

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in In Technical Productions Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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IN TECHNICAL PRODUCTIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8446)

CONNECTED TRANSACTION INVOLVING THE PROPOSED ISSUE OF NEW SHARES TO THE CONTROLLING SHAREHOLDER UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company



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



Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 17 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 18 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 43 of this circular.

A notice convening the EGM to be held at 10:30 a.m. on Wednesday, 8 February 2023 at Unit D2, 5/F, Hoi Bun Industrial Building, 6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Shareholders so wish.

This circular together with a form of proxy will remain on the Stock Exchange website at <http://www.hkexnews.hk> on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at <http://www.intechproductions.com>.

17 January 2023

CHARACTERISTICS OF GEM

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 of the Stock Exchange 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 requires otherwise, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 12 December 2022 in relation to the Share Subscription
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Closing”	completion of the Share Subscription
“Closing Date”	the date of Closing
“Company”	In Technical Productions Holdings Limited (stock code: 8446), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Conditions Precedent”	the conditions precedent set out in the section headed “Principal terms of the Share Subscription Agreement — Conditions Precedent” in this circular
“connected person(s)”	has the meaning given to it under the GEM Listing Rules
“controlling shareholder”	has the meaning given to it under the GEM Listing Rules
“Director(s)”	member(s) of the Board of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 10:30 a.m. on Wednesday, 8 February 2023 at Unit D2, 5/F, Hoi Bun Industrial Building, 6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong, notice of which is set out on pages EGM-1 to EGM-2 of this circular
“GEM”	the 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”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, which comprises Mr. Cui Hai Bin, Mr. Chen Yue, Ms. Jiang Yu E, Mr. Ji Gui Bao and Mr. Li Xiao Hua, being all the independent non-executive Directors, formed to advise the Independent Shareholders in connection with the Share Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Euto Capital Partners Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	shareholders other than those who have a material interest in the Share Subscription Agreement and the transactions contemplated thereunder
“Last Trading Day”	12 December 2022, being the last trading day prior to the signing of the Share Subscription Agreement which took place after trading hours
“Latest Practicable Date”	10 January 2023, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Material Adverse Effect”	any material adverse effect on the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations, or general affairs of the Company or the Group taken as a whole
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Rainbow”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in respect of the Share Subscription

DEFINITIONS

“Remuneration Shares”	an aggregate of 74,000 new Shares to be allotted and issued by the Company to Rainbow at the Subscription Price per Share at completion of the Share Subscription for the settlement of the financial advisory fees charged by Rainbow in relation to the Share Subscription, the details of which were disclosed in the Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified from time to time
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Share Subscription”	the allotment and issue of the Subscription Shares by the Company to ST Ma pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the share subscription agreement dated 12 December 2022 entered into between the Company as the issuer and ST Ma as the subscriber in relation to the subscription of 13,157,894 Subscription Shares at the Subscription Price
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholder’s Loan”	the shareholder’s loan of HK\$40 million, which is unsecured, interest free and repayable on demand, made by ST Ma to the Company pursuant to the loan agreement dated 22 July 2022 entered into by the Company and ST Ma, details of which are set out in the announcement of the Company dated 22 July 2022
“Shenzhen Xinhang”	深圳市鑫杭信息科技有限公司 (Shenzhen Xinhang Information Technology Company Limited), a company established in the PRC with limited liability and a subsidiary of the Company
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of the Subscription Shares to ST Ma

DEFINITIONS

“ST Ma”	ST MA LTD, a company incorporated in the Cayman Islands with limited liability, being the subscriber under the Share Subscription Agreement. Mr. Ma Lie is the sole beneficial shareholder and the sole director of ST MA LTD
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$7.60 per Subscription Share
“Subscription Shares”	an aggregate of 13,157,894 new Shares to be allotted and issued by the Company to ST Ma pursuant to the terms and conditions of the Share Subscription Agreement
“%”	per cent.

LETTER FROM THE BOARD



IN TECHNICAL PRODUCTIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8446)

Executive Directors:

Mr. Ma Lie (Chairman)
Mr. Yeung Ho Ting Dennis
Mr. Tam Chun Yu
Ms. Zhang Yan Ling

Independent non-executive Directors:

Mr. Cui Hai Bin
Mr. Chen Yue
Ms. Jiang Yu E
Mr. Ji Gui Bao
Mr. Li Xiao Hua

Registered Office:

Windward 3, Regatta Office Park,
P.O. Box 1350, Grand Cayman,
KY1-1108, Cayman Islands

*Principal place of business
in Hong Kong:*

Unit D2, 5/F,
Hoi Bun Industrial Building,
6 Wing Yip Street, Kwun Tong,
Kowloon, Hong Kong

17 January 2023

To the Shareholders,

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING
THE PROPOSED ISSUE OF NEW SHARES TO
THE CONTROLLING SHAREHOLDER UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, inter alia, further details of the Share Subscription Agreement and the transactions contemplated thereunder and a notice of the EGM.

On 12 December 2022 (after trading hours), the Company entered into the Share Subscription Agreement with ST Ma, pursuant to which the Company has conditionally agreed to allot and issue, and ST Ma has conditionally agreed to subscribe for, 13,157,894 Subscription Shares at the Subscription Price of HK\$7.60 per Subscription Share.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENT

Date:	12 December 2022 (after trading hours)
Parties:	(i) The Company, as issuer; and (ii) ST Ma, as subscriber
Subscription Shares:	13,157,894 Subscription Shares
Subscription Price:	HK\$7.60 per Subscription Share

Subscription Shares

Assuming there will be no other change in the issued share capital of the Company from the date of the Share Subscription Agreement up to the Closing Date, save for the allotment and issue of the Subscription Shares and the Remuneration Shares, the Subscription Shares represent:

- (a) approximately 1.64% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 1.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Remuneration Shares.

The Subscription Shares have an aggregate nominal value of HK\$131,578.94.

Subscription Price

The Subscription Price of HK\$7.60 per Subscription Share represents:

- (a) a discount of approximately 4.88% to the closing price of HK\$7.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.94% to the closing price of HK\$9.15 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement;
- (c) a discount of approximately 13.87% to the average closing price of approximately HK\$8.824 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (d) a discount of approximately 7.23% to the average closing price of approximately HK\$8.192 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (e) a discount of approximately 2.95% to the average closing price of approximately HK\$7.831 per Share as quoted on the Stock Exchange for the last thirty (30) trading days up to and including the Last Trading Day;
- (f) a discount of approximately 5.87% to the average closing price of approximately HK\$8.074 per Share as quoted on the Stock Exchange for the last sixty (60) trading days up to and including the Last Trading Day;
- (g) a premium of approximately 11,076% over the unaudited net asset value per Share of approximately HK\$0.068 which is calculated based on the unaudited equity attributable to the Shareholders of approximately HK\$54.3 million as at 31 August 2022 and 800,000,000 issued Shares as at the Latest Practicable Date; and
- (h) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 0.27%, being the discount of the theoretical diluted price of approximately HK\$9.125 per Share to the benchmarked price of HK\$9.15 per Share (being the higher of the closing price on the Last Trading Day of HK\$9.15 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day of approximately HK\$8.524 per Share).

The Subscription Price was determined after arm's length negotiation between the Company and ST Ma after taking into account the prevailing market price and trading volume of the Shares as well as the current market conditions. The Directors are of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

The Subscription Price shall be satisfied by ST Ma:

- (a) as to HK\$40.0 million by capitalisation of the Shareholder's Loan; and
- (b) as to approximately HK\$60.0 million in cash upon Closing.

The Shareholder's Loan, which is unsecured, interest free and repayable on demand, represented the shareholder's loan of HK\$40.0 million made by ST Ma to the Company pursuant to the loan agreement dated 22 July 2022 entered into by the Company and ST Ma. Upon Closing, the Shareholder's Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Shareholder's Loan. Details of the Shareholder's Loan are set out in the announcement of the Company dated 22 July 2022.

The gross proceeds from the Share Subscription shall be approximately HK\$60.0 million. The net proceeds from the Share Subscription, after deduction of relevant costs and expenses, are estimated to be approximately HK\$59.0 million. The net Subscription Price per Subscription Share, after deduction of relevant costs and expenses, is estimated to be approximately HK\$7.52 per Subscription Share.

LETTER FROM THE BOARD

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

Conditions Precedent

Completion of the Share Subscription Agreement is conditional upon the satisfaction (or, if applicable, waiver) of the following Conditions Precedent:

- (a) the passing of the relevant resolution(s) by the Independent Shareholders at the EGM to approve the Share Subscription Agreement and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares and such approval not having been withdrawn or revoked;
- (c) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn;
- (d) each of the warranties included in the Share Subscription Agreement given by the Company remaining true and accurate in all respects and not misleading in any respect as at Closing;
- (e) the Company not having materially breached or failed to perform in any material respect its other obligations or undertakings under the Share Subscription Agreement prior to Closing;
- (f) all consents, approvals, permits, authorisations or clearances (as the case may be) that the Company reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the GEM Listing Rules) for its execution, implementation and completion of the Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing;
- (g) all consents, approvals, permits, authorisations or clearances (as the case may be) that ST Ma reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the GEM Listing Rules) for its execution, implementation and completion of the Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing; and

LETTER FROM THE BOARD

- (h) from the date of the Share Subscription Agreement up to and at the Closing Date, there not having occurred any change (nor any development or event involving a prospective change) in the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations or general affairs of the Company or the Group taken as a whole (whether or not arising in the ordinary course of business), which, in the reasonable opinion of ST Ma, has or would have a Material Adverse Effect.

Among the above Conditions Precedent, items (a), (b), (c), (f) and (g) are not waivable by any party to the Share Subscription Agreement, while items (d), (e) and (h) may be waived by ST Ma. As at the Latest Practicable Date, none of the Conditions Precedent have been fulfilled.

Termination

If any Condition Precedent has not been satisfied or waived by 11:59 p.m. on 31 March 2023 (the “**Long Stop Date**”), the Share Subscription Agreement shall be automatically terminated with immediate effect.

Closing

Subject to the Conditions Precedent being satisfied or waived (if applicable) and the relevant terms under the Share Subscription Agreement, Closing shall occur on the date that is ten (10) business days after the date (not being later than the Long Stop Date) on which the last Condition Precedent is satisfied or waived (if applicable) via exchange of documents and signatures, or at such other date, time and venue as the parties to the Share Subscription Agreement may agree in writing.

Specific Mandate

In respect of the Share Subscription, the Subscription Shares shall be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Listing Application

An application shall be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING COMPLETION OF THE SHARE SUBSCRIPTION

The table below sets out a summary of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subscription Shares and the Remuneration Shares (assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Closing Date):

	As at the Latest Practicable Date		Immediately after the allotment and issue of Subscription Shares and the Remuneration Shares	
	<i>Number of Shares</i>	<i>Approximate (%)</i>	<i>Number of Shares</i>	<i>Approximate (%)</i>
ST Ma (<i>Note 1</i>)	440,000,000	55.00	453,157,894	55.72
Next Vision Management Limited (<i>Note 2</i>)	56,000,000	7.00	56,000,000	6.89
Other Directors				
Ms. Zhang Yan Ling	1,404,000	0.18	1,404,000	0.17
Mr. Cui Hai Bin	1,000,000	0.13	1,000,000	0.12
Ms. Jiang Yu E	2,994,000	0.37	2,994,000	0.37
Public Shareholders				
Rainbow	—	—	74,000	0.01
Other public Shareholders	<u>298,602,000</u>	<u>37.32</u>	<u>298,602,000</u>	<u>36.72</u>
Total	<u><u>800,000,000</u></u>	<u><u>100.00</u></u>	<u><u>813,231,894</u></u>	<u><u>100.00</u></u>

Notes:

1. A company incorporated in the Cayman Islands with limited liability, which is wholly-owned by Mr. Ma Lie, the chairman, an executive Director and the controlling shareholder of the Company.
2. A company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 75% by Mr. Yeung Ho Ting Dennis, an executive Director.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION

The Group is principally engaged in the provision of visual display solution services for concerts and events in Hong Kong, Macau and the PRC and the provision of information technology consulting services in the PRC.

The entering into of the Share Subscription Agreement will provide the Group with more financial flexibility and additional capital without finance cost to support the business development and operation of the Group as well as to settle the outstanding liabilities under the Shareholders' Loan without utilising the existing resources of the Group. The financial performance of the Group has been affected by the COVID-19 outbreak in recent years. For the two years ended 31 May 2022, the Group recorded (i) revenue of approximately HK\$12.3 million and HK\$20.3 million; and (ii) loss attributable to the Shareholders of approximately HK\$35.0 million and HK\$24.2 million, respectively. As at 31 May 2022, the Group only had cash and cash equivalents of approximately HK\$0.8 million. Although the global epidemic control policies gradually relaxed, the uncertainty of the control policies might continue to affect the Group's operations. The Share Subscription allows the Group to raise the required fund to sustain its existing business and cope with the impact of the pandemic.

Given the current scale of operation in term of revenue and financial performance of the Group as stated above, there is an imminent need for the Group to diversify its business and therefore income stream. As disclosed in the annual report of the Company for the year ended 31 May 2022, the Group has started to seek and successfully explored new business opportunities that can leverage on its existing video display equipment. The Group has commenced cooperation with Shenzhen Xinhang, a company principally engaged in (i) the provision of one-stop technical consulting services and solutions for e-commerce business platforms; and (ii) the metaverse technology business. The relevant metaverse technology of Shenzhen Xinhang can be widely used for visual displays with visual effects to realise extended reality performances or events and virtual human performances, with the view to applying this technology to its existing video display business. On 28 July 2022, the Group entered into a capital injection agreement with the relevant vendors and Shenzhen Xinhang, pursuant to which the Group has conditionally agreed to make the capital injection of RMB34 million into Shenzhen Xinhang. Completion of the acquisition of Shenzhen Xinhang took place on 18 August 2022 and such capital injection was financed by the Shareholder's Loan. The proceeds from the Share Subscription can also be used for the development of Shenzhen Xinhang and for other investment opportunities with growth potential related to visual display technology and other related information technology.

LETTER FROM THE BOARD

The Company has also considered alternative financing methods such as debt financings, rights issue and open offer. As at 31 May 2022, the Group had total banking facilities of HK\$13.0 million, of which approximately HK\$11.5 million were utilised. Taking into account the size of the fund raising and the requirement of interest payments, the Company is of the view that further debt financings are not desirable for the Group. As regards to rights issue or open offer, the Company has considered factors such as (i) the price of a rights issue or open offer would normally involve a substantial discount to market, based on the discounts involved for recent rights issues of companies listed on the Stock Exchange as illustrated below, which ranged from a discount of approximately 6.25% to 66.10% to the respective closing prices of the shares on the last trading day with an average of approximately 27.68%, which were set to attract the shareholders to participate in the rights issue. Although rights issue and open offers provide all shareholders with the right to participate, the deeper discounts of the subscription prices in general would pose a more significant dilution effect to those shareholders who opt not to participate in the rights issue or open offer; (ii) the likely costs involved (including the amount of underwriting commissions and other administrative and legal expenses); (iii) the lack of certainty in the successful implementation of a rights issue or open offer with their longer timetable; and (iv) the prevailing market conditions. On this basis, the Company considers that a rights issue or open offer is not an appropriate means of raising fund and did not enter into formal discussions with any agents for potential rights issue or open offer. Based on the above, the Directors consider that raising funds by way of the Share Subscription shall enable the Group to obtain funds at a lower cost and an efficient way.

In evaluating the fairness and reasonableness of the Subscription Price, the Company has, on a best effort basis, conducted research and identified an exhaustive list of rights issues conducted by companies listed on the Stock Exchange (the “**Comparables**”) which were announced during the period from 1 September 2022 to the Last Trading Day (being approximately three months) (the “**Comparable Period**”). Based on the aforesaid criteria, the Company has identified an exhaustive list of 14 Comparables.

The Independent Shareholders should note that the principal business, market capitalisation, profitability and prospects of the Company are not the same as, or even substantially vary from, the Comparables. The Company considers that the Comparables provide a general reference to the pricings of recent rights issues conducted by companies listed on the Stock Exchange.

The Company considers that the Comparables represent fair and representative samples given (i) the Comparables adequately reflect the prevailing market conditions and sentiments of the capital market in Hong Kong; (ii) the Comparables identified during the Comparable Period represent recent structures of rights issues conducted by companies listed on the Stock Exchange; and (iii) the sufficient number (i.e. a sample size of 14) of the Comparables identified.

LETTER FROM THE BOARD

Details of the Comparables are set out below:

Date of announcement	Company name (stock code)	Discount of the subscription price to the closing price per share on the last trading day	Discount of the subscription price to the average closing price per share for the last five consecutive trading days up to and including the last trading day	Discount of the subscription price to the average closing price per share for the last ten consecutive trading days up to and including the last trading day
9 December 2022	Hope Life International Holdings Limited (1683.HK)	16.67%	17.65%	17.65%
2 December 2022	Tibet Water Resources Ltd. (1115.HK)	12.50%	9.84%	6.12%
29 November 2022	Enterprise Development Holdings Limited (1808.HK)	39.72%	39.37%	38.89%
28 November 2022	CCIAM Future Energy Limited (145.HK)	21.88%	23.31%	22.90%
14 November 2022	Contel Technology Company Limited (1912.HK)	23.17%	25.00%	28.41%
10 November 2022	Lai Sun Development Company Limited (488.HK)	50.15%	51.91%	50.45%
10 November 2022	Lai Sun Garment (International) Limited (191.HK)	50.00%	50.78%	51.68%
21 October 2022	E.Bon Holdings Limited (599.HK)	20.00%	20.99%	22.20%
20 October 2022	Crocodile Garments Limited (122.HK)	66.10%	66.44%	66.56%
18 October 2022	China Zenith Chemical Group Limited (362.HK)	28.57%	25.93%	25.93%
13 October 2022	Great Wall Terroir Holdings Limited (524.HK)	6.25%	15.73%	14.61%
11 October 2022	United Holdings Limited (630.HK)	16.67%	16.67%	16.74%
26 September 2022	Endurance RP Limited (575.HK)	21.50%	25.24%	27.98%
23 September 2022	Tasty Concepts Holding Limited (8096.HK)	14.29%	14.29%	16.67%
	Maximum	66.10%	66.44%	66.56%
	Minimum	6.25%	9.84%	6.12%
	Average	27.68%	28.80%	29.06%
	Median	21.69%	24.16%	24.42%
12 December 2022	The Company	16.94%	13.87%	7.23%

Source: the website of the Stock Exchange

LETTER FROM THE BOARD

As shown above, the discounts, as represented by the Subscription Price to the closing price per Share on the Last Trading Day and the average closing prices per Share for the last five and ten consecutive trading days up to and including the Last Trading Day, are approximately 16.94%, 13.87% and 7.23%, respectively, which are lower than the averages and medians of those of the Comparables. As such, the Company considers that the price of a rights issue would normally involve more substantial discount to market than that of a share subscription.

The Directors are of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Share Subscription shall be approximately HK\$60.0 million. The net proceeds from the Share Subscription, after the deduction of related fees and expenses, are estimated to be approximately HK\$59.0 million.

The Company intends to apply the net proceeds from the Share Subscription (i) as to approximately HK\$49.0 million for potential merger and acquisition opportunities of companies engaged in the provision of information technology solutions and/or e-commerce related businesses which are in line with the Group's existing business of provision of information technology consulting services in the PRC; and (ii) as to approximately HK\$10.0 million for general corporate and working capital purposes.

As at the Latest Practicable Date, the Company was in discussion with (i) a target company engaged in e-commerce business through the operation of a mobile application and an e-commerce platform, in which users are encouraged to share product information on social networks, and invite their friends, family and social contacts to form shopping teams to enjoy the more attractive prices available under the "team purchase" option. Such e-commerce business represents a forward integration to the existing businesses of Shenzhen Xinhang, a subsidiary of the Company, which is principally engaged in (a) the provision of one-stop technical consulting services and solutions for e-commerce business platforms; and (b) the metaverse technology business. Such technical consulting services of Shenzhen Xinhang include the digitalisation of business with the ability to integrate and analyse the data gathered from the platform for improvement in operational efficiency. As such, such possible acquisition is in line with and represents a downstream expansion of the Group's existing business; and (ii) Zhong Chan Tou (Shenzhen) Asset Disposal Co., Ltd.* (中產投(深圳)資產處置有限公司), a company engaged in the distressed asset management business, details of which are set out in the announcement of the Company dated 30 November 2022, for potential merger and acquisition (the "**Potential Acquisitions**") and no definitive sale and purchase agreement has been signed by the parties. If the Potential Acquisitions materialise, the Company will comply with all applicable requirements of the GEM Listing Rules. As at the Latest Practicable Date, save as the aforesaid, the Company had not identified any other target companies for potential acquisition.

LETTER FROM THE BOARD

As the COVID-19 outbreak subsides, governments around the world have relaxed the implementation of social distancing policies, quarantine orders and travel restrictions, which have had a positive impact on the recovery of businesses worldwide. In view of the relaxation of global epidemic control policies, it is expected that the number of performances and events will gradually pick up and contribute to the recovery of the Group's traditional visual display business. As such, the Group intends to continue its traditional visual display business to provide visual display solution services for concerts, performances and events under its existing business capability as the cornerstone for development of other businesses. As for the provision of information technology consulting services, the Group will continue to explore the application of the metaverse technology to its visual display business and engage in information technology or e-commerce related businesses with growth potential with a view to diversifying its businesses and income stream without relying heavily on its traditional visual display business which has been adversely affected by COVID-19 in the past few years.

EQUITY FUND RAISING OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any equity fundraising activity in the past 12 months immediately preceding the Latest Practicable Date.

INFORMATION ON THE COMPANY

The Company is an investment holding company whose Shares are listed on GEM. The Group is principally engaged in the provision of visual display solution services for concerts and events primarily in Hong Kong, Macau and the PRC and the provision of information technology consulting services in the PRC.

INFORMATION ON THE SUBSCRIBER

ST Ma is an investment holding company incorporated in the Cayman Islands with limited liability, which is wholly-owned by Mr. Ma Lie, the chairman, an executive Director and the controlling shareholder of the Company, and is therefore a connected person of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, ST Ma held 55.0% of the issued share capital of the Company and is therefore a connected person of the Company. The Share Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As the Subscription Shares shall be allotted and issued to ST Ma under the Specific Mandate to be obtained at the EGM, the Share Subscription is subject to the Independent Shareholders' approval at the EGM.

LETTER FROM THE BOARD

Mr. Ma Lie is deemed to be interested in the Share Subscription Agreement and has abstained from voting on the Board's resolution approving the Share Subscription Agreement and the transactions contemplated thereunder. Save for Mr. Ma Lie, none of the other Directors has any material interest in the Share Subscription Agreement and is therefore required to abstain from voting on the relevant Board's resolution to approve the Share Subscription Agreement and the transactions contemplated thereunder.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Cui Hai Bin, Mr. Chen Yue, Ms. Jiang Yu E, Mr. Ji Gui Bao and Mr. Li Xiao Hua, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Share Subscription. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened at 10:30 a.m. on Wednesday, 8 February 2023 at Unit D2, 5/F, Hoi Bun Industrial Building, 6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, approving the Share Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Subscription Shares to ST Ma. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

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.

ST Ma and its associate(s) shall abstain from voting on the relevant resolution at the EGM. Other than ST Ma and its associate(s), to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Share Subscription Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolution to approve the Share Subscription Agreement and the transactions contemplated thereunder at the EGM.

A form of proxy for use by Shareholders at EGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any

LETTER FROM THE BOARD

adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Shareholders so wish.

RECOMMENDATION

The Directors believe that the proposed resolution relating to the Share Subscription Agreement are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

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.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

By order of the Board
In Technical Productions Holdings Limited
Ma Lie
Chairman and Executive Director



IN TECHNICAL PRODUCTIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8446)

17 January 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
INVOLVING THE PROPOSED ISSUE OF
NEW SHARES TO THE CONTROLLING SHAREHOLDER
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 17 January 2023 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Share Subscription Agreement is entered into in the ordinary and usual course of business of the Group, and the terms of the Share Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise us and the Independent Shareholders in this respect.

Having taken into account the terms of the Share Subscription Agreement, and the advice from the Independent Financial Adviser, we are of the opinion that the Share Subscription Agreement is entered in the ordinary and usual course of business of the Group, and the terms of the Share Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Share Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Mr. Cui Hai Bin
*independent non-executive
Director*

Mr. Chen Yue
*independent non-executive
Director*

Ms. Jiang Yu E
*independent non-executive
Director*

Mr. Ji Gui Bao
*independent non-executive
Director*

Mr. Li Xiao Hua
*independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Euto Capital Partners Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription, which has been prepared for the purpose of inclusion in this circular.



Room 1204, Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

17 January 2023

*To the Independent Board Committee and the Independent Shareholders of
In Technical Productions Holdings Limited*

Dear Sirs and Madams,

CONNECTED TRANSACTION INVOLVING THE PROPOSED ISSUE OF NEW SHARES TO THE CONTROLLING SHAREHOLDER UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription, details of which are set out in the “Letter from the Board” (the “**Letter**”) contained in the circular issued by the Company to the Shareholders dated 17 January 2023 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 12 December 2022 (after trading hours), the Company entered into the Share Subscription Agreement with ST Ma, pursuant to which the Company has conditionally agreed to allot and issue, and ST Ma has conditionally agreed to subscribe for, 13,157,894 Subscription Shares at the Subscription Price of HK\$7.60 per Subscription Share at a total consideration of approximately HK\$100 million.

With reference to the Letter, the Share Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cui Hai Bin, Mr. Chen Yue, Ms. Jiang Yu E, Mr. Ji Gui Bao and Mr. Li Xiao Hua, has been formed to advise the Independent Shareholders in respect of the Share Subscription by ST Ma. We, Euto Capital Partners Limited (“**Euto Capital**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance (“**SFO**”) to carry out Type 6 (advising on corporate finance) regulated activity. Euto Capital has participated in and completed various independent financial advisory transactions since 2015. Ms. Wendy Liu (“**Ms. Liu**”) is the person signing off the opinion letter from Euto Capital contained in the Circular. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. Ms. Liu has participated in and completed various independent financial advisory transactions in Hong Kong.

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Euto Capital and the Company or any other parties that could reasonably be regarded as hindrance to Euto Capital’s independence as set out under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription.

We are not associated with and have no significant connection financially or otherwise, with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations.

In the past two years, we had not acted as an independent financial adviser of the Company’s other transactions. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription Agreement with ST Ma, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”).

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, 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. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 May 2022 (the “**2022 Annual Report**”); (ii) the first quarterly report of the Company for the three months ended 31 August 2022 (“**2022 1st Quarter Report**”); (iii) the announcement of the Company dated 30 November 2022 (the “**November MOU Announcement**”) in relation to a potential merger and acquisition (“**Potential Acquisition**”); (iv) the announcement of the Company dated 12 December 2022 in relation to the entering into of the Share Subscription Agreement (the “**Announcement**”) which are made available to us and enable us to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Share Subscription is fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Business and financial performance of the Group

The Group is an investment holding company mainly engaged in the provision of visual display solution services. The Company is engaged in the provision of visual display equipments, customisation of visual display solutions, installation of equipment and general technical supports during the performance. The Company’s products include image processors, projections, light-emitting diodes (LED) and others. The Company is also engaged in the rental of visual display equipments.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Financial performance*

Set out below is a summary of the consolidated statements of profit and loss for the year ended 31 May 2022 (“FY2022”) and 2021 (“FY2021”) as extracted from the 2022 Annual Report and for the three months ended 31 August 2022 (“1st Quarter 2022”) and 2021 (“1st Quarter 2021”) as extracted from the 2022 1st Quarter Report:

	For the year ended 31 May		For the three months ended 31 August	
	2022	2021	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Revenue	20,347	12,349	11,152	4,630
Visual display solutions	19,424	12,022	7,231	4,552
Information technology	—	—	3,688	—
Equipment rental	923	327	233	78
Cost of services	(31,835)	(34,850)	(11,049)	(7,999)
Gross profit/(loss)	<u>(11,488)</u>	<u>(22,501)</u>	<u>103</u>	<u>(3,369)</u>
Other income	2,958	1,735	1,488	240
Administrative expenses	(14,392)	(13,580)	(5,308)	(3,206)
Finance costs	<u>(644)</u>	<u>(541)</u>	<u>(146)</u>	<u>(150)</u>
Loss before tax	(24,977)	(40,018)	8,009	(6,493)
Loss for the year	<u><u>(24,409)</u></u>	<u><u>(35,078)</u></u>	<u><u>8,009</u></u>	<u><u>(6,493)</u></u>

FY2022 vs FY2021

As disclosed in the 2022 Annual Report, during FY2022, the Group principally derived its revenue from the provision of visual display solutions, which accounted for approximately 95.5% of the Group’s total revenue (2021: 97.4%). The Group’s revenue increased from approximately HK\$12.3 million for FY2021 to approximately HK\$20.3 million for FY2022, representing an increase of approximately 64.8%. For the visual display solutions, the increase in revenue from pop concerts was mainly due to the increase in average revenue per pop concert performance from approximately HK\$39,000 for FY2021 to approximately HK\$64,000 for FY2022. There was an increase in the number of performances as the impact of COVID-19 was gradually mitigated for FY2022. The increase in revenue from other live events was mainly due to the increase in average revenue per show. The average revenue per performance for other live events increased from HK\$7,000 for FY2021 to approximately HK\$10,000 for FY2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result of the foregoing, the Group's loss was approximately HK\$24.4 million for FY2022, representing a decrease of approximately HK\$10.7 million as compared of approximately HK\$35.1 million for FY2021. The decrease in loss for FY2022 was primarily attributable to (i) the significant increase in the number of shows and events engaged during FY2022; (ii) increase in the equipment rental charges; and (iii) successful implementation of various cost saving measures.

1st Quarter 2022 vs 1st Quarter 2021

As disclosed in the 2022 1st Quarter Report, during the 1st Quarter 2022, the Group principally derived its revenue from the provision of visual display solutions and the provision of information technology consulting services, which accounted for 65% of the Group's total revenue (1st Quarter 2021: approximately 98%) and 33.1% of the Group's total revenue (1st Quarter 2021: Nil), respectively. The Group's revenue increased by approximately 140.9% from approximately HK\$4.6 million for the 1st Quarter 2021 to approximately HK\$11.2 million for the 1st Quarter 2022. The increase in revenue from pop concerts was mainly attributable to the increase in the number of pop concert shows undertaken by the Group from 29 for the 1st Quarter 2021 to 72 for the 1st Quarter 2022, which was partially offset by the slight decrease in the average revenue per show for pop concerts from approximately HK\$61,000 for the 1st Quarter 2021 to approximately HK\$60,000 for the 1st Quarter 2022. The increase in revenue from other live events was mainly attributable to the increase in the number of other live events undertaken by the Group from 192 for the 1st Quarter 2021 to 362 for the 1st Quarter 2022, which was partially offset by the decrease in the average revenue per show for other live events from approximately HK\$14,000 for the 1st Quarter 2021 to HK\$8,000 for the 1st Quarter 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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(ii) *Financial position*

Set out below is an extract of the consolidated statements of financial position as at 31 May 2022 and 2021 as extracted from the 2022 Annual Report:

	As at 31 May	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	75,164	86,271
Current assets	<u>12,293</u>	<u>14,826</u>
Total assets	<u>87,457</u>	<u>101,097</u>
Non-current liabilities	2,783	3,851
Current liabilities	<u>38,735</u>	<u>26,913</u>
Total liabilities	<u>41,518</u>	<u>30,764</u>
Net current liabilities	(26,442)	(12,087)
Net assets	<u>45,939</u>	<u>70,333</u>

As disclosed in the 2022 Annual Report, as at 31 May 2022, the Group had total assets of approximately HK\$87.5 million which comprised mainly property, plant and equipment of approximately HK\$68.2 million; and prepayments, deposits and other receivables of approximately HK\$2.3 million. The Group's total liabilities amounted to approximately HK\$41.5 million as at 31 May 2022 which mainly included other payables and accrued liabilities of approximately HK\$19.3 million, bank borrowings of approximately HK\$11.5 million and lease liabilities of approximately HK\$3.0 million.

The Group finances its operations primarily through cash generated from operating activities, interest-bearing bank borrowings and finance leases. The Group recorded net current liabilities of approximately HK\$26.4 million as at 31 May 2022 (2021: net current liabilities approximately HK\$12.1 million). The increase in net current liabilities was mainly due to the increase in other payables and accrued liabilities amounted to approximately HK\$19.3 million as at 31 May 2022 (2021: approximately HK\$13.8 million) and the increase in amount due to a related party amounted to approximately HK\$4.3 million (2021: nil).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information of the Subscriber

ST Ma is an investment holding company incorporated in the Cayman Islands with limited liability, which is wholly-owned by Mr. Ma Lie, the chairman, an executive Director and the controlling shareholder of the Company, and is therefore a connected person of the Company.

3. Principal terms of the Share Subscription Agreement

For details of the terms of the Share Subscription, please refer to the section headed “Principal terms of the Share Subscription Agreement” in the Letter. Set out below are the principal terms of the Share Subscription Agreement:

Date: 12 December 2022 (after trading hours)

Parties: (i) The Company, as issuer; and
(ii) ST Ma, as subscriber

Subscription Shares: 13,157,894 Subscription Shares

Subscription Price: HK\$7.6 per Subscription Share

Subscription Shares

Assuming there will be no other change in the issued share capital of the Company from the date of the Share Subscription Agreement up to the Closing Date, save for the allotment and issue of the Subscription Shares and the Remuneration Shares, the Subscription Shares represent:

- (a) approximately 1.64% of the existing issued share capital of the Company as at the date of the Share Subscription Agreement; and
- (b) approximately 1.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Remuneration Shares.

The Subscription Shares have an aggregate nominal value of HK\$131,578.94.

4. Reasons for and benefits of the Share Subscription

With reference to the Letter, the entering into of the Share Subscription Agreement will provide the Group with more financial flexibility and additional capital without finance cost to support the business development and operation of the Group as well as to settle the outstanding liabilities under the Shareholders' Loan without utilising the existing resources of the Group. The financial performance of the Group has been affected by the COVID-19 outbreak in recent years. For the FY2022 and FY2021, the Group recorded (i) revenue of approximately HK\$12.3 million and HK\$20.3 million; and (ii) loss attributable to the Shareholders of approximately HK\$35.0 million and HK\$24.2 million, respectively. As at 31 May 2022, the Group only had cash and cash equivalents of approximately HK\$0.8 million. Although the global epidemic control policies gradually relaxed, the uncertainty of the control policies might continue to affect the Group's operations. The Share Subscription allows the Group to raise the required fund to sustain its existing business and cope with the impact of the pandemic.

Given the current scale of operation in term of revenue and financial performance of the Group as stated above, there is an imminent need for the Group to diversify its business and therefore income stream. As disclosed in the 2022 Annual Report, the Group has started to seek and successfully explored new business opportunities that can leverage on its existing video display equipment. The Group has commenced cooperation with Shenzhen Xinhang, a company principally engaged in (i) the provision of one-stop technical consulting services and solutions for e-commerce business platforms; and (ii) the metaverse technology business. The relevant metaverse technology of Shenzhen Xinhang can be widely used for visual displays with visual effects to realise extended reality performances or events and virtual human performances, with the view to applying this technology to its existing video display business. On 28 July 2022, the Group entered into a capital injection agreement with the relevant vendors and Shenzhen Xinhang, pursuant to which the Group has conditionally agreed to make the capital injection of RMB34 million into Shenzhen Xinhang. Completion of the acquisition of Shenzhen Xinhang took place on 18 August 2022 and such capital injection was financed by the Shareholder's Loan. The proceeds from the Share Subscription can also be used for the development of Shenzhen Xinhang and for other investment opportunities with growth potential related to visual display technology and other related information technology.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Suitable source of financing among other fund-raising alternatives

As stated in the Letter, the Company has also considered alternative financing methods such as debt financings, rights issue and open offer. As at 31 May 2022, the Group had total banking facilities of HK\$13 million, of which approximately HK\$11.5 million were utilised. Taking into account the size of the fund raising and the requirement of interest payments, the Company is of the view that further debt financings are not desirable for the Group. As regards a rights issue or open offer, the Company has considered such factors as (i) the price of a rights issue or open offer would normally involve a substantial discount to market, based on the discounts involved for recent rights issues of companies listed on the Stock Exchange as illustrated below, which ranged from a discount of approximately 6.25% to 66.10% to the respective closing prices of the shares on the last trading day with an average of approximately 27.68%, so as to attract the shareholders to participate in the rights issue. Although rights issue and open offers provide all shareholders the right to participate, the deeper discounts of the subscription prices in general would pose a more significant dilution effect to those shareholders who opt not to participate in the rights issue or open offer; (ii) the likely costs involved (including the amount of underwriting commissions and other administrative and legal expenses); (iii) the lack of certainty in the successful implementation of a rights issue or open offer with their longer timetable; and (iv) the prevailing market conditions. On this basis, the Company considers that a rights issue or open offer is not an appropriate means of raising fund and did not enter into formal discussions with any agents for potential rights issue or open offer. Based on the above, the Directors consider that raising funds by way of the Share Subscription shall enable the Group to obtain funds at a lower cost and an efficient way.

In evaluating the fairness and reasonableness of the Subscription Price, the Company has, on a best effort basis, conducted research and identified an exhaustive list of rights issues conducted by companies listed on the Stock Exchange (the “**Comparables**”) which were announced during the period from 1 September 2022 to the Last Trading Day (being approximately three months) (the “**Rights Issues Comparable Period**”). Based on the aforesaid criteria, the Company has identified an exhaustive list of 14 Comparables.

The Independent Shareholders should note that the principal business, market capitalisation, profitability and prospects of the Company are not the same as, or even substantially vary from, the Comparables. The Company considers that the Comparables provide a general reference to the pricings of recent rights issues conducted by companies listed on the Stock Exchange.

The Company considers that the Comparables represent fair and representative samples given (i) the Comparables adequately reflect the prevailing market conditions and sentiments of the capital market in Hong Kong; (ii) the Comparables identified during the Right Issues Comparable Period represent recent structures of rights issues conducted by companies listed on the Stock Exchange; and (iii) the sufficient number (i.e. a sample size of 14) of the Comparables identified.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details of the Comparables are set out below:

Date of announcement	Company name (stock code)	Discount of the subscription price to the closing price per share on the last trading day	Discount of the subscription price to the average closing price per share for the last five consecutive trading days up to and including the last trading day	Discount of the subscription price to the average closing price per share for the last ten consecutive trading days up to and including the last trading day
9 December 2022	Hope Life International Holdings Limited (1683.HK)	16.67%	17.65%	17.65%
2 December 2022	Tibet Water Resources Ltd. (1115.HK)	12.50%	9.84%	6.12%
29 November 2022	Enterprise Development Holdings Limited (1808.HK)	39.72%	39.37%	38.89%
28 November 2022	CCIAM Future Energy Limited (145.HK)	21.88%	23.31%	22.90%
14 November 2022	Contel Technology Company Limited (1912.HK)	23.17%	25.00%	28.41%
10 November 2022	Lai Sun Development Company Limited (488.HK)	50.15%	51.91%	50.45%
10 November 2022	Lai Sun Garment (International) Limited (191.HK)	50.00%	50.78%	51.68%
21 October 2022	E.Bon Holdings Limited (599.HK)	20.00%	20.99%	22.20%
20 October 2022	Crocodile Garments Limited (122.HK)	66.10%	66.44%	66.56%
18 October 2022	China Zenith Chemical Group Limited (362.HK)	28.57%	25.93%	25.93%
13 October 2022	Great Wall Terroir Holdings Limited (524.HK)	6.25%	15.73%	14.61%
11 October 2022	United Holdings Limited (630.HK)	16.67%	16.67%	16.74%
26 September 2022	Endurance RP Limited (575.HK)	21.50%	25.24%	27.98%
23 September 2022	Tasty Concepts Holding Limited (8096.HK)	14.29%	14.29%	16.67%
	Maximum	66.10%	66.44%	66.56%
	Minimum	6.25%	9.84%	6.12%
	Average	27.68%	28.80%	29.06%
	Median	21.69%	24.16%	24.42%
12 December 2022	The Company	16.94%	13.87%	7.23%

Source: the website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown above, the discounts, as represented by the Subscription Price to the closing price per Share on the Last Trading Day and the average closing prices per Share for the last five and ten consecutive trading days up to and including the Last Trading Day, are approximately 16.94%, 13.87% and 7.23%, respectively, which are lower than the averages and medians of those of the Comparables. As such, the Company considers that the price of a rights issue would normally involve a substantial discount to market than that of a share subscription.

In respect of debt financing, it would incur additional financial costs on the Group and may be subject to lengthy due diligence and negotiations with lenders. As mentioned in the section headed “Business and financial performance of the Group” above, the Group had bank borrowings and overdraft of approximately HK\$11.5 million as at 31 May 2022 and the Group only had cash and cash equivalents of approximately HK\$0.8 million. Hence, the Directors are of the view that it may not be practicable to secure further financing from banks with favorable terms and without incurring relatively high financing cost, which would result in additional interest burden to the Group.

Having taken into consideration the above factors, we concur with the Directors that the Share Subscription is an appropriate fund-raising method given the circumstance of the Group and is in the interest of the Company and the Shareholders as a whole.

Use of proceeds of the Share Subscription

The gross proceeds from the Share Subscription shall be approximately HK\$60.0 million. The net proceeds from the Share Subscription, after the deduction of related fees and expenses, are estimated to be approximately HK\$59.0 million.

The Company intends to apply the net proceeds from the Share Subscription (i) as to approximately HK\$49.0 million for potential merger and acquisition opportunities of companies engaged in the provision of information technology solutions and/or e-commerce related businesses which are in line with the Group’s existing business of provision of information technology consulting services in the PRC; and (ii) as to approximately HK\$10.0 million for general corporate and working capital purposes.

As at the Latest Practicable Date, the Company was in discussion with (i) a target company engaged in e-commerce business through the operation of a mobile application and an e-commerce platform, in which users are encouraged to share product information on social networks, and invite their friends, family and social contacts to form shopping teams to enjoy the more attractive prices available under the “team purchase” option. Such e-commerce business represents a forward integration to the existing businesses of Shenzhen Xinhang, a subsidiary of the Company, which is principally engaged in (a) the provision of one-stop technical consulting services and solutions for e-commerce business platforms; and (b) the metaverse technology business. Such technical consulting services of Shenzhen Xinhang include the digitalisation of business with the ability to integrate and analyse the data gathered from the platform for improvement in operational efficiency. As such, such possible

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acquisition is in line with and represents a downstream expansion of the Group's existing business; and (ii) Zhong Chan Tou (Shenzhen) Asset Disposal Co., Ltd.* (中產投(深圳)資產處置有限公司) engaged in the distressed asset management business, details of which are set out in the November MOU Announcement, for the Potential Acquisition and no definitive sale and purchase agreement has been signed by the parties. If the Potential Acquisition materialises, the Company will comply with all applicable requirements of the GEM Listing Rules. As at the Latest Practicable Date, save as the aforesaid, the Company had not identified any other target companies for potential acquisition.

As the COVID-19 outbreak subsides, governments around the world have relaxed the implementation of social distancing policies, quarantine orders and travel restrictions, which have had a positive impact on the recovery of businesses worldwide. In view of the relaxation of global epidemic control policies, it is expected that the number of performances and events will gradually pick up and contribute to the recovery of the Group's traditional visual display business. As such, the Group intends to continue its traditional visual display business to provide visual display solution services for concerts, performances and events under its existing business capability as the cornerstone for development of other businesses. As for the provision of information technology consulting services, the Group will continue to explore the application of the metaverse technology to its visual display business and engage in information technology or e-commerce related businesses with growth potential with a view to diversifying its businesses and income stream without relying heavily on its traditional visual display business which has been adversely affected by COVID-19 in the past few years.

In light of the challenging macro environment under the COVID-19 pandemic, it is crucial for the Group to maintain sufficient level of cash to cater for any slowdown in payment collection caused by the pandemic from time to time. The low level of cash may also limit the Group's ability to expand its business and operation scale as the Company may not be able to timely capture expansion or diversification opportunities when they arise due to the shortage of cash.

Having considered (i) the reasons for and benefits of the Share Subscription as mentioned above; (ii) the Share Subscription is an appropriate fund raising method currently available to the Group; and (iii) the proposed use of proceeds is justifiable and in line with the reasons for the Share Subscription, we are of the view that the Share Subscription is a means of obtaining financing for the ongoing development of the Group's businesses and is therefore conducted in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

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5. Assessment on the Subscription Price

The Subscription Price of HK\$7.60 per Subscription Share represents:

- (a) a discount of approximately 4.88% to the closing price of HK\$7.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.94% to the closing price of HK\$9.15 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement (the “**LTD Discount**”);
- (c) a discount of approximately 13.87% to the average closing price of approximately HK\$8.824 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day (the “**Five Days Discount**”);
- (d) a discount of approximately 7.23% to the average closing price of approximately HK\$8.192 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day (the “**10 Days Discount**”);
- (e) a discount of approximately 2.95% to the average closing price of approximately HK\$7.831 per Share as quoted on the Stock Exchange for the last thirty (30) trading days up to and including the Last Trading Day (the “**30 Days Discount**”);
- (f) a discount of approximately 5.87% to the average closing price of approximately HK\$8.074 per Share as quoted on the Stock Exchange for the last sixty (60) trading days up to and including the Last Trading Day (the “**60 Days Discount**”);
- (g) a premium of approximately 11,076% over the unaudited net asset value per Share of approximately HK\$0.068 which is calculated based on the unaudited equity attributable to the Shareholders of approximately HK\$54.3 million as at 31 August 2022 and 800,000,000 issued Shares as at the date of the Share Subscription Agreement (the “**NAV Premium**”); and
- (h) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 0.27%, being the discount of the theoretical diluted price of approximately HK\$9.125 per Share to the benchmarked price of HK\$9.15 per Share (being the higher of the closing price on the Last Trading Day of HK\$9.15 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day of approximately HK\$8.524 per Share).

As disclosed in the Letter, The Subscription Price was determined after arm’s length negotiation between the Company and ST Ma after taking into account the prevailing market price and trading volume of the Shares as well as the current market conditions.

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The Subscription Price shall be satisfied by ST Ma:

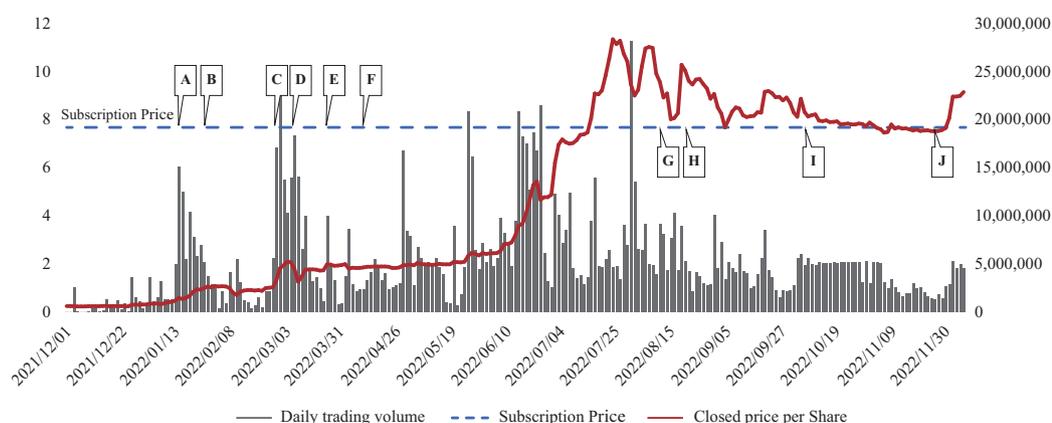
- (a) as to HK\$40 million by capitalisation of the Shareholder’s Loan; and
- (b) as to approximately HK\$60 million in cash upon Closing.

The Shareholder’s Loan, which is unsecured, interest free and repayable on demand, represented the shareholder’s loan of HK\$40 million made by ST Ma to the Company pursuant to the loan agreement dated 22 July 2022 entered into by the Company and ST Ma. Upon Closing, the Shareholder’s Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Shareholder’s Loan. Details of the Shareholder’s Loan are set out in the announcement of the Company dated 22 July 2022.

The gross proceeds from the Share Subscription shall be approximately HK\$60.0 million. The net proceeds from the Share Subscription, after deduction of relevant costs and expenses, are estimated to be approximately HK\$59.0 million. The net Subscription Price per Subscription Share, after deduction of relevant costs and expenses, is estimated to be approximately HK\$7.52 per Subscription Share.

(i) *Share price performance*

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices of the Shares during the period from 1 December 2021 (being approximate one year period prior to the Last Trading Day) (the “**Review Period**”). We consider the Review Period is adequate to reflect the prevailing market sentiment primarily and illustrate the general trend and level of movement of the daily closing prices of the Shares, which can reflect the correlation between the recent business performance of the Company and the latest market reaction in the Share price.



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

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Date	Key Events
14 January 2022	(A) Interim results announcement of the Company for the six months ended 30 November 2021 (“ Interim Results Announcement ”)
25 January 2022	(B) Voluntary announcement of the memorandum of understanding in relation to proposed acquisition of Shenzhen Xinhang Information Technology Limited (“ January MOU Announcement ”)
1 March 2022	(C) the announcement published under Rule 3.7 of the Hong Kong Code on Takeovers and Mergers regarding the mandatory unconditional cash offer (“ Rule 3.7 Announcement ”)
14 March 2022	(D) Joint announcement in respect of the sale and purchase agreement and the mandatory unconditional cash offer
28 March 2022	(E) Voluntary announcement of the memorandum of understanding in relation to a proposed acquisition (“ March MOU Announcement ”)
14 April 2022	(F) Third quarterly report 2021/2022
12 August 2022	(G) Voluntary announcement of the memorandum of understanding in relation to a proposed acquisition (“ August MOU Announcement ”)
23 August 2022	(H) Announcement of annual results for the year ended 31 May 2022
11 October 2022	(I) 1st Quarter Report
30 November 2022	(J) November MOU Announcement

During the Review Period, the average closing price of the Shares was HK\$4.76 per Share (the “**Average Closing Price**”). The daily closing prices of the Shares ranged from HK\$0.24 per Share (the “**Lowest Closing Price**”) recorded on 6 December 2021, 7 December 2021 and 8 December 2021 to HK\$11.34 per Share (the “**Highest Closing Price**”) recorded on 26 July 2022 during the Review Period.

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The Subscription Price of HK\$7.60 per Subscription Share represents (a) a premium of approximately 3,066.67% over the Lowest Closing Price of HK\$0.24 per Share; (b) a discount of approximately 32.98% to the Highest Closing Price of HK\$11.34 per Share; and (c) a premium of approximately 59.81% over the Average Closing Price of approximately HK\$4.76 per Share for the Review Period.

Since the beginning of the Review Period and up to early January 2022, the daily closing price was relatively stable. An upward trend is observed commencing from early January 2022. The trend persisted until 28 January 2022 when the closing price climbed to HK\$1.09. Since then, the Share price dropped to HK\$0.72 on 10 February 2022, then rebounded to HK\$1.33 per Share on 25 February 2022, the last trading day before trading halt of the Shares pending the release of the Rule 3.7 announcement on 1 March 2022, after which the closing price surged further and reached to its highest closing price within the Review Period at HK\$11.34 on 26 July 2022. After that, the closing price demonstrated a decline trend until 30 November 2022. Subsequently, the closing price climbed up to HK\$9.15 per Share on the Last Trading Day. After making enquiries with the Management, we note that the Management is not aware of any specific reason for the aforesaid upward trend commencing from early January 2022 to July 2022 and from 1 December 2022 to the Last Trading Day.

Despite the Subscription Price of HK\$7.60 is lower than the closing prices of Shares since July 2022 during the Review Period, the closing prices of the Shares formed a general downward trend during the Review Period, which was generally in line with the movement of the Hang Seng Index, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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(ii) *Trading volume*

Apart from historical daily closing prices, we have also reviewed the average daily trading volume of the Shares for each month during the Review Period, details of which are set out below:

Month/Period	Monthly total trading volume <i>(No. of Shares)</i>	Number of trading days	Average daily trading volume <i>(Note 1)</i>	Percentage of the average daily trading volume to the total number of issued Shares <i>(Note 2)</i>	Percentage of the average daily trading volume to the total number of issued Shares held by the public <i>(Note 3)</i>
2021					
December	15,290,005	22	695,000	0.087%	0.229%
2022					
January	97,400,000	21	4,638,095	0.580%	1.526%
February	50,100,000	16	3,131,250	0.391%	1.030%
March	144,358,200	17	8,491,659	1.061%	2.793%
April	75,130,000	18	4,173,889	0.522%	1.373%
May	122,250,000	20	6,112,500	0.764%	2.011%
June	211,008,446	21	10,048,021	1.256%	3.305%
July	135,440,468	20	6,772,023	0.847%	2.228%
August	162,273,000	23	7,055,348	0.882%	2.321%
September	93,161,000	21	4,436,238	0.555%	1.459%
October	95,705,000	20	4,785,250	0.598%	1.574%
November	65,282,000	22	2,967,364	0.371%	0.976%
1 December to the Last Trading Day	28,051,120	8	3,506,390	0.438%	1.153%

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

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Percentage of average daily trading volume to the total number of issued Shares is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.
3. Percentage of average daily trading volume to the total number of issued Shares held by the public is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue held by the Independent Shareholders as at the end of each month/period.

As shown in the above table, during the Review Period, the average daily trading volume of the Shares represented approximately 0.087% to 1.256% of the total number of issued Shares, and approximately 0.229% to 3.305% of the total number of issued Shares held by public Shareholders as at the end of the relevant months, indicating generally thin trading liquidity during the Review Period.

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We noted that there is the highest percentage of average daily trading volumes over the issued Shares of the Company as at the month ended 30 June 2022 during the Review Period. After making enquiries with the Management, we note that the Management is not aware of any specific reason for the aforesaid upward trend of average daily trading volumes. We considered that the percentages of average daily trading volumes over the issued Shares of the Company as at month end during the Review Period were all lower than the number of Subscription Shares, therefore it is reasonable to set the Subscription Price at a discount to the prevailing market prices of the Shares as a discounted issue price will be more attractive to investor(s).

(iii) Recent subscription exercises

In order to assess the fairness and reasonableness of the terms of the Share Subscription, we have identified an exhaustive list of 10 comparable subscriptions of new shares (the “**Comparable Subscriptions**”) which are (i) Hong Kong listed companies that have announced a subscription/issue of new shares under specific mandate for cash consideration and/or loan capitalisation during the period from 1 May 2022 (being seven months prior to the date of the Subscription Agreement) to the date of the Subscription Agreement (the “**Comparable Period**”); and (ii) the subscriber(s) is/are a connected person(s). We consider the length of the Comparable Period is fair and representative because (i) it has generated a reasonable number of samples for our analysis and having a shorter period would result in an inadequate number of samples which might not be able to reflect the recent market trends/conditions; and (ii) it would capture the recent market trends while having a longer period may have been too distant in time, and making the samples less relevant in relation to the dynamic financial markets.

Based on our research, we noted that 9 out of 12 subscriptions/issues of new shares under specific mandate for cash consideration and/or loan capitalization involve discount to the closing price during the Comparable Period, therefore we consider it is common for subscription price being discounted to the closing price.

In our selection of the Comparable Subscriptions, we have excluded the subscription of new shares conducted by (i) Persta Resources Inc. (stock code: 3395) announced on 6 May 2022, (“**Persta**”); and (ii) Sinopharm Tech Holdings Limited (stock code: 8156) announced on 27 July 2022, (“**Sinopharm**”, together with Persta, the “**Excluded Companies**”). Given it is a market norm for subscription price being discounted to the closing price, Persta and Sinopharm have been excluded in our analysis due to their huge premiums of the subscription price to the closing price per share on the date of the agreement in relation to the respective subscription of new shares are approximately 122.22% and 337.50% respectively, which are significantly higher than the average discount of 14.92% amongst the Comparable Subscriptions. We consider that

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the exclusion of the Excluded Companies would provide a more meaningful representation of the recent market norm so as to assess the fairness and reasonableness of the terms of the Subscriptions.

Based on our best information, knowledge and belief, the Comparable Subscriptions represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us. We consider that the Comparable Subscriptions form a fair and representative list of samples.

Shareholders should note that the business, operations and financial performance of the companies which conducted the Comparable Subscriptions may not be the same as that of the Group and we have not conducted any in-depth investigation into the businesses and operations of the companies which conducted the Comparable Subscriptions. However, we consider that the Comparable Subscriptions are fair and representative samples that could provide the Independent Shareholders with a general reference of transactions of similar nature conducted by companies listed on the Stock Exchange.

Set out below are the summaries of the Comparable Subscriptions:

Company name (Stock code)	Date of announcement	Issue Price (HK\$)	Premium/ (discount) of the subscription price over/to the closing price on the date of the agreement (approximate %)	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 agreement (approximate %)	Premium/ (discount) of the subscription price over/to the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of the agreement (approximate %)	Premium/ (discount) of the subscription price to the latest net assets value per share (Note 1) (approximate %)
Cornerstone Technologies Holdings Limited (8391)	7 December 2022	1.14	(55.83)	(34.25)	(27.59)	958.27
Century Energy International Holdings Limited (8132)	2 December 2022	0.15	7.14	1.35	(4.52)	4,547.99
Beijing Gas Blue Sky Holdings Ltd (6828)	26 September 2022	0.08	(23.81)	(28.19)	(31.20)	65.31
BOE VARITRONIX LIMITED (710)	2 September 2022	15.20	(7.20)	(11.83)	(14.12)	233.63
Suoxinda Holdings Limited (3680)	1 September 2022	1.05	(19.62)	(6.03)	(2.70)	177.25
Standard Development Group Limited (1867)	23 August 2022	0.23	(14.81)	(16.06)	(18.44)	112.71
China Ruyi Holdings Limited (136)	14 July 2022	2.40	(2.04)	(10.11)	(13.67)	222.31
TOT BIOPHARM International Company Limited (1875)	31 May 2022	3.15	—	4.79	0.67	372.63
Flying Financial Service Holdings Limited (8030)	23 May 2022	0.72	(20.00)	(43.75)	(44.00)	N/A (Note 2)

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Company name (Stock code)	Date of announcement	Issue Price (HK\$)	Premium/	Premium/	Premium/	Premium/
			(discount) of the subscription price over/to the closing price per share on the date of the agreement (approximate %)	(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 agreement (approximate %)	(discount) of the subscription price over/to the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement (approximate %)	(discount) of the subscription price to the latest net assets value per share (Note 1) (approximate %)
China Hongguang Holdings Limited (8646)	17 May 2022	0.40	(13.04)	(5.88)	(11.70)	(51.11)
The Company (8446)	12 December 2022	7.60	(16.94)	(13.87)	(7.23)	11,076.00
	Minimum	0.08	(55.83)	(43.75)	(44.00)	(51.11)
	Average	2.45	(14.92)	(15.00)	(16.73)	737.67
	Maximum	15.20	7.14	4.79	0.67	4,547.99
	Median	0.88	(13.93)	(10.97)	(13.90)	222.31

Source: website of the Stock Exchange

Notes:

1. The latest net assets value per share is calculated by dividing the net assets value as extracted from the latest annual/interim report or annual results announcement (adjusted by the exchange rate as at the end of the reporting period if the reporting currency is not in HK\$) by the number of total issued shares as extracted from the latest monthly return of equity issued on movement in securities/next day disclosure return prior to the publication of the relevant announcement.
2. The information is unavailable because of the net liabilities to owners of the company recorded for the latest published interim/annual results/reports or announcements.

As illustrated in the table above, the subscription prices of the Comparable Subscriptions:

- (a) ranged from a discount of approximately 55.83% to a premium of 7.14% to the closing price, with an average of a discount of approximately 14.92% and a median of a discount of approximately 13.93%, to/over their respective closing prices on/prior to the date of agreement;
- (b) ranged from a discount of approximately 43.75% to a premium of approximately 4.79%, with an average of a discount of approximately 15.00% and a median of a discount of approximately 10.97%, to/over their respective average closing prices for the five (5) consecutive trading days prior to/up to and including the date of agreement;

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- (c) ranged from a discount of approximately 44.00% to a premium of approximately 0.67%, with an average of a discount of approximately 16.73% and a median of a discount of approximately 13.90%, to/over their respective average closing prices for the ten (10) consecutive trading days prior to/up to and including the date of agreement; and
- (d) ranged from a discount of approximately 51.11% to a premium of approximately 4,547.99%, with an average of a premium of approximately 737.67% and a median of a premium of approximately 222.31%, to the latest net assets value per share.

When comparing the Subscription Price to the Comparable Subscriptions as shown in the table above, it is noted that the LTD Discount, the 5 Days Discount, and the 10 Days Discount of approximately 16.94%, 13.87%, and 7.23% respectively, are within the range of those of the Comparable Subscriptions.

Regarding the latest net assets value per share of the Comparable Subscriptions, we note that the variance of the subscription price to the latest net assets value per share of the Comparable Subscriptions range from a discount of approximately 51.11% to a premium of approximately 4,547.99%, with the average variance being a premium of approximately 737.67%. The NAV Premium of approximately 11,076% is significantly higher than both the high end of the range and the average figure as represented by the Comparable Subscriptions which is in the interest of the Company and Shareholders as a whole.

We noted that the LTD discount is approximately 16.94% which is slightly higher than the average of a discount of approximately 14.92% to their respective closing prices on/prior to the date of agreement of the Comparable Subscriptions, however, taking into account that (a) it is common to set the Subscription Price at a discount to the prevailing market prices; (b) the LTD Discount, the Five Days Discount and the 10 Days Discount are within the range of those of the Comparable Subscriptions; (c) the NAV Premium of approximately 11,076% is significantly higher than both the high end of the range and the average figure as represented by the Comparable Subscriptions; (d) given the low liquidity of the Shares as illustrated above, it is reasonable to set the Subscription Price at a discount to the prevailing market prices of the Share; (e) the Subscription Price falls within the price range of the highest and lowest closing prices of the Shares during the Review Period; and (f) the financing needs of the Company as illustrated above, we consider the Subscription Price of HK\$7.60 to be fair and reasonable.

Although the above analysis relating to Comparable Subscriptions may not be useful as a direct reference to the fairness and reasonableness of the terms of the Subscription Agreement due to the wide ranges of discount/premium of the Comparable Subscriptions, we are of the view that the selection criteria is fair and reasonable, given that (i) the Comparable Subscriptions are considered for the purpose of taking a general reference for the recent market practice in relation to subscriptions of new shares

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exercises under the recent market conditions and sentiment, and (ii) the Comparable Subscriptions were objectively selected with new shares subscriptions during the Comparable Period and the sample size is sufficient, which in our opinion, represent a comprehensive assessment of the recent market trends for similar transactions conducted by other issuers listed on the Stock Exchange. As such, we consider it is fair and reasonable to compare the respective discount/premium between each of the Comparable Subscriptions and that of the Subscription as part of our assessment of the principal terms of the Subscription Agreement. It should be noted that, in forming our opinion, we have considered the results of the above analysis together with all other factors stated in this letter as a whole.

6. Dilution effect of the Share Subscription on shareholding interest

The table below sets out a summary of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subscription Shares and the Remuneration Shares (assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Closing Date):

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Subscription Shares and the Remuneration Shares	
	<i>Number of Shares</i>	<i>Approximate (%)</i>	<i>Number of Shares</i>	<i>Approximate (%)</i>
ST Ma (<i>Note 1</i>)	440,000,000	55.00	453,157,894	55.72
Next Vision Management Limited (<i>Note 2</i>)	56,000,000	7.00	56,000,000	6.89
Other Directors				
Ms. Zhang Yan Ling	1,404,000	0.18	1,404,000	0.17
Mr. Cui Hai Bin	1,000,000	0.13	1,000,000	0.12
Ms. Jiang Yu E	2,994,000	0.37	2,994,000	0.37
Public Shareholders				
Rainbow	—	—	74,000	0.01
Other public Shareholders	<u>298,602,000</u>	<u>37.32</u>	<u>298,602,000</u>	<u>36.72</u>
Total	<u><u>800,000,000</u></u>	<u><u>100.00</u></u>	<u><u>813,231,894</u></u>	<u><u>100.00</u></u>

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Notes:

1. A company incorporated in the Cayman Islands with limited liability, which is wholly-owned by Mr. Ma Lie, the chairman, an executive Director and the controlling shareholder of the Company.
2. A company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 75% by Mr. Yeung Ho Ting Dennis, an executive Director.

As illustrated in the table above, the shareholding interests held by the existing public Shareholders would be slightly diluted by 0.59 percentage points as a result of the Share Subscription (assuming there being no other changes to the issued share capital of the Company between the Latest Practicable Date and the Closing Date). In this regard, taking into account (i) the reasons for and benefits of the Share Subscription; and (ii) the terms of the Share Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the existing public Shareholders as a result of the Share Subscription (being immaterial) is acceptable.

7. Potential financial impacts of the Share Subscription

According to the Letter, the Company intends to apply the net proceeds from the Share Subscription (i) as to approximately HK\$49.0 million for potential merger and acquisition opportunities of companies engaged in the provision of information technology solutions and/or e-commerce related businesses which are in line with the Group's existing business of provision of information technology consulting services in the PRC; and (ii) as to approximately HK\$10.0 million for general corporate and working capital purposes.

Working capital

The cash and cash equivalents of the Group amounted to approximately HK\$0.8 million as at 31 May 2022. Save for the relevant expenses arising from the Share Subscription, the cash level of the Group will improve by the proceeds from the Share Subscription, which will help replenish the general working capital of the Group.

Net asset value per Share

As disclosed in the 2022 Annual Report, the net assets attributable to the Shareholders was approximately HK\$54.3 million as at 31 August 2022. Upon completion of the Share Subscription, total assets and net assets of the Group will increase. The Subscription Price of HK\$7.60 per Subscription Share is much higher than the unaudited net asset value per Share of approximately HK\$0.068 as at 31 August 2022.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company following completion of the Share Subscription.

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OPINION AND RECOMMENDATION

Having taken into consideration the above principal factors and reasons as stated above, in particular:

- (i) the Group has a need to raise additional fund to improve its cash position such that the Group will be able to expand its business and operation scale and to increase its resilience to the challenging macro environment under the COVID-19 pandemic;
- (ii) as the Group intends to diversify its business, a sufficient cash level would allow the Company to timely capture expansion or diversification opportunities when they arise;
- (iii) the Share Subscription is the most preferable financing option which would provide the Group with the necessary amount of fund with certainty and is more cost effective as compared to other financing alternatives;
- (iv) the Subscription Price falls within the price range of the highest and lowest closing prices of the Shares during the Review Period;
- (v) the Subscription Price represents a premium of approximately 11,076% over the unaudited consolidated net asset attributable to the Shareholders as at 31 August 2022;
- (vi) the proposed use of proceeds of the Share Subscription is justifiable and is in line with the Group's business strategy and growth and expansion plan, in particular, for the development of Shenzhen Xinhang and for other investment opportunities with growth potential related to visual display technology and other related information technology;
- (vii) the Share Subscription is commercially sensible taking into account the alternative equity fund raising measures considered by the Company and our view of the debt financing as mentioned in the paragraph headed "4. Reasons for and benefits of the Share Subscription"; and
- (viii) the LTD Discount, the Five Days Discount and the 10 Days Discount are within the range of those of the Comparable Subscriptions,

we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Share Subscription Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and ourselves

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Share Subscription Agreement and transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Wendy Liu
Director

Ms. Wendy Liu (“Ms. Liu”) is a licensed person registered with SFC and regarded as a responsible officer of Type 6 (advising on corporate finance) of Euto Capital Partners Limited. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2014 and has participated in and completed various independent financial advisory transactions 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

(a) Interests and/or short positions of Directors and the chief executive in the Shares, underlying shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, the Directors and the chief executive have the following interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV the SFO) which have 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 they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, are required to be notified to the Company and the Stock Exchange:

(i) *Interests in the Company*

Name of Director	Capacity	Number of Shares (Note 3)	Percentage of interest in the Company
Mr. Ma Lie (Note 1)	Interest of controlled corporation	440,000,000 (L)	55.00%
Mr. Yeung Ho Ting Dennis (Note 2)	Interest of controlled corporation	56,000,000 (L)	7.00%
Ms. Jiang Yu E	Beneficial owner	2,994,000 (L)	0.37%
Ms. Zhang Yan Ling	Beneficial owner	1,404,000 (L)	0.18%
Mr. Cui Hai Bin	Beneficial owner	1,000,000 (L)	0.13%

Notes:

1. ST Ma is wholly owned by Mr. Ma Lie, the chairman, an executive Director and controlling shareholder of the Company. By virtue of the SFO, Mr. Ma Lie was deemed to be interested in the Shares in which ST Ma was interested.
2. Next Vision Management Limited (“**Next Vision**”) is beneficially owned by Mr. Yeung Ho Ting Dennis, an executive Director and the chief executive officer of the Company, as to 75%. By virtue of the SFO, Mr. Yeung Ho Ting Dennis was deemed to be interested in the Shares in which Next Vision was interested.
3. (L) denotes long position.

(ii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of Shares <i>(Note)</i>	Percentage of interest in the Company
Mr. Ma Lie	ST Ma	Beneficial owner	50,000,000 (L)	100.00%

Note: (L) denotes long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive have any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have 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 they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors are required to be notified to the Company and the Stock Exchange.

(b) Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) have an interest or a short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange:

Name of substantial shareholder	Capacity	Number of Shares (Note)	Percentage of interest in the Company
ST Ma	Beneficial owner	440,000,000 (L)	55.00%
Next Vision	Beneficial owner	56,000,000 (L)	7.00%

Note: (L) denotes long position.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there is no other person (not being a Director or chief executive of the Company) who has any interest or a short position in the Shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective close associates (as defined under the GEM Listing Rules) had any interests in any business which competed or might compete with the business of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 May 2022, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

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

6. LITIGATION

Neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other member of the Group as at the Latest Practicable Date.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 May 2022, the date to which the latest published audited consolidated accounts of the Group were made up.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into under the ordinary course of business of the Group) have been entered into by the Company within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the loan agreement dated 22 July 2022 entered into by the Company and ST Ma, details of which are set out in the announcement of the Company dated 22 July 2022; and
- (b) the capital injection agreement dated 28 July 2022 entered into among the Group, 呂文明 (Lu Wenming), 柴森森 (Chai Sensen), 深圳駿鑫投資合夥企業(有限合夥) (Shenzhen Junxin Investment Partnership (Limited Partnership)) and Shenzhen Xinhang, pursuant to which the Group has conditionally agreed to make the capital injection of RMB34 million into Shenzhen Xinhang.

9. EXPERT AND CONSENT

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

Name	Qualification
Euto Capital Partners Limited	a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity

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

As at the Latest Practicable Date, the expert named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the expert named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 May 2022 (being the date to which the latest published audited financial statements of the Group were made up).

10. GENERAL

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.intechproductions.com>) for the period of 14 days commencing from the date of this circular:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 18 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 43 of this circular;
- (c) the written consent referred to in the section headed “9. Expert and consent” in this appendix;
- (d) the Share Subscription Agreement; and
- (e) this circular.

NOTICE OF EGM



IN TECHNICAL PRODUCTIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8446)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of In Technical Productions Holdings Limited (the “Company”) will be held at 10:30 a.m. on Wednesday, 8 February 2023 at Unit D2, 5/F, Hoi Bun Industrial Building, 6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong to transact the following business:

1. To consider and approve the share subscription agreement dated 12 December 2022 (the “**Share Subscription Agreement**”) entered into between the Company as the issuer and ST MA LTD (“**ST Ma**”) as the subscriber in relation to the subscription of 13,157,894 new shares (the “**Subscription Share(s)**”) at the subscription price of HK\$7.60 per Subscription Share, and the transactions contemplated thereunder (including (a) the allotment and issue of the Subscription Shares to ST Ma; and (b) the grant of the specific mandate to the directors of the Company for the allotment and issue of the Subscription Shares to ST Ma).

By order of the Board
In Technical Productions Holdings Limited
Ma Lie
Chairman and Executive Director

Hong Kong, 17 January 2023

Notes:

1. A member entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his/her/its behalf. A proxy need not be a member of the Company.
2. Where there are joint holders of any share, any one of such joint holders may vote at the EGM either personally or by proxy, in respect such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the votes of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders and, for this purpose, seniority shall be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited at Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof.

NOTICE OF EGM

4. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 3 February 2023 to 8 February 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 2 February 2023.
5. According to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at general meeting of the Company must be taken by poll. Therefore, the proposed resolution put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.
6. Whether or not you intend to attend and vote at the EGM, you are requested to complete and return the form of proxy. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.