	(75.00%)	(77.01%) (81.63%)
			Average	(6.45%)	(4.36%) 18.45%
			Median	(3.50%)	(3.48%) (38.02%)
			The Company	138.10%	138.10% 41.80%

Notes:

1. Relevant subscription agreement contains two batches of subscriptions with different subscription prices and conditions precedent. The subscription with profit guarantee as conditions precedent is excluded from the market comparable analysis having considered that determination of subscription price may be affected by the availability of profit guarantee.
2. Well Link Securities Holdings Limited recorded extremely high premium of the subscription price over the net assets value attributable to owners of the company per share when compared to other Comparables which may distort the overall market comparable analysis on net assets value. In addition, Winshine Science Company Limited and Wenye Group Holdings Limited recorded net liabilities. These companies have been excluded from the market comparable analysis on net asset value.
3. The net asset value attributable to owners of the company per share are converted from Renminbi to HK\$, where applicable, at the exchange rate of RMB1 = HK\$1.09.

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As illustrated in the table above, the subscription prices of the Comparables:

- (i) ranged from approximately 75.00% discount to approximately 65.60% premium with median of approximately 3.50% discount (the “**Market Median**”), to/over their respective closing prices on/prior to the date of the corresponding agreements;
- (ii) ranged from approximately 77.01% discount to approximately 66.90% premium with median of approximately 3.48% discount (the “**5-Day Market Median**”), to/over their average closing prices for the last five consecutive trading days prior to/up to and including the date of the corresponding agreements; and
- (iii) ranged from approximately 81.63% discount to approximately 449.75% premium with median of approximately 38.02% discount (the “**NAV Median**”), to/over their net asset value attributable to owners of the company per share.

Having considered that (i) the Capitalisation Price represents premiums of approximately 138.1%, 138.1% and 41.8% over the closing Share price on the date of the Loan Capitalisation Agreement, the average closing Share price for the last five consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement and the net asset value attributable to owners of the Company per Share, respectively, which are better than the Market Median, the 5-Day Market Median and the NAV Median; (ii) the Capitalisation Price is higher than the Highest Closing Price; and (iii) the relatively low liquidity of Shares as discussed in “(b) Review on trading liquidity of the Shares” above, we are of the view that the Capitalisation Price is fair and reasonable so far as the Independent Shareholders are concerned.

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(6) Potential dilution effects of the Loan Capitalisation

Below is the shareholding structure of the Company as set out in the Letter from the Board: (i) as at the Latest Practicable Date; and (ii) immediately after Completion and the allotment and issue of the Capitalisation Shares as contemplated under the Loan Capitalisation (assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Capitalisation Shares):

Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Capitalisation Shares	
	No. of Shares	Approximate % Shareholding	No. of Shares	Approximate % Shareholding
New Everich Holdings Limited (Note i)	104,437,500	56.49%	104,437,500	42.65%
Mr. Li (the Subscriber) (Note i)	5,062,500	2.74%	65,062,500	26.57%
Mr. Pang Kwok Chau	1,500,000	0.81%	1,500,000	0.61%
Mr. Wong Kin Wa	1,500,000	0.81%	1,500,000	0.61%
Public				
Golden Brand Holdings Limited (Note ii)	16,500,000	8.93%	16,500,000	6.74%
Other Public Shareholders	55,875,000	30.22%	55,875,000	22.82%
Total	184,875,000	100%	244,875,000	100%

Notes:

- (i) Mr. Li beneficially owns 5,062,500 Shares and holding via New Everich Holdings Limited 104,437,500 Shares. New Everich Holdings Limited is owned by Mr. Li and Ms. Kwok King Wa as to 54% and 46% respectively. Accordingly, Mr. Li is deemed to be interested in the 104,437,500 Shares held by New Everich Holdings Limited. As Ms. Kwok King Wa is the spouse of Mr. Li, Ms. Kwok King Wa is also deemed to be interested in the 5,062,500 Shares held by Mr. Li and the 104,437,500 Shares held by New Everich Holdings Limited.
- (ii) The 16,500,000 Shares owned by Golden Brand Holdings Limited which is wholly owned by Mr. Bai Zhifeng. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, other than his shareholding in the Company, Mr. Bai Zhifeng is a third party independent of the Company and its connected persons.

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As shown in the above table, we noted that shareholding held by public Shareholders in the Company would be diluted from approximately 39.15% as at the Latest Practicable Date to approximately 29.56% immediately after Completion. We also noted that as at 30 June 2024, net asset value per Share was approximately HK\$0.14. Net asset per Share as at 30 June 2024 would be approximately HK\$0.16 (based on the increase of net assets from approximately HK\$26.0 million as at 30 June 2024 to approximately HK\$38.0 million with the absence of the Shareholder's Loan of HK\$12.0 million, divided by 244,875,000 enlarged issued Shares) on assumption of Completion. Having considered that (i) Loan Capitalisation will not cause any cash outlay of the Group and will enhance net asset value per Share and reduce the gearing ratio to nil; (ii) the Capitalisation Price is fair and reasonable so far as the Independent Shareholders are concerned as discussed in "(5) Analysis of the Loan Capitalisation Price" above; (iii) the Group will no longer incur interest expenses arising from the Shareholder's Loan; (iv) Loan Capitalisation demonstrated the Subscriber's confidence and support in the Group's business operation and prospects; and (v) the reasons as mentioned in "(3) Reasons for and benefits of the Loan Capitalisation" above, we are of the view that the potential dilution effect on the shareholding interests of other public Shareholders to be acceptable, and the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

(6) Financial effects of the Loan Capitalisation

Earnings

The Shareholder's Loan carried interest at a rate of 2.0% per annum. The Loan Capitalisation will enable the Group to save such interest expenses going forward, which can improve earnings of the Group.

Net asset value

Upon Completion, the Capitalisation Shares will be recognised as equity of the Group, which will offset the Shareholder's Loan and in turn, enlarge the capital base and increase net asset value of the Group.

Liquidity and gearing ratio

Upon Completion, principal amount of the Shareholder's Loan of HK\$12.0 million will be settled by the Capitalisation Shares and the aggregate accrued interest under the Shareholder's Loan shall be paid in cash. As a result, indebtedness and liquidity position of the Group will be improved and gearing ratio will be reduced to nil.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

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RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular that:

- (i) the Group is facing liquidity pressure in view of its continuous loss-making financial performance and negative operating cashflow;
- (ii) the Loan Capitalisation will improve the Group's indebtedness level and reduce its finance costs;
- (iii) the Loan Capitalisation will not involve cash outflow from the Group and it indicated the support and confidence of the controlling shareholder to business operation and prospect of the Group;
- (iv) the Loan Capitalisation is the preferred method of fund raising as compared to other alternatives as discussed in "(3) Reasons for and benefits of the Loan Capitalisation" above;
- (v) the Capitalisation Price is fair and reasonable as discussed in "(5) Analysis of the Loan Capitalisation Price" above, in particular it represents a premium over the Highest Closing Price in the twelve months preceding the date of the Loan Capitalisation Agreement; and
- (vi) the potential dilution effect to the public Shareholders is acceptable as discussed in "(6) Financial effects of the Loan Capitalisation,

we are of the opinion that although the Loan Capitalisation is not in the ordinary and usual course of business of the Company, the terms of the Loan Capitalisation under the Loan Capitalisation Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution(s) at the EGM to approve the transactions contemplated under the Loan Capitalisation Agreement.

Yours faithfully,

For and on behalf of

SBI China Capital Hong Kong Securities Limited

Ringo Kwan

Managing Director

Evelyn Fan

Executive Director

Mr. Ringo Kwan and Ms. Evelyn Fan have been responsible officers of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005 and 2012, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm, that to the best of their knowledge and belief, 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. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are (i) 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 and short positions which he/she has taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Directors' Interests and Short Positions in Shares, Underlying Shares and Debenture of the Company

Name of Director	Capacity/ Nature of interest	Long position/ Short position	Number of Shares	Approximate percentage of the issued share capital
Mr. Li	Interest of controlled corporation	Long position	104,437,500 ^{Note}	56.49%
	Beneficial owner	Long position	5,062,500	2.74%
Mr. Pang Kwok Chau	Beneficial owner	Long position	1,500,000	0.81%
Mr. Wong Kin Wa	Beneficial owner	Long position	1,500,000	0.81%

Note: The 104,437,500 shares are owned by New Everich Holdings Limited (“**New Everich**”) which is owned by Mr. Li and Ms. Kwok King Wa as to 54% and 46% respectively. Mr. Li is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li is deemed to be interested in the 104,437,500 shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of SFO) which are required, pursuant to Section 352 of the SFO, to be entered in the registers referred to therein or are required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' Interests in Shares in Associated Corporation of the Company

Name of Director	Name of associated corporation in which interests were held	Nature of interests	Approximate percentage of interests in the capital of the associated corporation
Mr. Li	New Everich	Beneficial owner	100% ^{Note}

Note: New Everich is owned as to 54% and 46% by Mr. Li and Ms. Kwok King Wa respectively. Mr. Li is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 100% interests in New Everich under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions 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 or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange.

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

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

The followings are the contracts in which a Director is materially interested and which is significant in relation to the business of the Group:

- (a) the loan agreement dated 19 January 2024 in respect of the Loan; and
- (b) the Loan Capitalisation Agreement.

Since 31 December 2023, the Group leased certain properties located in Hong Kong for office use from Talent Information Engineering Co Limited, a company beneficially owned by Ms. Kwok King Wa (the spouse of Mr. Li). The monthly rental paid by the Group is HK\$30,000 and the current lease term is for the period from 1 January 2024 to 31 December 2024.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any interest, directly or indirectly, in any assets which have, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Directel Limited, a company incorporated in the Cayman Islands, is held as to 50% and 50% by Mr. Li, a non-executive Director, the chairman of the Company, a controlling shareholder and a substantial shareholder of the Company, and Ms. Kwok King Wa, a controlling shareholder and a substantial shareholder of the Company and the spouse of Mr. Li, respectively. According to the GEM Listing Rules, Directel Limited is an associate of Mr. Li and Ms. Kwok King Wa.

Directel Limited is the licensee of the operation rights of RF-SIM in markets other than the PRC (including Hong Kong and Macau) and it has the right to grant licences of the operation rights of RF-SIM intellectual property rights to others in markets other than the PRC. There is a risk that such services provided by Directel Limited may compete with the services provided by the Group as Directel Limited is expected to grant licences of the operation rights of RF-SIM intellectual property rights in other regions in the future.

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

The Directors confirm that as China-Hongkong Telecom Limited, a wholly-owned subsidiary of the Company, has obtained the exclusive licence of the operation rights of RF-SIM intellectual property rights in Hong Kong and Macau. The Directors further confirm that the services provided by Directel Limited are in territories other than the PRC, Hong Kong and Macau, the services provided by the Sunward Group concentrate on the application of the RF-SIM intellectual property rights in the PRC, and the services provided by the Group regarding the operation rights of RF-SIM intellectual property rights are solely in Hong Kong and Macau. Nevertheless, Mr. Li, Ms. Kwok King Wa and Directel Limited (as Covenantors) executed a deed of non-competition undertaking in favour of the Company on 24 May 2010 pursuant to which the Covenantors have undertaken to the Company inter alia, that (i) the Covenantors shall not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on his/her/its own account or with each other or in conjunction with or on behalf of any person or company, any business which will or may compete with the RF-SIM business of the Group in Hong Kong and Macau; and (ii) in the event the Covenantors or their associates were given any business opportunities that is or may involve in direct or indirect competition with the business of the Group, the Covenantors shall assist the Company in obtaining such business opportunities in the terms being offered to the Covenantors, or more favourable terms being acceptable to the Company.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, the Company was not engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Company.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Company were made up.

8. EXPERT'S QUALIFICATION AND CONSENT

SBI China Capital Hong Kong Securities Limited 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.

The following is the qualification of the expert who has given its opinion or advice which is contained in the circular:

Name	Qualification
SBI China Capital Hong Kong Securities Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

9. EXPERT'S INTERESTS

As at the Latest Practicable Date, SBI China Capital Hong Kong Securities Limited did not have any shareholding in any member of the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company and did not have any direct or indirect interest in any asset which had been acquired by or disposed of or leased to any member of the Group, or was proposed to be acquired by or disposed of or leased to any member of the Group, since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Group were 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.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the Stock Exchange at "www.hkexnews.hk" and the Company at "www.directel.hk" for a period of 14 days from the date of this circular:

- (a) the Loan Capitalisation Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

- (d) the written consent from SBI China Capital Hong Kong Securities Limited referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix; and
- (e) this circular.

11. MISCELLANEOUS

- (a) the registered office of the Company is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands;
- (b) the head office and principal place of business of the Company is located at Office Nos. 1, 2, 14 and 15, 37th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong;
- (c) the Company’s branch share registrar in Hong Kong is Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong;
- (d) the company secretary of the Company is Mr. Li Chi Chung who is an associate member of the Hong Kong Institute of Certified Public Accountants; and
- (e) the English text of this circular prevails over the Chinese text in case of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



DIRECTEL HOLDINGS LIMITED

直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8337)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**EGM**”) of Directel Holdings Limited (the “**Company**”) will be held at Office Nos. 1, 2, 14 and 15, 37th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong, on Tuesday, 3 December 2024 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Loan Capitalisation Agreement (the “**Loan Capitalisation Agreement**”) dated 24 October 2024 and entered into between the Company as issuer and Mr. Li Kin Shing (the “**Subscriber**”) as subscriber in relation to the conversion of the principal amount of HK\$12,000,000 under the unsecured shareholder’s loan due from the Group to the Subscriber into the share capital of the Company (the “**Loan Capitalisation**”) involving the subscription (the “**Subscription**”) of an aggregate of 60,000,000 new shares to be issued and allotted by the Company (the “**Capitalisation Shares**”) at the Capitalisation Price of HK\$0.20 per Capitalisation Share, a copy of which is tabled at the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in, the Capitalisation Shares, the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Capitalisation Shares to the Subscriber subject to the terms of the Loan Capitalisation Agreement (the “**Specific Mandate**”), with such Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any Director be and is hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and giving effect to the Loan Capitalisation Agreement, the Loan Capitalisation, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Loan Capitalisation Agreement and are in the best interests of the Company.”

For and on behalf of the Board
Directel Holdings Limited
Pang Kwok Chau
Executive Director

Hong Kong, 14 November 2024

Head office and principal place of business:

Office Nos. 1, 2, 14 and 15
37th Floor
Hong Kong Plaza
No. 188 Connaught Road West
Hong Kong

Notes:

- (i) A form of proxy for use at the EGM is enclosed.
- (ii) Any member of the Company entitled to attend and vote at the EGM convened by this notice shall be entitled to appoint proxy to attend and vote instead of him in accordance with the articles of association of the Company. A proxy need not be a member of the Company, but must be present in person to represent the member.
- (iii) In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
- (iv) To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding of the EGM (i.e. 10:00 a.m. on Sunday, 1 December 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should they so wish.
- (v) The above resolution will be voted by way of a poll at the EGM.
- (vi) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 28 November 2024 to Tuesday, 3 December 2024, both days inclusive. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 27 November 2024.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (vii) If tropical cyclone warning signal no. 8 or above, “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force at 7:00 a.m. on Tuesday, 3 December 2024, the EGM will be postponed and further announcement for details of alternative meeting arrangements will be made. The EGM will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the EGM under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.
- (viii) References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this circular, the non-executive directors of the Company are Mr. Li Kin Shing and Mr. Wong Kin Wa, the executive director of the Company is Mr. Pang Kwok Chau and the independent non-executive directors of the Company are Ms. Lee Man Yee, Maggie, Mr. Chen Xue Dao and Mr. Liu Kejun.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquires, 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.

This circular will remain on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting. This circular will also be posted on the Company’s website at www.directel.hk.