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Howkingtech International Holding Limited

濠暎科技國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2440)

CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION

Financial advisor to the Company



中国平安资本(香港)

PING AN OF CHINA CAPITAL (HONG KONG)

THE SUBSCRIPTION

On May 25, 2023 (after trading hours), the Company (as the subscriber of the Subscription Shares), Etic International (as the issuer of the Subscription Shares) and Yitaike Talent entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to subscribe for, and Etic International has conditionally agreed to allot and issue the Subscription Shares in accordance with the terms and conditions of the Share Subscription Agreement at a consideration of HK\$15,000,000 in cash. The Subscription Shares represent 2.2254% of the issued share capital of Etic International as of the date of this announcement and approximately 2.17695% of the issued share capital of Etic International as enlarged by the allotment and issue of the Subscription Shares.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Ms. Wang Zheshi, as a controlling shareholder of the Company and an executive Director, indirectly holds approximately 50.41468% of the issued share capital of Etic International through Yitaike Talent, a wholly-owned investment vehicle of Ms. Wang Zheshi. As such, each of Etic International and Yitaike Talent is an associate of Ms. Wang Zheshi, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Subscription exceeds 0.1% but is less than 5%, the Subscription is subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

THE SUBSCRIPTION

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THE SHARE SUBSCRIPTION AGREEMENT

The principal terms of the Share Subscription Agreement are set out below:

- Date:** May 25, 2023 (after trading hours)
- Parties:**
- (i) The Company (as subscriber);
 - (ii) Etic International (as issuer); and
 - (iii) Yitaike Talent.

Subject matter of the Subscription

The Subscription Shares represent 2.2254% of the issued share capital of Etic International as of the date of this announcement and approximately 2.17695% of the issued share capital of Etic International as enlarged by the allotment and issue of the Subscription Shares.

Consideration

The Consideration for the Subscription is HK\$15,000,000, which shall be payable in cash by the Company to Etic International at Completion.

The Consideration was determined after arms' length negotiation among the parties to the Share Subscription Agreement primarily with reference to the valuation (the "**Last Round Valuation**") of Nanjing Yitaike, the principal subsidiary of Etic International, for the last round of investment (the "**Last Round Investment**") by an independent third party investor, Longwood Capital Investment Limited ("**Longwood Capital**"), in Etic International in January 2022 as a benchmark. Longwood Capital joined as a shareholder of Etic International at the consideration of US\$3,580,000 (equivalent to approximately RMB22,821,068 at the then exchange rate conversion), holding approximately 3.84484% of the issued share capital of Etic International as of the date of this announcement. Longwood Capital specializes in investments in telecommunication and internet sectors, and was optimistic with the future prospects of the development of millimeter wave industry, the industry where Nanjing Yitaike intends to operate in. Taking into account the growth potential of Nanjing Yitaike, Longwood Capital thus decided to invest in Etic International. In view of the aforesaid, taking into account (i) the steady and solid progress of Nanjing Yitaike in realizing its commercialization plan since the Last Round Investment; (ii) the upcoming and concrete commercialization plan

of Nanjing Yitaike's products as evidenced by the requisite process to be undertaken before commercialization as more particularly set forth in the section headed "Reasons for and Benefits of the Subscription" in this announcement below, the Company considers that the Consideration as fundings for the tape-out of Nanjing Yitaike's products as the requisite step before the commercialization of those products as detailed in the section headed "Reasons for and Benefits of the Subscription" in this announcement below is sufficient, and thus is fair and reasonable in the circumstances. The Consideration will be funded by the Company's internal financial resources.

Conditions precedent

Completion is subject to and conditional upon the satisfaction or the waiver of the following conditions (where appropriate):

- (a) the Company has completed and/or executed (as applicable) all corporate and other proceedings in connection with the transactions contemplated hereby and all documents and instruments incidental thereto, and the Company (or its legal counsel) has received all such counterpart or other copies of such documents as reasonably requested;
- (b) Etic International has completed and/or executed (as applicable) all corporate and other proceedings in connection with the transactions contemplated hereby and all documents and instruments incidental thereto, and Etic International (or its legal counsel) has received all such counterpart or other copies of such documents as reasonably requested;
- (c) the Company has obtained all consent from any person or any governmental authority necessary for the consummation of all of the transactions contemplated by the Share Subscription Agreement and other transaction documents, and all such consent is effective as of Completion;
- (d) Etic International has obtained all consent from any person or any governmental authority necessary for the consummation of all of the transactions contemplated by the Share Subscription Agreement and other transaction documents, and all such consent shall be effective as of Completion;
- (e) the representations and warranties of Etic International and the Company contained in the Share Subscription Agreement remain true, complete and correct as of Completion; and
- (f) there has been no material adverse effect (as defined in the Share Subscription Agreement) since the date of the Share Subscription Agreement.

Completion

Completion shall take place within three (3) business days upon the satisfaction or waiver of the above conditions precedent, or at such other time and/or date as the Company and Etic International may agree in writing and in compliance with the Listing Rules. As soon as reasonably practicable and in no event later than ten (10) days after Completion, Etic International shall deliver to the Company the duly executed certificate representing the Subscription Shares subscribed by the Company thereunder at Completion.

Right of first refusal

The Company is granted the right of first refusal to purchase the shares of Etic International intended to be transferred by Yitaike Talent (the “**Selling Shareholder**”). The Selling Shareholder shall give a written notice (the “**Transfer Notice**”) to the Company at least ten (10) business days prior to the date of signing a binding agreement relating to the sale or transfer of any shares of Etic International (the “**Transfer Shares**”) for so long the Company continues to hold the shares of Etic International for any sale or transfer of shares of Etic International held by the Selling Shareholder to any third party. The Company shall be entitled to purchase all or any part of the Company’s pro rata share of the Transfer Shares on the terms and conditions as set out in the Transfer Notice by giving a written notice to Yitaike Talent within ten (10) business days after the date of the Transfer Notice (the “**First Refusal Period**”). Where the Company fails to respond to the Transfer Notice within the First Refusal Period, such failure shall constitute a decision by the Company not to exercise its right to purchase such Transfer Shares.

Anti-dilution right

The Company is entitled to further subscribe for any issue of new equity and convertible securities by Etic International at the same price and on the same terms and conditions as it offers to other subscribers in order to maintain its percentage of shareholding held in Etic International.

INFORMATION ON THE PARTIES TO THE SHARE SUBSCRIPTION AGREEMENT

The Company

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and, through its subsidiaries, is principally engaged in the provision of data transmission and processing services for IoT applications and telecommunication equipment in the PRC, serving a broad range of industrial customers.

Etic International

Etic International is a limited liability company incorporated in the Cayman Islands and is principally engaged in investment holding. As of the date of this announcement, it is indirectly held as to approximately 50.4147% and 3.56102% by Ms. Wang Zheshi (a controlling shareholder of the Company and an executive Director) and Mr. Feng Yijing (an executive Director), through their respective wholly-owned investment holding vehicles, namely Yitaike Talent and Glorious Jia Yue Holding Limited, respectively, and the remaining issued share capital of Etic International of approximately 46.0243% in aggregate is held by six shareholders, namely Mr. Zhou Fan, MFund II, L.P., Mr. Wu Chak Man, Ms. Wu Chin-shan, Ms. Chen Tingting and Longwood Capital (the “**Non-connected Shareholders**”). MFund II, L.P. is an exempted limited partnership established in the Cayman Islands which is under the management of and controlled by its general partner, MFund GP II, Ltd (the “**General Partner**”), holding 2% interest, with its limited partners holding 98% interest. The General Partner is wholly owned by Mr. Wu Chak Man, and the limited partners of MFund II, L.P. are a number of passive investors and the management and control over MFund II, L.P. has been fully delegated to the General Partner. Longwood Capital is a limited liability company

incorporated in the Cayman Islands, which is owned as to 30%, 50% and 20% by Mr. Huang Xiaomin, Mr. Lai Zongyang and Mr. Zhang Zerui, respectively, each of which are independent third parties. Upon completion, Etic International will be owned as to approximately 49.31718%, 3.48350%, 2.17695% and 45.02237% by Ms. Wang Zheshi, Mr. Feng Yijing, the Company and the Non-connected Shareholders, respectively.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Non-Connected Shareholders and their respective ultimate beneficial owners (where applicable) are not connected persons of the Company and are third parties independent of the Company except Mr. Wu Chak Man, MFund II, L.P. (an associate of Mr. Wu Chak Man) and Ms. Wu Chin-shan. Each of Mr. Wu Chak Man and Ms. Wu Chin-shan was a pre-IPO investor of the Company. For further details, please refer to the section headed “History, Reorganization and Corporate Structure – Pre-IPO Investments” in the Prospectus.

As of the date of this announcement, Etic International, through its wholly-owned subsidiary, Etic Industrial, is indirectly interested in 65.95% equity interest of Nanjing Yitaike, a limited liability company established in the PRC. Nanjing Yitaike is the principal subsidiary, which is intended to be principally engaged in the research and development of millimeter wave chip products for various application scenarios, such as railway passenger information system, long-distance backhaul and smart home systems and other related solutions in the PRC. For further details, please refer to the section headed “Relationship with our Controlling Shareholders” in the Prospectus.

Based on its unaudited financial statements of Etic International, for the years ended December 31, 2021 and 2022, Etic International did not record any revenue, and the net loss of Etic International was approximately US\$1,300 (equivalent to approximately HK\$10,140) and US\$1,000 (equivalent to approximately HK\$7,800), respectively. The total assets and net liability value of Etic International as of December 31, 2022 was approximately US\$783,000 (equivalent to approximately HK\$6,107,400) and approximately US\$2,300 (equivalent to approximately HK\$17,940), respectively.

Yitake Talent

Yitake Talent is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investment holding. As of the date of this announcement, it is wholly owned by Ms. Wang Zheshi.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As disclosed in the Prospectus, it is currently expected that the complete commercialization of the millimeter wave technology of Nanjing Yitaike to take place in around the second half of 2024. Based on the Company’s understanding of the business plan of Nanjing Yitaike, it is currently in need of funds to launch the tape-out of its millimeter wave chip products (the “**Tape-out**”), which is scheduled to commence in around July 2023 and expected to be completed in the fourth quarter of 2023. Upon completion of the Tape-out, as a significant milestone before commercialization of its products, Nanjing Yitaike will commence small scale trial of millimeter wave communication products with the engineering sample chips in different application scenarios prior to the launch of small batch production of such chip products. As of the date of this announcement, having considered the expertise, reliability, costs and reputation of companies providing foundry solutions, Nanjing Yitaike has reached

out and is in the course of discussion with a prospective foundry solution provider (the “**Foundry Solution Provider**”), an independent third party, to conduct the Tape-out. The Foundry Solution Provider is a multinational corporation specializes in semiconductor technologies, the shares of which are listed on multiple stock exchanges. Based on the previous experience of certain members of Nanjing Yitaike’s research and development team in cooperating with the Foundry Solution Provider in carrying out similar tape-out processes and their understanding of the market-leading position of the Foundry Solution Provider in the semiconductor contract manufacturing and design industry in Europe, it is currently estimated that the quote for the Tape-out would amount to approximately US\$2 million (equivalent to approximately HK\$15.6 million). Accordingly, Nanjing Yitaike will utilize the proceeds obtained from the Subscription to fund the Tape-out. In the event Nanjing Yitaike requires further fundings for its commercialization plan and other research and development activities, it would seek financing from other third party investors.

As a company indirectly held by Dr. Chen Ping, the co-founder of the Group, the Company has better visibility of the potential business growth of Nanjing Yitaike and is optimistic with the prospects of the industry where Nanjing Yitaike will operate in. However, as disclosed in the Prospectus, Nanjing Yitaike has different business focuses as compared to that of the Group. The Directors would like to reiterate that the intention to include Nanjing Yitaike in the Group in the near future is remote.

Nevertheless, having considered (i) the improved business performance and stable financial position of the Group for the year ended December 31, 2022, the Subscription, which will be funded by the Group’s available surplus cash, will not affect the operational liquidity of the Group; and (ii) the valuation upside potential of Nanjing Yitaike in light of the upcoming commercialization of its millimeter wave chip products, the Company considers that the Subscription as a strategic one-off investment in Nanjing Yitaike could bring positive returns to the Group. The Subscription will not be funded by the proceeds from the Company’s initial public offering.

Based on the foregoing, the Board (including the independent non-executive Directors) is of the view that the terms of the Share Subscription Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS’ CONFIRMATION

Ms. Wang Zheshi (a controlling shareholder of the Company and an executive Director), Dr. Chen Ping (the spouse of Ms. Wang Zheshi, and thus an associate of Ms. Wang Zheshi) and Mr. Feng Yijing (an executive Director) are considered to have a material interest in the Share Subscription Agreement and the transactions contemplated thereunder. Therefore, each of Ms. Wang Zheshi, Dr. Chen Ping and Mr. Feng Yijing has abstained from voting on the resolutions of the Board in respect of the Share Subscription Agreement pursuant to the articles of association of the Company and the Listing Rules. Save as disclosed above, none of the other Directors has a material interest in the Share Subscription Agreement and the transactions contemplated thereunder and hence no other Director is required to abstain from voting on the relevant Board resolutions.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Ms. Wang Zheshi, as a controlling shareholder of the Company and an executive Director, indirectly holds approximately 50.41468% of the issued share capital of Etic International through Yitaike Talent, a wholly-owned investment vehicle of Ms. Wang Zheshi. As such, each of Etic International and Yitaike Talent is an associate of Ms. Wang Zheshi, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Subscription exceeds 0.1% but is less than 5%, the Subscription is subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Howkingtech International Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Share Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Company to Etic International for the Subscription, being HK\$15,000,000
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Etic Industrial”	Etic Industrial Co., Ltd., a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Etic International
“Etic International”	Etic International Limited, a company incorporated in the Cayman Islands with limited liability
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	any person or company and its ultimate beneficial owner(s), who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“IoT”	internet of things
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Yitaike”	Nanjing ETIC Communication Technology Co., Ltd. (南京易太可通信技術有限公司), a company established in the PRC with limited liability which is held as to held as to 65.95% by Etic Industrial and 34.05% in aggregate by two independent third parties as of the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated November 30, 2022 in connection with the global offering of the shares of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share Subscription Agreement”	the agreement dated May 25, 2023 entered into by the Company, Etic International and Yitaike Talent for the Subscription
“Shareholder(s)”	holder(s) of the ordinary shares of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Company for the Subscription Shares pursuant to the Share Subscription Agreement
“Subscription Shares”	the 111,270 new ordinary shares in the share capital of Etic International to be subscribed by the Company pursuant to the Share Subscription Agreement
“US\$”	United States dollars, the lawful currency of the United States of America

“Yitaike Talent”

Yitaike Talent Limited, a company incorporated in the British Virgin Islands with limited liability

“%”

per cent

For illustration purposes only, unless otherwise specified, the exchange rate of US\$1 = HK\$7.8 has been adopted for translating US\$ into HK\$ in this announcement.

By order of the Board
Howkingtech International Holding Limited
Chen Ping
Chairman and executive Director

Hong Kong, May 25, 2023

As of the date of this announcement, the executive Directors are Dr. Chen Ping, Ms. Wang Zheshi, Mr. Feng Yijing and Mr. Wang Jun; and the independent non-executive Directors are Mr. Gu Jiong, Mr. Yang Hai and Mr. Fong Wo, Felix.

* *For identification purpose only*