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DIRECTEL HOLDINGS LIMITED

直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8337)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Directel Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 28 May 2010 (the “**Prospectus**”) relating to the placing and listing of the Company’s shares on the GEM board of The Stock Exchange of Hong Kong Limited, the announcements of the Company dated 26 September 2017 and 12 September 2018, and the respective annual, interim and quarterly reports of the Company relating to the update on the use of proceeds. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meaning as those defined in the Prospectus.

USE OF PROCEEDS

As disclosed in the announcement dated 12 September 2018, the Directors of the Company had resolved to change part of the unutilised net proceeds from the Placing for the following purposes:

- approximately 3.2% of the unutilised net proceeds, or approximately HK\$0.8 million, for further expansion of the business of mobile phone services in Macau and Taiwan and development of such services in other Asia Pacific territories;
- approximately 5.6% of the unutilised net proceeds, or approximately HK\$1.4 million, for the upgrading of the Group’s telecommunications equipment to be compatible with the mobile network operated by the Group’s service providers in Hong Kong and the PRC;
- approximately 32.3% of the unutilised net proceeds, or approximately HK\$8.0 million, for development and implementation of RF-SIM business plans in Hong Kong and Macau;
- approximately 48.8% of the unutilised net proceeds, or approximately HK\$12.1 million, for distribution of mobile phones and equipment overseas; and
- the remaining of the unutilised net proceeds, or approximately HK\$2.5 million to fund working capital and other general corporate purposes.

The net proceeds from the Placing were approximately HK\$69.2 million, amongst which approximately HK\$61.2 million had been utilised up to 30 September 2021. The remaining unutilised net proceeds of approximately HK\$8.0 million allocated to development and implementation of RF-SIM business plans in Hong Kong and Macau have been placed as interest bearing deposits in banks.

CHANGE IN USE OF PROCEEDS

On 20 December 2021, after careful consideration and detailed evaluation of the Group's operations and business strategy, the Directors of the Company had resolved to reallocate the remaining unutilised net proceeds from the Placing in the amount of approximately HK\$8 million to be used for the distribution of mobile phones and equipment overseas, which is expected to be fully utilised by the Group by the end of 2022.

The utilisation of the net proceeds from the Placing up to the date of this announcement and the revised use of the net proceeds from the Placing after reallocation are set forth below:

	Proposed use of the net proceeds from the Placing as disclosed in the Prospectus <i>HK\$ million</i>	Resolved change of use of the net proceeds from the Placing as disclosed in the announcement dated 12 September 2018 <i>HK\$ million</i>	Actual use of the net proceeds from Placing from the date of listing to 30 September 2021 <i>HK\$ million</i> (Unaudited)	Remaining balance of the net proceeds from the Placing as at the date of this announcement <i>HK\$ million</i>	Revised use of remaining balance of the net proceeds from the Placing <i>HK\$ million</i>
Expansion of the business of mobile phone services in Macau, Taiwan and other Asia Pacific territories	22.7	22.7	22.7	–	–
Upgrading of the Group's telecommunications equipment for compatible with the mobile network operated by the Group's service providers in Hong Kong and the PRC	20.8	12.8	12.8	–	–
Development and implementation of RF-SIM business plans in Hong Kong and Macau	18.9	12.3	4.3	8.0	–
Distribution of mobile phones and equipment overseas	–	12.1	12.1	–	8.0
Working capital	6.8	9.3	9.3	–	–
Total	69.2	69.2	61.2	8.0	8.0

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Since the completion of the Placing, the development and implementation of RF-SIM business continues to be one of the business development agendas of the Group and the Group continues to conduct in-house research to explore the different applications of the RF-SIM technology. However, due to the slower than expected business development progress for both the telecommunications market and the property management market, the utilisation of the net proceeds originally allocated to this segment was delayed. For details, please refer the Third Quarterly Report 2021 issued by the Company on 12 November 2021.

In view of the above, the Directors of the Company decided to reallocate the unutilised net proceeds in the sum of approximately HK\$8 million to the business segment of distribution of mobile phones and equipment overseas which is currently one of the Group's main revenue streams in Hong Kong. The Group is confident that this segment will continue to see revenue growth and thus will commit more financial resources and identify different suppliers to increase the offerings of mobile phones and electronic products, and to expand the source of revenue and further enhance the business performance. As such, the Group made the above change in the use of proceeds to better utilise the remaining net proceeds from the IPO more efficiently and flexibly.

The Directors of the Company confirms that there are no material changes in the nature of the business of the Group. The Directors of the Company consider that the reallocation of the unutilised net proceeds is in the interests of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

The Directors of the Company will continuously assess the changing market conditions and may revise or amend the use of the unutilised net proceeds from the Placing where necessary, to strive for better business performance of the Group.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

The Company will make further announcement if and when there is any material development on the matter or otherwise as required by the GEM Listing Rules.

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

Hong Kong, 20 December 2021

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

This announcement, 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 enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement will remain on GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting. This announcement will also be posted on the website of the Company at www.directel.hk.