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This circular, for which the directors of Directel Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market 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 circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

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



DIRECTEL HOLDINGS LIMITED

直通電訊控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8337)

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES; ADOPTION OF NEW SHARE OPTION SCHEME; RE-ELECTION OF DIRECTORS; AND NOTICE OF ANNUAL GENERAL MEETING

This circular will remain on the Growth Enterprise Market (“GEM”) website at www.hkgem.com on the “Latest Company Announcements” 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 Annual General Meeting of the Company to be held at Lily Room, 3/F, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on Wednesday, 11 May 2016 at 10:00 a.m. is set out on pages 22 to 26 of this circular. Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the accompanying proxy form to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the Annual General Meeting. The return of the proxy form will not preclude you from attending and voting in person in the Annual General Meeting if you so wish.

31 March 2016

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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:

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| “Adoption Date” | the date on which the proposed New Share Option Scheme is conditionally adopted by the Shareholders at the Annual General Meeting |
| “Annual General Meeting ” | the annual general meeting of the Company to be convened and held on Wednesday, 11 May 2016 at 10:00 a.m. at Lily Room, 3/F, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong or any adjournment thereof, the notice of which is set out on pages 22 to 26 of this circular |
| “Associate(s)” | has the meaning as ascribed to it/them under the GEM Listing Rules |
| “Auditor” | the auditors for the time being of the Company |
| “Board” | the board of Directors of the Company |
| “Business Day” | a day on which the Stock Exchange is open for the business of dealing in securities |
| “Commencement Date” | means, in respect of an Option, the date upon which such Option is deemed to be granted and accepted in accordance with the New Share Option Scheme |
| “Company” | Directel Holdings Limited (直通電訊控股有限公司), a company incorporated in Cayman Islands with limited liability whose securities are listed on GEM |
| “connected person” | has the meaning as ascribed to it under the GEM Listing Rules |
| “Director(s)” | the director(s) of the Company |

DEFINITIONS

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| “Eligible Participant” | means (i) any full-time or part-time employees, executives, officers; (ii) directors (including executive directors, non-executive directors, and independent non-executive directors (where applicable)) of the Group; (iii) substantial shareholders of each member of the Group; (iv) associates of directors or substantial shareholders of the Group; (v) the trustees of any trust pre-approved by the Board the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons; and (vi) any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Grantee(s)” | any Eligible Participant who accepts an Offer in accordance with the rules of the New Share Option Scheme or a person who is entitled to any such Option in consequence of the death of the original Grantee |
| “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 the People’s Republic of China |
| “Latest Practicable Date” | 24 March 2016 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| “New Share Option Scheme” | the share option scheme proposed to be adopted by the Company and to be approved by the Shareholders at the Annual General Meeting, a summary of the principal terms of which is set out in Appendix II to this circular |
| “Offer” | the offer of the grant of an Option or Options made in accordance with the terms of the New Share Option Scheme |
| “Option(s)” | option(s) to subscribe for Shares granted pursuant to the terms of the New Share Option Scheme |
| “Old Share Option Scheme” | the share option scheme adopted by the Company on 20 May 2010 |

DEFINITIONS

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| “Option Period” | means in respect of an Option, the period to be notified by the Board to each Grantee within which the Option may be exercisable provided that such period of time shall not exceed a period of ten years commencing on the Commencement Date |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holders of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | the Code on Takeovers and Mergers and Share Repurchases issued by the Hong Kong Securities and Future Commission, as amended from time to time |
| “%” | 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 directors:

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

Mr. Li Wang

Independent non-executive directors:

Mr. Chen Xue Dao

Mr. Chu, Howard Ho Hwa

Ms. Lee Man Yee, Maggie

Registered office:

Clifton House

75 Fort Street

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

31 March 2016

To the shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES;
ADOPTION OF NEW SHARE OPTION SCHEME;
RE-ELECTION OF DIRECTORS;
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

At the Annual General Meeting, resolutions will be proposed to (i) grant to the Directors general mandates to allot, issue and deal with new shares of the Company and to repurchase shares of the Company; (ii) adopt the New Share Option Scheme; and (iii) re-elect the Directors in accordance with the articles of association of the Company. This circular contains the explanatory statement in compliance with the GEM Listing Rules and to give all the information reasonably necessary to enable shareholders of the Company to make an informed decision on whether to vote for or against the resolutions.

LETTER FROM THE BOARD OF DIRECTORS

GENERAL MANDATES

At the Annual General Meeting, separate ordinary resolutions will be proposed to renew the general mandates to authorise the Directors (i) to allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the resolution (the “**Issue Mandate**”); (ii) to exercise all powers (the “**Repurchase Mandate**”) of the Company to repurchase issued and fully paid Shares on the GEM up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of the resolution; (iii) to extend the general mandate granted to the Directors to allot, issue and deal with additional Shares as mentioned in paragraph (i) above by the amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the Repurchase Mandate.

As at the Latest Practicable Date, there were in issue an aggregate of 3,112,500,000 Shares. Subject to the passing of the proposed resolution for the grant of the Issue Mandate and on the basis that no Share is issued or repurchased by the Company prior to the Annual General Meeting, the Directors will be authorised to allot and issue under the Issue Mandate up to 622,500,000 Shares, and to the extent the Repurchase Mandate is exercised, plus the amount of Shares representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the Repurchase Mandate.

The Issue Mandate and the Repurchase Mandate shall continue in force during the period ending on the earliest of (a) the date of the next annual general meeting; (b) the date by which the next annual general meeting of the Company is required to be held by law or by its articles of association; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company. The existing general mandates to issue and repurchase Shares granted to the Directors pursuant to the resolutions passed by the Shareholders of the Company on 7 May 2015 will expire at the Annual General Meeting.

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the proposed Repurchase Mandate is set out in Appendix I to this circular. The information in the explanatory statement is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate.

ADOPTION OF THE NEW SHARE OPTION SCHEME

Old Share Option Scheme

The Old Share Option Scheme was adopted on 20 May 2010 and has expired on 19 May 2015. As at the Latest Practicable Date, no option was granted or was outstanding under the Old Share Option Scheme. The Company currently did not have any subsisting share option scheme as at the Latest Practicable Date.

LETTER FROM THE BOARD OF DIRECTORS

New Share Option Scheme

As the Old Share Option Scheme expired on 19 May 2015 and for the reasons set out in the section headed “Reasons for Adopting the New Share Option Scheme” below, the Directors propose to adopt the New Share Option Scheme, the principal terms of which are set out in Appendix II to this circular. A copy of the rules of New Share Option Scheme is available for inspection at the principal place of business of the Company at Office Nos. 1, 2, 14 and 15, 37th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong during normal business hours for a 14-day period immediately preceding the Annual General Meeting.

The total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme by the Shareholders at the Annual General Meeting (the “**Scheme Limit**”) unless the Company obtains an approval by the Shareholders at its general meeting to refresh the Scheme Limit. Further, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. Based on the issued share capital of 3,112,500,000 Shares as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased by the Company between the period from the Latest Practicable Date to the date of the Annual General Meeting, the Scheme Limit will be 311,250,000 Shares.

None of the Directors is a trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee of the New Share Option Scheme.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on any resolution approving the adoption of the New Share Option Scheme to be proposed at the Annual General Meeting.

Conditions of the adoption of the New Share Option Scheme

The New Share Option Scheme shall take effect subject to and is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders to approve and adopt the rules of the New Share Option Scheme; and
- (b) the Stock Exchange granting the listing of, and the permission to deal in, the Shares falling to be issued pursuant to the exercise of any Options which may be granted under the New Share Option Scheme.

Application for Listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the Options.

LETTER FROM THE BOARD OF DIRECTORS

Reasons for Adopting the New Share Option Scheme

The purpose of the New Share Option Scheme is to grant Options to Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving these objectives: (a) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (b) attract and retain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. The Directors plan to grant options to Eligible Participants who are regarded as valuable human resources of the Group or who have contributed to the growth and success of the Group based on their performance and other factors (e.g. their years of service with the Company and/or work experience and/or knowledge in the industry etc.) that are relevant in deciding the contribution of such Eligible Participants.

Under the rules of the New Share Option Scheme, the Board has discretion to set a minimum period for which an Option has to be held before it can be exercised and/or any performance targets which must be achieved before an Option can be exercised. This discretion allows the Board to provide incentive to an Eligible Participant to remain as the Eligible Participant and thereby enable the Group to continue to benefit from the services and contributions of such Eligible Participant. This discretion, coupled with the power of the Board to impose any conditions, restrictions or limitations in relation thereto as it considers appropriate before any Option can be exercised, enable the Group to provide incentives to the Eligible Participants to use their best endeavours in assisting the growth and development of the Group. Although the New Share Option Scheme does not provide for the granting of Options with rights to subscribe for Shares at a discount to the traded prices of the Shares on the Stock Exchange, the Directors are of the view that the flexibility given to the Board in granting Options to Eligible Participants and where the Board considers appropriate, to impose minimum period for which the Options have to be held and other conditions that have to be achieved before the Options can be exercised, will place the Group in an advantageous position to attract human resources, business partnerships that are valuable to the growth and development of the Group. Therefore, the Board considers that the terms and conditions of the New Share Option Scheme will serve to achieve the purposes of the New Share Option Scheme as stated hereinabove.

Value of all Options that can be granted under the New Share Option Scheme

The Directors consider it inappropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date because a number of variables which are crucial for the calculation of the Options' value cannot be determined. Such variables include the exercise price, exercise period, any conditions which the Options are subject to and other relevant variables. The Directors believe that any statement regarding the value of the Options based on a large number of assumptions will not be meaningful and may be misleading to the Shareholders.

RE-ELECTION OF DIRECTORS

As at the Latest Practicable Date, the non-executive Directors are Mr. Li Kin Shing and Mr. Wong Kin Wa; the executive Directors are Mr. Pang Kwok Chau and Mr. Li Wang; and the independent

LETTER FROM THE BOARD OF DIRECTORS

non-executive Directors are Mr. Chen Xue Dao, Mr. Chu, Howard Ho Hwa and Ms. Lee Man Yee, Maggie. Pursuant to the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Accordingly, Mr. Li Wang, Mr. Li Kin Shing and Mr. Chen Xue Dao, being Directors to retire in rotation in accordance with the articles of association of the Company, will retire and being eligible, offer themselves for re-election at the Annual General Meeting.

Mr. Li Wang (李宏), aged 45, is the executive Director. He is responsible for the overall management, corporate planning and business development of the Group. Mr. Li has over 12 years of experience in telecommunications industry. Mr. Li worked as a manager of a PRC telecommunications company namely, 廣州天龍信息工程公司 (Guangzhou Talent Information Engineering Company Limited) from 1993 to 1997 and was responsible for the management and promotion of pager and mobile telecommunications services business. Mr. Li then worked as a vice-general manager of 廣東直通電訊股份有限公司 (Guangdong Zhitong Telecommunications Limited) from 1997 to 1999, and gained experience in marketing of telecommunication service business. He also worked as a director of Directel Communications Limited from 1995 to 2000, a director of Target Link Enterprises Limited, a private company engaged in investment of software, from 1997 to 2004 and a director and a legal representative of 廣東直通投資有限公司 (Guangdong Zhitong Investment Ltd.) from 1992 to 2009. He is the brother of Mr. Li Kin Shing, the chairman and non-executive Director of the Company. He was appointed as an executive Director on 31 August 2009.

Mr. Li entered into a service agreement with the Company for an initial term of three years commencing from 1 May 2010 and entered into a renewal of service agreement for a term of three years commencing from 1 May 2013 subject to termination in certain circumstances as stipulated therein. Pursuant to the service agreement, Mr. Li is entitled to an annual remuneration of HK\$226,000 per year. He is also entitled to a bonus payment on such amount as shall be determined by the Board in its absolute discretion. The determination of his emoluments is based on salaries paid by comparable companies, time commitment, his duties and responsibilities in the Company, the Company's performance and its remuneration policy.

Mr. Li Kin Shing (李健誠), aged 58, is the chairman and a non-executive Director. Mr. Li has over 26 years of experience in the telecommunications industry. Mr. Li is the chairman, an executive director and chief executive officer of International Elite Ltd. ("IEL"), a company listed on the Main Board of the Stock Exchange and controlled by Mr. Li and his spouse Ms. Kwok King Wa. Mr. Li was the chief executive officer and president of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, US, whose shares are displayed on the Over the Counter Bulletin Board when he resigned from these positions on 2 February 2007 following the acquisition of ChinaCast Education Corporation by an independent third party, in December 2006. Mr. Li has confirmed that there were no disagreements between Mr. Li and ChinaCast Education Corporation on any matter relating to the ChinaCast Education Corporation's operations, policies or practices that resulted in his resignation. ChinaCast Education Corporation is a for-profit, post-secondary education and e-learning services provider in China. Mr. Li is the brother of Mr. Li Wang, the executive Director of the Company. He was appointed as the chairman and non-executive

LETTER FROM THE BOARD OF DIRECTORS

Director on 31 August 2009. Mr. Li is a director of New Everich Holdings Limited, which is interested in 2,088,750,000 shares of the Company representing 67.11% of the issued share capital of the Company. Mr. Li is also interested in 101,250,000 Shares of the Company representing 3.25% of the issued share capital of the Company.

Mr. Li entered into a service agreement with the Company for an initial term of three years commencing from 1 May 2010 and entered into a renewal of service agreement for a term of three years commencing from 1 May 2013 subject to termination in certain circumstances as stipulated therein. Pursuant to the service agreement, Mr. Li is entitled to an annual remuneration of HK\$80,000 per year. He is also entitled to a bonus payment on such amount as shall be determined by the Board in its absolute discretion. The determination of his emoluments is based on salaries paid by comparable companies, time commitment, his duties and responsibilities in the Company, the Company's performance and its remuneration policy.

Mr. Chen Xue Dao (陳學道), aged 73, was appointed as an independent non-executive Director on 20 May 2010. Mr. Chen is currently an honorary member of the China Institute of Communications (中國通信學會), honorary chairman of the Guangdong Institute of Communications (廣東省通信學會) and honorary chairman of Guangdong Communication Industry Association (廣東省通信行業協會). Mr. Chen also holds the qualification of a senior engineer at Professor grade and he has been granted the special subsidy by the State Council of the PRC for his prominent contributions to engineering science since 1992. From August 2010 to August 2014, Mr. Chen was an independent director of Eastone Century Technology Holding Co., Ltd. (Guangdong) (廣東宜通世紀科技股份有限公司) (stock code: 300310), a company listed in the Shenzhen Stock Exchange. Mr. Chen is currently an independent non-executive Director of IEL and an independent director of GCI Science & Technology Co., Ltd. (廣州傑賽科技股份有限公司), a company listed in the Shenzhen Stock Exchange with stock code 002544.

Mr. Chen entered into a service agreement with the Company for an initial term of three years commencing from 1 June 2010 and entered into a renewal of service agreement for a term of three years commencing on 1 June 2013 subject to termination in certain circumstances as stipulated therein. Pursuant to the service agreement, Mr. Chen is entitled to an annual remuneration of HK\$80,000 per year. He is also entitled to a bonus payment on such amount as shall be determined by the Board in its absolute discretion. The determination of his emoluments is based on salaries paid by comparable companies, time commitment, his duties and responsibilities in the Company, the Company's performance and its remuneration policy.

Save as disclosed hereof, as at the Latest Practicable Date, and to the best knowledge and belief of the Board, the Directors confirmed that:

- (a) each of Mr. Li Wang, Mr. Li Kin Shing and Mr. Chen Xue Dao is not connected with any Director, senior management, management shareholders, substantial shareholder or controlling shareholder of the Company;

LETTER FROM THE BOARD OF DIRECTORS

- (b) each of Mr. Li Wang, Mr. Li Kin Shing and Mr. Chen Xue Dao has no other interests in the Shares which are required to be disclosed under Part XV of the SFO;
- (c) each of Mr. Li Wang, Mr. Li Kin Shing and Mr. Chen Xue Dao does not hold any directorships in listed public companies in the last three years;
- (d) there is no other information that needs to be disclosed pursuant to any of the requirements as set out in Rule 17.50(2) of the GEM Listing Rules; and
- (e) the Company is not aware of any other matter that needs to be brought to the attention of the Shareholders and the Stock Exchange in relation to the re-election of Directors.

GENERAL INFORMATION

The notice for the Annual General Meeting has been set out on pages 22 to 26 of this circular.

Whether or not you intend to attend the Annual General Meeting in person, you are requested to complete and return the accompanying proxy form to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the Annual General Meeting. The return of the proxy form will not preclude you from attending and voting in person if you so wish.

VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all votes of Shareholders at the Annual General Meeting must be taken by way of poll and the Company will announce the results of the poll in the manner as prescribed under Rule 17.47(5) of the GEM Listing Rules.

RECOMMENDATION

The Directors consider that the general mandates to issue and repurchase Shares, adoption of the New Share Option Scheme and the re-election of Directors proposed are in the interest of the Company and so recommend you to vote in favour of the relevant resolutions at the forthcoming Annual General Meeting.

Yours faithfully,
By order of the Board
Directel Holdings Limited
Li Kin Shing
Chairman

This is an explanatory statement given to all shareholders of the Company, as required by the GEM Listing Rules, to provide requisite information of the Repurchase Mandate.

1. GEM LISTING RULES FOR REPURCHASES OF SHARES

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their fully-paid shares on GEM subject to certain restrictions, the more important of which are summarised below:

(a) Shareholders' approval

All proposed repurchase of securities on the Stock Exchange by a company with primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction.

(b) Share capital

Under the Repurchase Mandate, the number of Shares that the Company may repurchase shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of the relevant resolutions. The Company's authority is restricted to purchases made on GEM in accordance with the GEM Listing Rules. As at the Latest Practicable Date, there were in issue an aggregate of 3,112,500,000 Shares. Exercise in full of the Repurchase Mandate, on the basis that no further Shares would be issued or repurchased prior to the date of the Annual General Meeting, would accordingly result in up to 311,250,000 Shares being repurchased by the Company.

(c) Reasons for repurchase

The Directors have no present intention to repurchase any Shares but consider that the Repurchase Mandate will provide the Company with the flexibility to make such repurchase as and when appropriate and is beneficial to the Company. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share. As compared with the position of the Company in its financial statements for the year ended 31 December 2015 (being the most recent published audited accounts), the Directors consider that there would not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be made in full during the proposed repurchase period. However, the Directors will not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(d) Funding of repurchases

Repurchase of the Shares will be funded out of funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands. The Company is empowered by its memorandum and articles of association to repurchase its Shares. The Cayman Islands law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on redemption may only be paid out of either the profits that would otherwise be available for distribution by way of dividend or out of the share premium of the Company. Under the Cayman Islands law, the repurchased Shares will remain part of the authorised but unissued share capital.

(e) Connected persons

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the close associates (as defined in the GEM Listing Rules) of any of the Directors has any present intention, in the event that the proposed Repurchase Mandate is approved by the Company's shareholders, to sell Shares to the Company. As at the Latest Practicable Date, no core connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares. The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchase pursuant to the Repurchase Mandate and in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and any applicable laws of the Cayman Islands.

(f) Effect of Takeovers Code and minimum public float

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a shareholder, or a group of shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, the register of the shareholders maintained by the Company pursuant to Section 336 under Part XV of the SFO showed that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital:

| Name of Shareholders | Number of shares held | Approximate percentage of existing shareholding | Approximate percentage of shareholding if the |
|--|-----------------------|---|---|
| | | | Repurchase Mandate is exercised in full |
| Mr. Li Kin Shing (<i>Note 1</i>) | 2,190,000,000 | 70.36% | 78.18% |
| Ms. Kwok King Wa (<i>Note 2</i>) | 2,190,000,000 | 70.36% | 78.18% |
| New Everich Holdings Limited (<i>Note 3</i>) | 2,088,750,000 | 67.11% | 74.56% |

Notes:

1. Among the 2,190,000,000 Shares, 2,088,750,000 Shares are owned by New Everich Holdings Limited which is owned as to 54% and 46% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 2,088,750,000 Shares under the SFO.
2. Among the 2,190,000,000 Shares, 101,250,000 Shares are owned by Mr. Li Kin Shing and 2,088,750,000 Shares are owned by New Everich Holdings Limited which is owned as to 54% and 46% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, Ms. Kwok King Wa is deemed to be interested in the 101,250,000 Shares and 2,088,750,000 Shares held by Mr. Li Kin Shing and New Everich Holdings Limited respectively under the SFO.
3. These Shares are beneficially owned by New Everich Holdings Limited.

In the event that the Directors shall exercise in full the Repurchase Mandate, the total interests of the above shareholders would be increased to approximately the respective percentages shown in the last column above and such increase will not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

Assuming that there is no issue of Shares in the Company between the Latest Practicable Date and the date of a repurchase, an exercise of the Repurchase Mandate in whole will result in less than the relevant prescribed minimum percentage of the Shares of the Company being held by the public as required by the Stock Exchange. The Directors confirm that the Repurchase Mandate will not be exercised to the extent as may result in a public shareholding of less than such prescribed minimum percentage.

2. SHARE PURCHASE MADE BY THE COMPANY

The Company had not repurchased any of the Shares (whether on GEM or otherwise) during the previous six months immediately preceding the Latest Practicable Date.

3. SHARE PRICES

During each of the 12 months immediately preceding the Latest Practicable Date, the highest and lowest traded prices for Shares on GEM were as follows:

| Month | Price Per Share | |
|---|-----------------|-------------|
| | Highest | Lowest |
| | <i>HK\$</i> | <i>HK\$</i> |
| 2015 | | |
| March | 0.353 | 0.310 |
| April | 0.627 | 0.330 |
| May | 0.603 | 0.467 |
| June | 0.990 | 0.365 |
| July | 0.455 | 0.125 |
| August | 0.350 | 0.200 |
| September | 0.245 | 0.161 |
| October | 0.400 | 0.177 |
| November | 0.285 | 0.203 |
| December | 0.310 | 0.200 |
| 2016 | | |
| January | 0.250 | 0.218 |
| February | 0.245 | 0.218 |
| March (up to the Latest Practicable Date) | 0.295 | 0.220 |

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

Set out below is a summary of the principal terms of the New Share Option Scheme to provide sufficient information to the Shareholders for their consideration. The terms of the New Share Option Scheme are in accordance with the provision of Chapter 23 of the GEM Listing Rules. This summary does not form part of, nor it is intended to be, part of the share option scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:

1. PURPOSE

- 1.1 The purpose of the New Share Option Scheme is to enable the Company to grant Options to Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:
- (a) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
 - (b) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. WHO MAY JOIN

- 2.1 The Board of the Company may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 6 below to:
- (a) any full-time or part-time employees, executives, officers;
 - (b) any directors (including executive directors, non-executive directors, and independent non-executive directors) of the Group;
 - (c) any advisors, consultants, agents, suppliers, customers and distributors to the Company or any of the subsidiaries; and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group,
- (collectively, the “Eligible Participants”).

3. ACCEPTANCE OF AN OFFER OF OPTIONS

- 3.1 An Option shall be deemed to have been granted and accepted by the Grantee and to have taken effect when the duplicate offer document constituting acceptance of the Option duly signed by the Grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 21 days from the date when offer is offered in writing. Such payment shall in no circumstances be

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

refundable. Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the Option.

- 3.2 Subject to paragraphs (12), (13), (14), (15), (16) and (17), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the Grantee by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser as the case may be pursuant to paragraph (19), the Company shall allot and issue the relevant number of Shares to the Grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.
- 3.3 The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the total number of issued shares of the Company.

4. MAXIMUM NUMBER OF SHARES

- 4.1 The maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme and under any other schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the resolution for the adoption of the New Share Option Scheme (i.e. 311,250,000 Shares, assuming no further issue or repurchase of Shares from the Latest Practicable Date). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:
- (a) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
 - (b) grant Options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the Options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.
- 4.2 Notwithstanding the foregoing and subject to paragraph (19) below, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the New Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which Options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (19) below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

5. MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL

5.1 The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (a) the issue of a circular by the Company containing the identity of the Eligible Participant, the number and terms of the Options to be granted (and options previously granted to such participant), the information as required under Rule 23.02(2)(d) and the disclaimer required under 23.02(4) of the GEM Listing Rules; and
- (b) the approval of the Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of Options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the Options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares.

6. PRICE OF SHARES

6.1 Subject to any adjustments made as described in paragraph (19) below, the subscription price of a Share in respect of any particular Option granted under the New Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (a) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

- (b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five consecutive Business Days immediately preceding the date of grant; and
- (c) the nominal value of a Share.

7. GRANTING OPTIONS TO CONNECTED PERSONS

7.1 Any grant of Options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options). If the Board proposes to grant Options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the GEM Listing Rules of the Shares in issue; and
- (b) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of Options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which the Grantee, his/her associates and all core connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such Options shall be taken as a poll.

7.2 The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (a) the details of the number and terms (including the exercise price) of the Options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such Options;
- (b) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options) to the independent Shareholders as to voting;
- (c) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(d) the information required under Rule 2.28 of the GEM Listing Rules.

8. RESTRICTIONS ON THE TERMS OF GRANT OF OPTIONS

8.1 A grant of Options may not be made after an inside information has come to the knowledge of the Company until it has been published pursuant to the requirements of the GEM Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no Options shall be granted during the period commencing one month immediately preceding the earlier of:

- (a) (the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's annual results, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (b) the deadline for the Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rule),

and ending on the date of actual publication of the results announcement, and where an Option is granted to a Director:

- (a) no Options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

9. RIGHTS ARE PERSONAL TO GRANTEE

9.1 An Option is personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the New Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding Options or any part thereof granted to such Grantee.

10. TIME OF EXERCISE OF OPTION AND DURATION OF THE NEW SHARE OPTION SCHEME

10.1 An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an Option may be

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

exercised will be determined by the Board in its absolute discretion and subject to such conditions (including, without limitation, any minimum period for which an Option must be held before it can be exercised and/or any performance targets which must be achieved before an Option can be exercised) as the Board may think fit, save that no Option may be exercised more than 10 years after it has been granted. Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of 10 years from its effective date, being the date on which the New Share Option Scheme becomes unconditional and effective. After the expiry of the ten-year period, no further Option may be granted.

11. PERFORMANCE TARGET

11.1 A Grantee may be required to achieve any performance targets as the Board may then specify in the grant before any Options granted under the New Share Option Scheme can be exercised.

12. RIGHTS ON CEASING EMPLOYMENT OR DEATH

12.1 If the Grantee of an Option ceases to be an employee of the Company or any of its subsidiaries:

- (a) by any reason other than death or termination of his employment on the grounds specified in paragraph (13) below, the Option granted to such Grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Board otherwise determine to grant an extension at the absolute discretion of the Board in which event the Grantee may exercise the Option in accordance with the provisions of paragraph 3.2 within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Board on the date of grant of extension (to the extent which has become exercisable and not already exercised), such period of extension shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be an Eligible Participant or the relevant Option Period, whichever is earlier; or
- (b) by reason of death, ill-health, injury or disability, the Grantee or his personal representative(s) may exercise the Option within a period of 12 months from such cessation.

13. RIGHTS ON DISMISSAL

13.1 If the Grantee of an Option ceases to be an employee of the Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group on any other ground as determined by the Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Group, or he has been convicted of any criminal offense involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

14. RIGHTS ON TAKEOVER

14.1 If a general offer (but other than by way of scheme of arrangement pursuant to paragraph 16 below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the Option Period of the relevant option, the Grantee of an Option shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

15. RIGHTS ON WINDING UP

15.1 In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the Grantee credited as fully paid and register the Grantee as holder thereof.

16. RIGHTS ON OFFER BY WAY OF A SCHEME OF ARRANGEMENT

16.1 If a general or partial offer by way of a scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

17. RIGHTS ON COMPROMISE OR ARRANGEMENT BETWEEN THE COMPANY AND ITS MEMBERS OR CREDITORS

17.1 Other than a general or partial offer by way of a scheme of arrangement contemplated in paragraph (16) above, if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the Grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any Grantee shall be entitled to exercise all or any of his options in whole or in part, but the

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective, at any time not later than two Business Days immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

17.2 With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of Grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

18. RANKING OF SHARES

18.1 The Shares to be allotted upon the exercise of an Option will not carry voting right until completion of the registration of the Grantee (or any other person nominated by the Grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

19. EFFECT OF ALTERATIONS TO CAPITAL

19.1 In the event of any alteration in the capital structure of the Company whilst any Option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding Option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of the Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on the Company and the Grantees.

19.2 Any such alterations will be made on the basis that a Grantee shall have the same proportion of the issued share capital of the Company for which any Grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any Option is to remain as nearly as possible

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

20. EXPIRY OF OPTION

20.1 An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the date of expiry of the Option as may be determined by the Board;
- (b) the expiry of any of the periods referred to in paragraphs (12), (13), (14), (15) or (17);
- (c) subject to the scheme of arrangement as referred to in paragraph (16) becoming effective, the expiry of the period referred to in paragraph (16);
- (d) subject to paragraph (15), the date of commencement of the winding-up of the Company;
- (e) the date on which the Grantee ceases to be an Eligible Participant by reason of the termination of his or her relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of the Group, has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground as determined by the Board that would warrant the termination of his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Group. A resolution of the Board to the effect that the relationship of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (f) the date on which the Board shall exercise the Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph (9) above or the options are cancelled in accordance with paragraph (22) below.

21. ALTERATION OF THE NEW SHARE OPTION SCHEME

21.1 The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and

APPENDIX II PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

- (b) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of Options granted,

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the Grantees' approval in accordance with the terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in general meeting.

22. CANCELLATION OF OPTIONS

- 22.1 Subject to paragraph (9) above, any cancellation of options granted but not exercised must be approved by the Grantees of the relevant Options in writing.

23. TERMINATION OF THE NEW SHARE OPTION SCHEME

- 23.1 The Company may by resolution in general meeting or the Board at any time terminate the New Share Option Scheme and in such event no further Option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

24. ADMINISTRATION OF THE BOARD

- 24.1 The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

NOTICE OF ANNUAL 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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Directel Holdings Limited (the “**Company**”) will be held at Lily Room, 3/F, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on Wednesday, 11 May 2016 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 December 2015.
2. To appoint auditors and to authorise the board of directors of the Company (the “**Directors**”) to fix their remuneration.
3.
 - A. To re-elect Mr. Li Wang as Director.
 - B. To re-elect Mr. Li Kin Shing as Director.
 - C. To re-elect Mr. Chen Xue Dao as Director.
4. To authorise the board of Directors to fix the remuneration of the Directors.
5. As special business, to consider and if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:
 - A. “**THAT**
 - (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) to allot, issue and deal with the new shares in the capital of the Company or securities convertible into shares, options, warrants or similar rights to subscribe for shares or such convertible securities of the Company, and to make or grant offers, agreements and/or options (including bonds, warrants, and debentures convertible into shares of the Company) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and/or options (including bonds, warrants, and debentures convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

- (i) a Right Issue (as hereinafter defined);
- (ii) the grant or exercise of any option under the option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and its subsidiaries and/or other eligible persons of shares or rights to acquire shares of the Company; or
- (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the cash payment for a dividend on shares of the Company in accordance with the articles of association of the Company,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly;

- (d) for the purpose of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“**Right Issue**” means an offer of shares or other securities of the Company or an offer or issue of warrants, options or other securities giving rights to subscribe for shares of the Company, open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or

NOTICE OF ANNUAL GENERAL MEETING

expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People's Republic of China).”

B. “**THAT**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its own shares on The Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange or of any other stock exchange, be and is hereby generally and unconditionally approved and authorised;
- (b) the aggregate nominal amount of the shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. “**THAT**

conditional upon Resolutions 5A and 5B being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution 5B shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution 5A above.”

NOTICE OF ANNUAL GENERAL MEETING

6. “**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the shares in the capital of the Company (the “**Shares**”) to be issued by the Company pursuant to the exercise of any options under the proposed share option scheme of the Company (the “**New Share Option Scheme**”), the rules of which are set out in the document marked “A” produced to the meeting and signed by the Chairman for the purpose of identification, the New Share Option Scheme be and is hereby approved and adopted as the Company’s share option scheme and the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary, desirable or expedient to give full effect to the New Share Option Scheme, including but without limitation to: (i) administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for Shares; and (ii) issue and allot from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the New Share Option Scheme provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company as at the date of passing this resolution.”

On behalf of the Board
Directel Holdings Limited
Li Kin Shing
Chairman

Hong Kong, 31 March 2016

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:

- (1) The instrument appointing a proxy shall be in writing under the hand of appointer or his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorized to sign the same.
- (2) A member of the Company entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company but must attend the annual general meeting to represent the member.
- (3) In order to be valid, the form of proxy must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting.

NOTICE OF ANNUAL GENERAL MEETING

- (4) In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the annual general meeting, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
- (5) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (6) For determining the entitlement to attend and vote at the annual general meeting, the company's register of members will be closed from Monday, 9 May 2016 to Wednesday, 11 May 2016, both days inclusive, during which time no transfer of shares will be registered. In order to ensure that the shareholders are entitled to attend and vote at the annual general meeting, the shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 6 May 2016 for registration of the relevant transfer.

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 directors of the Company are Mr. Pang Kwok Chau and Mr. Li Wang and the independent non-executive directors of the Company are Mr. Chen Xue Dao, Mr. Chu, Howard Ho Hwa and Ms. Lee Man Yee, Maggie.

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 the Growth Enterprise Market 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 in this circular misleading.

This circular will remain on the GEM website (www.hkgem.com) on the "Latest Company Announcements" 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.