
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 stockbroker 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 Hi-Level Technology Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8113)

**(A) PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARE FOR
EVERY ONE (1) SHARE HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS;
(B) APPLICATION FOR WHITENASH WAIVER;
AND
(C) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Rights Issue only and
Placing Agent to the Rights Issue



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

ALTUS CAPITAL LIMITED

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

The Rights Issue is on a non-underwritten basis. Pursuant to the Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the GEM Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to fulfilment of the conditions of the Rights Issue as set out in the paragraphs headed "Proposed Rights Issue – Conditions of the Rights Issue" under the section headed "Letter from the Board" in this circular at or prior to the latest time for the Rights Issue to become unconditional. The conditions include but are not limited to the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 41 to 42 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 43 to 71 of this circular.

A notice convening the EGM to be held at 28/F., Noble Centre, No.1006, 3rd Fuzhong Road, Futian District, Shenzhen, P.R.C. at 11:00 a.m. on Tuesday, 25 July 2023 is set out on pages 103 to 106 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the designated website of the GEM (<http://www.hkgem.com>) and the website of the Company (www.hi-levelhk.com).

Whether or not you are able to attend and vote at the EGM in person, you are requested to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of publication and will also be published on the website of the Company at www.hi-levelhk.com.

3 July 2023

CHARACTERISTICS OF THE 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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DEFINITION

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

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 8 June 2023 in relation to, among other things, the Rights Issue, the Placing Agreement and the Whitewash Waiver
“Articles of Association”	the existing articles of association of the Company, as amended from time to time
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented and otherwise modified from time to time
“Company”	Hi-Level Technology Holdings Limited 揚宇科技控股有限公司, an exempted company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8113)
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“Concert Group”	SAS Investment, Dr. Yim and parties acting in concert with any of them (including SAS Dragon, Unimicro, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung)

DEFINITION

“controlling shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Dr. Yim”	Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> (嚴玉麟), (i) an executive Director and the chairman of the Company and (ii) an executive director and chairman of SAS Dragon
“EGM”	the extraordinary general meeting of the Company to be convened and held at 28/F., Noble Centre, No.1006, 3rd Fuzhong Road, Futian District, Shenzhen, P.R.C. at 11:00 a.m. (Hong Kong time) on Tuesday, 25 July 2023 at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue, the Placing Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDH”	Independent design house. An IDH service provider offers design service and technical support to original brand manufacturers and original design manufacturers as well as turnkey solution to electronics manufacturer
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter, established for the purpose of advising the Independent Shareholders on the Rights Issue, the Placing Agreement and the Whitewash Waiver

DEFINITION

“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed (with the approval of the Independent Board Committee) by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver
“Independent Shareholder(s)”	Shareholder(s) other than (i) the Concert Group; and (ii) those Shareholders who are involved in, or interested in, the Rights Issue, the Placing Agreement and/or the Whitewash Waiver
“Latest Practicable Date”	Friday, 30 June 2023, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Last Trading Day”	Thursday, 8 June 2023, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Time for Acceptance”	4:00 p.m. on Monday, 21 August 2023 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 29 August 2023, being the first business day after the latest time for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent, being the latest time to terminate the Placing Agreement
“MCU”	Microcontroller, a compact integrated circuit designed to perform or govern a specific tasks/operation of an embedded system
“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees)
“No Action Shareholder(s)”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)

DEFINITION

“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s) to the placees on the terms and subject to the conditions of the Placing Agreement
“Placing Agent”	Sunny Fortune Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 8 June 2023 and entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis
“Posting Date”	Monday, 7 August 2023 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders, and the Prospectus for information only to the Non-Qualifying Shareholders (as the case may be)
“PRC”	the People’s Republic of China which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITION

“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the record date to determine the provisional entitlements to the Rights Issue
“Registrar”	Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement (i.e. 8 December 2022) and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) Share in issue held on the Record Date
“Rights Share(s)”	up to 652,770,000 new Shares proposed to be allotted and issued under the Rights Issue
“SAS Dragon”	S.A.S. Dragon Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1184)
“SAS Investment”	S.A.S. Investment Company Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of SAS Dragon
“SAS Undertakings”	the undertakings given by SAS Investment in favour of the Company in relation to the Rights Issue
“SFC”	the Securities and Futures Commission
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITION

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.12 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Sunny Fortune Capital”	Sunny Fortune Capital Limited, a corporation licensed under SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in respect of the Rights Issue only
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Undertakings”	the SAS Undertakings and the YIM Undertakings
“Unimicro”	Unimicro Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Dr. Yim
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“Whitewash Waiver”	the waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of SAS Investment and Dr. Yim to make a mandatory general offer to the Shareholders in respect of all Shares not already owned or agreed to be acquired by the Concert Group which may be triggered as a result of the acceptance by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the Undertakings in the event that the Rights Shares are not issued in full
“YIM Undertakings”	the undertakings given by Dr. Yim in favour of the Company in relation to the Rights Issue
“%”	per cent

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue. All times and dates stated in this circular refer to Hong Kong local times and dates. The expected timetable below is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable:

Event	Date and time (Hong Kong time)
Despatch date of this circular with notice and form of proxy for the EGM	Monday, 3 July 2023
Latest time for lodging Shares transfer documents to qualify for attendance and voting at EGM	4:30 p.m. on Wednesday, 19 July 2023
Closure of register of members of the Company for attending the EGM (both days inclusive)	Thursday, 20 July 2023 to Tuesday, 25 July 2023
Latest date and time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Sunday, 23 July 2023
Record date for attendance and voting at the EGM	Tuesday, 25 July 2023
Date and time of the EGM	11:00 a.m. on Tuesday, 25 July 2023
Announcement of poll results of EGM	Tuesday, 25 July 2023
Last day of dealings in Shares on a cum-rights basis	Wednesday, 26 July 2023
First day of dealings in Shares on an ex-rights basis	Thursday, 27 July 2023
Latest time for the Shareholders to lodge Shares transfer documents in order to qualify for the Rights Issue	4:30 p.m. on Friday, 28 July 2023
Closure of register of members of the Company for the Rights Issue (both days inclusive)	Monday, 31 July 2023 to Friday, 4 August 2023
Record Date for determining entitlements to the Rights Issue	Friday, 4 August 2023
Register of members of the Company re-opens	Monday, 7 August 2023
Expected despatch of Prospectus Documents (including the PAL and Prospectus), and in case of the Non-Qualifying Shareholders, the Prospectus only	Monday, 7 August 2023

EXPECTED TIMETABLE

Event	Date and time <i>(Hong Kong time)</i>
First day of dealings in nil-paid Rights Shares	Wednesday, 9 August 2023
Latest time for splitting the PAL	4:30 p.m. on Friday, 11 August 2023
Last day of dealings in nil-paid Rights Shares	Wednesday, 16 August 2023
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain	4:00 p.m. on Monday, 21 August 2023
Latest time for acceptance of, and payment for, the Rights Shares	4:00 p.m. on Monday, 21 August 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares	Wednesday, 23 August 2023
Commencement of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Thursday, 24 August 2023
Latest time of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Monday, 28 August 2023
Announcement of allotment results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares)	Wednesday, 30 August 2023
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if the Rights Issue is terminated)	Thursday, 31 August 2023
Commencement of dealings in fully-paid Rights Shares	Friday, 1 September 2023
Payment of Net Gain to relevant No Action Shareholders (if any)	Friday, 1 September 2023

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in paragraph headed “Expected Timetable” above may be affected. Announcement will be made by the Company in such event.

LETTER FROM THE BOARD



Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8113)

Executive Directors:

Dr. Yim Yuk Lun, Stanley *BBS JP*

Mr. Chang Wei Hua

Mr. Wei Wei

Mr. Tong Sze Chung

Non-executive Director:

Mr. Wong Wai Tai

Independent non-executive Directors:

Mr. Shea Chun Lok, Quadrant

Mr. Fung Cheuk Nang, Clement

Mr. Tsoi Chi Ho, Peter

Registered Office:

One Nexus Way

Camana Bay, Grand Cayman

KY1-9005, Cayman Islands

Principal place of business in Hong Kong:

Room 614, 6/F, Tower B

Hunghom Commercial Centre

37 Ma Tau Wai Road, Hunghom

Kowloon, Hong Kong

3 July 2023

To the Shareholders,

Dear Sir or Madam,

**(A) PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARE FOR
EVERY ONE (1) SHARE HELD ON THE RECORD DATE;
AND
(B) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue, the Placing Agreement and the Whitewash Waiver.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Rights Issue, the Placing Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver; (iv) other information required under the GEM Listing Rules and the Takeovers Code; and (v) a notice convening the EGM.

PROPOSED RIGHTS ISSUE

The Board proposes the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.12 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	652,770,000 Shares
Total number of Rights Shares	:	Up to 652,770,000 Rights Shares (assuming no further Shares will be issued or repurchased on or before the Record Date)
Number of Rights Shares being undertaken by SAS Investment and Dr. Yim	:	267,545,861 Rights Shares, of which 224,423,000 Rights Shares are undertaken by SAS Investment and 43,122,861 Rights Shares are undertaken by Dr. Yim
Gross proceeds to be raised from the Rights Issue	:	From approximately HK\$27.4 million to approximately HK\$78.3 million

Assuming there is no change in the number of issued Shares on or before the Record Date, the maximum number of 652,770,000 Rights Shares to be issued represents:

- (a) 100% of the number of issued Shares (based on the Company's issued share capital as at the Latest Practicable Date); and
- (b) 50% of the enlarged issued share capital of the Company immediately following completion of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company also has no intention to issue or grant any convertible securities, options and/or warrants on or before the Record Date.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price is HK\$0.12 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 35.1% based on the closing price of HK\$0.185 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 35.5% to the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 35.5% to the average closing price of approximately HK\$0.186 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 35.5% to the average closing price of approximately HK\$0.186 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 32.5% to the average closing price of approximately HK\$0.178 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 32.8% to the average closing price of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 29.4% to the average closing price of approximately HK\$0.170 per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 21.6% to the theoretical ex-rights price of approximately HK\$0.153 per Share based on the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ix) a premium of approximately 188.0% over the net asset value of approximately HK\$0.042 per Share based on the audited equity attributable to owners of the Company of approximately HK\$27.2 million as at 31 December 2022 and 652,770,000 Shares; and

LETTER FROM THE BOARD

- (x) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 17.7%, represented by a nominal discount of the theoretical diluted price of approximately HK\$0.153 per Share to the theoretical benchmarked price of HK\$0.186 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.186 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.186 per Share).

The Subscription Price was determined with reference to the recent closing price of the Share, the financial conditions of the Company, the current market conditions and the reasons and benefits of the Rights Issue as discussed in the paragraphs headed “Reasons for the Rights Issue and use of proceeds” under the section headed “Proposed Rights Issue” in this circular.

In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Board (including the members of the Independent Board Committee whose opinion after taking into account the advice of the Independent Financial Adviser are set forth in the letter from the Independent Board Committee in this circular) considers that the terms of the Rights Issue and the Placing Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the Companies Act (as revised) of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

In the event that the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders under PAL(s), or transferees of nil-paid Rights Shares together with the NQS Unsold Rights Shares will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company, and hence, the size of the Rights Issue will be reduced accordingly.

In the event that the Rights Shares are not issued in full and assuming that (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of SAS Investment and Dr. Yim will increase from approximately 41.0% to 56.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

LETTER FROM THE BOARD

In such circumstance, the obligations of SAS Investment and Dr. Yim to make a general offer under the Takeovers Code will be triggered as a result of the acceptance by them of the provisional allotment of Rights Shares to SAS Investment and Dr. Yim pursuant to the Undertakings. As disclosed in the paragraphs headed “Proposed Rights Issue – Conditions of the Rights Issue” under the section headed “Letter from the Board” in this circular, it is a condition of the Rights Issue for the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date and the Rights Issue, the Placing Agreement and the Whitewash Waiver being approved by the Independent Shareholders at the EGM.

Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (a) the passing of the necessary resolutions by the Independent Shareholders at the EGM approving, among other things, the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms); the Placing Agreement; and the Whitewash Waiver;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents not later than the Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Posting Date;
- (d) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than the business day prior to the first day of their dealings;
- (e) the Company’s compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules;
- (f) there being no material breach of the obligations of SAS Investment and Dr. Yim under the Undertakings; and
- (g) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date, and the satisfaction of all conditions (if any) attached thereto.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed. As at the Latest Practicable Date, none of the above conditions had been satisfied.

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (a) be registered as a member of the Company at the close of business on the Record Date; and
- (b) be a Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company, and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company at the close of business on the Record Date, transfer documents (together with the relevant share certificates) must be lodged with the Registrar no later than 4:30 p.m. on Friday, 28 July 2023.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Closure of register of members

The register of members of the Company will be closed from Monday, 31 July 2023 to Friday, 4 August 2023 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Registrar by 4:00 p.m. on Monday, 21 August 2023.

LETTER FROM THE BOARD

Rights of Overseas Shareholders

This circular and the Prospectus Documents to be issued are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Based on the register of members of the Company as at the Latest Practicable Date, the Company did not identify any Overseas Shareholders.

The Company will continue to ascertain whether there are any other Overseas Shareholders at the Record Date and will, if necessary, make enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date and make relevant disclosure in the Prospectus.

The Company will send the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL to them.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. For the avoidance of doubt, the Non-Qualifying Shareholders may vote at the EGM unless such person is not an Independent Shareholder (in which case they shall abstain).

Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing together with the Unsubscribed Rights Shares. Any NQS Unsold Rights Shares and Unsubscribed Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the Rights Shares in nil-paid form that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. The Company reserves the right to treat as invalid any acceptance of Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements

The Company will make arrangements as described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to the No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 28 August 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong Dollars (but rounded down to the nearest cent) on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to those Overseas Shareholders.

LETTER FROM THE BOARD

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders may or may not receive any Net Gain.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Thursday, 31 August 2023 by ordinary post to the allottees, at their own risk, to their registered addresses. If the Rights Issue does not become unconditional, refund cheques are expected to be sent on or about Thursday, 31 August 2023 by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlements to the Rights Shares

On the basis of one (1) Rights Share for every one (1) Share held on the Record Date, no fractional entitlement will arise under the Rights Issue.

Odd Lot Arrangement

No odd lot matching services will be provided by the Company in respect of the Rights Shares.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing of the Rights Shares

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. Nil-paid Rights Shares are expected to be traded in board lots of 10,000 as the Shares are currently traded on the Stock Exchange in board lots of 10,000.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange or such other dates as determined by HKSCC.

LETTER FROM THE BOARD

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

THE PLACING AGREEMENT

On 8 June 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure independent placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing are as follows:

Date : 8 June 2023 (after trading hours)

Parties : The Company, as issuer; and
The Placing Agent, as placing agent

Placing Agent : Sunny Fortune Capital Limited, appointed as the bookrunner and placing agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis.

The Placing Agent and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons within the meaning of the GEM Listing Rules.

Placing fee and expenses : The commission payable to the Placing Agent shall be 1% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

The Company will pay all out-of-pocket expenses properly and reasonably incurred by the Placing Agent in connection with the Placing (excluding legal and other professional fees and expenses) which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.

LETTER FROM THE BOARD

- Placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) : The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price but the final price will be determined based on the demand for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and market conditions during the process of the Placing.
- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any directors, chief executive or substantial shareholders of the Company (including SAS Investment and Dr. Yim) or its subsidiaries or any of their respective associates; and (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue, in order to ensure that the public float requirements under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company and none of the placees shall be obliged to make a mandatory general offer to the other Shareholders under the Takeovers Code.
- Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue.
- Conditions precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon among others, the following conditions being fulfilled:
- (i) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares;
 - (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
 - (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

LETTER FROM THE BOARD

- Termination : If at any time prior to the Latest Time for Termination:
- (i) the Company fails to comply with its obligations under the Placing Agreement; or
 - (ii) the occurrence of any force majeure events; or
 - (iii) any of the warranties of the Company under the Placing Agreement is not, or has ceased to be, true, accurate and not misleading in material respect by reference to the facts subsisting at the time,

and such matter in the reasonable opinion of the Placing Agent to be material in the context of the Placing then the Placing Agent may by giving notice in writing to the Company terminate the Placing Agent's obligation under the Placing Agreement and the Placing Agreement shall be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach thereunder prior to such termination.

Further, if all the Rights Shares have been taken up by the Qualifying Shareholders and/or the holders of the nil-paid rights on or before the Latest Time for Acceptance, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach thereunder prior to such termination.

The engagement between the Company and the Placing Agent for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiations between the Placing Agent and the Company. The Directors consider the terms of the Placing for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms. The Directors believe that the expenses are typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders, the Company considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interests of the Company's minority Shareholders. The Company will ensure that it will continue to comply with the public float requirement under Rule 11.23(7) of the GEM Listing Rules after the Placing and the Rights Issue.

LETTER FROM THE BOARD

THE UNDERTAKINGS

As at the Latest Practicable Date, SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company. Pursuant to the Undertakings, SAS Investment and Dr. Yim have provided undertakings to the Company respectively that subject to SAS Investment and Dr. Yim having obtained the Whitewash Waiver, they will accept in full the Rights Shares proposed to be provisionally allotted to them pursuant to the Rights Issue provided that the obligations of SAS Investment and Dr. Yim are, however, subject to the public float requirement under the GEM Listing Rules and the total number of the Rights Shares to be subscribed by SAS Investment and Dr. Yim will be scaled down to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

SAS Undertakings

Pursuant to the SAS Undertakings, SAS Investment had irrevocably undertaken to the Company:

- (a) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 224,423,000 Shares held by it as at the date of the SAS Undertakings or (ii) the nil-paid rights pertaining to 224,423,000 Rights Shares provisionally allotted to it;
- (b) the 224,423,000 Shares registered in its name and/or the name(s) of its nominee(s) as at the date of the SAS Undertakings shall remain registered in its name and/or under the name(s) of its nominee(s) on the Record Date and until the close of the Rights Issue;
- (c) to apply for the Whitewash Waiver;
- (d) subject to having obtained the Whitewash Waiver, to accept (i) in full the Rights Shares to be provisionally allotted to it pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares; or (ii) such maximum number of Rights Shares to be provisionally allotted to it pursuant to the Rights Issue to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
- (e) not to carry out any act (including any acquisition of voting rights by it or any parties acting in concert with it) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted; and
- (f) prior to completion of the Rights Issue, if it is determined that completion of the Rights Issue based on the subscription of Rights Shares under PAL would result in the public float of the Company not being maintained, to scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.

LETTER FROM THE BOARD

YIM Undertakings

Pursuant to the YIM Undertakings, Dr. Yim had irrevocably undertaken to the Company:

- (a) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 43,122,861 Shares held by him as at the date of the YIM Undertakings or (ii) the nil-paid rights pertaining to 43,122,861 Rights Shares provisionally allotted to him;
- (b) the 43,122,861 Shares registered in his name and/or the name of his wholly-owned controlled corporation or nominee(s) as at the date of the YIM Undertakings shall remain registered in his name and/or the name of his wholly-owned controlled corporation or nominee(s) on the Record Date and until the close of the Rights Issue;
- (c) to apply for the Whitewash Waiver;
- (d) subject to having obtained the Whitewash Waiver, to accept (i) in full the Rights Shares to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares; or (ii) such maximum number of Rights Shares to be provisionally allotted to it pursuant to the Rights Issue to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
- (e) not to carry out any act (including any acquisition of voting rights by him or any parties acting in concert with them) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted; and
- (f) prior to completion of the Rights Issue, if it is determined that completion of the Rights Issue based on the subscription of Rights Shares under PAL would result in the public float of the Company not being maintained, to scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.

Scale-down of subscriptions

To avoid the unwitting triggering of the Company's non-compliance with minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules, each of SAS Investment and Dr. Yim has respectively undertaken under the Undertakings that where the Rights Issue would result in the public float of the Company not being maintained, they will scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue. The scaling-down mechanism will be determined by the Company and will be made on the basis that the applications are to be scaled-down by the Company (further details of which are set out below) to such extent which does not result in the Company's non-compliance with the minimum public float requirements under Rule 11.23(7) of the GEM Listing Rules at all times.

LETTER FROM THE BOARD

It is expected that the scaling-down of applications of the Rights Shares by SAS Investment and Dr. Yim shall be made by the Company after the latest time of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent (i.e. Monday, 28 August 2023) when the Company has the results of the Placing and the tentative number of Rights Shares that will be held by the public upon completion of the Rights Issue. The Company will determine the number of Rights Shares to be scaled down and waived by SAS Investment and Dr. Yim respectively based on the information available to the Company after the Placing and the need to maintain sufficient public float under the GEM Listing Rules on a fair and equitable basis. Any subscription monies for the scaled-down Rights Shares paid by SAS Investment and Dr. Yim will be refunded to them on the same date when the Company despatches the share certificates for fully-paid Rights Shares on Thursday, 31 August 2023.

PREVIOUS FUND RAISING EXERCISE INVOLVING ISSUE OF SECURITIES IN THE PRIOR 12-MONTH PERIOD

The Company has not completed any equity fund raising activities in the twelve (12) months immediately prior to the date of the Announcement and up to the Latest Practicable Date.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group, which includes but are not limited to, the following:

- (i) the Group is principally engaged in the sale of electronic components for consumer electronic products. The consumer electronics market is characterised by its fast changing nature and the Group needs to be adaptive and quick to respond to such market changes. In the event the Group is unable to adapt to such changes and/or unable to respond to such changes by providing timely solutions to its customers, the business and financial results of the Group would be adversely affected;
- (ii) the Group also provides IDH services to original brand manufacturers and original design manufacturers. The Group's IDH Services are not separately charged but incorporated into the selling price of electronic components. However, the IDH value added services of the Group might not be needed once the size of some of its customers have grown to an extent that either they are in a position to establish their own in-house design and research team and/or that the Group's suppliers decide to work directly with its existing customers, which may have a material adverse impact on the Group's results of operations;
- (iii) as more IDHs are being established in the PRC and some of the Group's major customers may want to engage in IDH business, the Group may face increasing market competition, as a result of which its business and financial conditions may be adversely affected;

LETTER FROM THE BOARD

- (iv) the Group's design house services are highly dependent on demands from its customers, who in turn are greatly dependent on consumers' preference and market demand. The electronics market changes and fluctuates, and the demands for the Group's current products and designs may drop vigorously when new products appear in the market and consumers' tastes and preferences change. Electronics products are volatile and often become obsolete whenever newer products push them out of the market. If the Group fails to keep up with the changes and transitions in technology, industry standards and customers' requirements and preference, its business, financial position and results of operation may be adversely affected;
- (v) the Group is dependent on the health of global economic conditions and the levels of global consumer consumption in general. A deterioration in global economic conditions could affect consumer confidence and spending. If the demand for the products provided by the Group declines as a result of changes in global economic conditions or does not grow at the pace it anticipates, its business, financial condition and results of operations could be adversely affected; and
- (vi) the Group's continued success, growth and ability to expand its operations depend significantly upon the continued efforts, contribution and expertise of its key management team and technical employees. As competition for these key personnel in the industry is intense, any failure to retain or attract such skilled personnel may affect the business operations, financial performance and future prospects of the Group.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Assuming that there is no change in the number of issued Shares on or before the Record Date, the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.2 million) will not be less than approximately HK\$26.2 million and not more than approximately HK\$77.1 million.

Assuming full subscription under the Rights Shares, the estimated net proceeds of the Rights Issue will be HK\$77.1 million. The Company intends to apply such net proceeds as to:-

- (a) approximately 70% of net proceeds (approximately HK\$54.0 million) for the repayment of outstanding bank borrowings;
- (b) approximately 20% of net proceeds (approximately HK\$15.4 million) for the development of new applications for MCU and electronic paper including sale team recruitment and initial buffer stock ordering; and
- (c) the remaining balance 10% of net proceeds (approximately HK\$7.7 million) as the general working capital of the Group.

LETTER FROM THE BOARD

Repayment of outstanding bank borrowings

As at 30 April 2023, the Group has an outstanding amount of bank borrowing of approximately HK\$134.4 million. These liabilities represent short-term interest bearing borrowing from 6 licensed commercial banks in Hong Kong, carries interest rates ranged from 5.79% to 6.5% per annum and fall due between 2 May 2023 and 28 August 2023. The Company intends to apply the net proceeds of approximately HK\$54.0 million for the repayment of the short-term interest bearing borrowing from the above licensed commercial banks so as to enhance the financial position of the Group, reduce the interest burden and to provide flexibility to the Group to meet other financial obligations and/or business needs.

Development of new applications for electronic paper and MCU

Thanks to the lifting of the pandemic restrictions in China, favorable policy in the green energy and semiconductor industries and the digital transformation promoted the use of electronic paper applications, the Directors believe that there are lots of market potential in the sector of electronic paper and MCU application. In response to the changes in the consumer electronic market, the Directors consider that it is beneficial for the Group to actively adjusting its product portfolio and speed up its expansion in the abovementioned sector in order to cater to the market demand, and thus the Group have been devoting great efforts in the development of new applications for electronic paper and MCU.

Electronic paper applications

Electronic paper is a display panel component with extremely low energy consumption and wide viewing angle, and is widely known for its application in electronic tags and e-book. The Group has obtained dealership right from E-ink, one of the world's largest electronic paper suppliers, and was consented by E-ink to develop, market and promote its electronic paper products in the PRC. The Group is currently in discussion with a Germany based electronic products manufacturer in respect of the application of electronic paper technology into its electronic display products such as electronic clock and electronic calendar etc. in replace of the traditional LCD display panel. The Directors anticipate that the Group will commence the discussion of product specification and software and hardware program development and finalise the product design by the 2nd half of 2023; commence demo board production by 1st quarter of 2024 and the trail production by the 2nd quarter of 2024; and extend such electronic paper solution to other consumer electronic products and other customers by the 2nd half of 2024.

The Company intends to apply the net proceeds of approximately HK\$10.2 million for the development of electronic paper products, of which (i) approximately HK\$1.5 million will be used for staff team recruitment consist of approximately 4 new headcounts for sales and engineering personnel; and (ii) approximately HK\$8.7 million for the initial buffer stock ordering.

LETTER FROM THE BOARD

MCU applications

With the country's policy of semiconductor self-reliance, China-made MCUs for vehicles will see a huge opportunity to replace the imported products from Europe and the United States. The Group has established business collaboration with a PRC partner which is specialized in development of new energy vehicle and its system and parts, and have agreed to jointly develop and promote its MCU for new energy vehicle controls in the PRC market. The Group have identified and planned to approach two PRC new energy vehicle manufacturers in 2023 to market and promote the MCU products of our PRC partner. Following such initial effort, the Group plan to extend our sales coverage to other PRC vehicle manufacturer in 2024 and/or onward.

The Company intends to apply the net proceeds of approximately HK\$5.2 million for the development of MCU products, of which (i) approximately HK\$1.5 million will be used for staff team recruitment consist of approximately 4 new headcounts for sales and engineering personnel; and (ii) approximately HK\$3.7 million for the initial buffer stock ordering.

General working capital of the Group

Relating to the net proceeds to be used as the general working capital of the Group of approximately HK\$7.7 million, the Company intends to apply: (i) approximately HK\$3.5 million for payment of monthly salaries of the Group's employees; (ii) approximately HK\$2.0 million for monthly lease payments; and (iii) approximately HK\$2.2 million for other general and miscellaneous expenses for supporting the Group's daily operations.

As the Rights Issue will proceed on a non-underwritten basis, the actual amount of the net proceeds from the Rights Issue cannot be ascertained as at the Latest Practicable Date. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

As disclosed in the annual report of the Company for the year ended 31 December 2022 and 2021, due to weak demand in the consumer electronic market caused by unfavorable global business environment such as rising inflation worldwide and interest rate hikes in the US and the downwards trends of prices of panels and panel modules due to the fierce price competition, the Group has been facing difficult time since 2021 with its financial performance being severely affected. In 2021 and 2022, the Group recorded losses of approximately HK\$46.9 million and approximately HK\$68.5 million respectively. Moreover, the Group had net cash position at 31 December 2020 and its net gearing ratio (calculated based on the Group's net debt and total equity) has increased from 182.1% at 31 December 2021 to 417.4% at 31 December 2022. As at 31 December 2022, the Group still had an outstanding loan of approximately HK\$220.4 million, which are payable within one year. The Rights Issue can immediately strengthen the capital base and financial position of the Company by improving its net assets value and cash on hand without increasing its current liabilities. Assuming the Rights Issue are fully subscribed, the Rights Issue will bring down the Group's net gearing ratio to below 100% immediately. The cash infusion from the rights issue to the capital base will also benefit the Group and enhances its financial flexibility to capture future business opportunities. As such the Board believes that such

LETTER FROM THE BOARD

enhanced capital base and financial position will further strengthen the Group's balance sheet and resilience in a volatile market for its operations and development. The net proceeds from the Rights Issue are expected to be used for the Group's general working capital purpose to enhance the Group's capital base and financial position and also to support the on-going business development of the Group. Such intended use of proceeds is not expected to change regardless of the subscription level of the Rights Issue.

The Board has considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as placement of the Shares and open offer. The Board is of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company. As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions, especially the Board has taken into account the slim trading volume of the Shares in the market in the 12 months. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, while it offers Qualifying Shareholders to participate, it does not allow the trading of rights entitlements in the open market which may not be the best option to the Shareholders.

The Directors (including the members of the Independent Board Committee whose opinion after taking into account the advice of the Independent Financial Adviser are set forth in the letter from the Independent Board Committee in this circular) are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full. Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors (including the members of the Independent Board Committee whose opinion after taking into account the advice of the Independent Financial Adviser are set forth in the letter from the Independent Board Committee in this circular) consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM of the Stock Exchange (stock code: 8113). The Group is principally engaged in the sale of electronic components (mainly integrated circuit and panels) for consumer electronic products such as mobile internet devices, electronic learning aids, multi-media player (car infotainment system), smartphone panel modules, set-top boxes and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

LETTER FROM THE BOARD

Set out below is a summary of the audited financial results of the Group for the two years ended 31 December 2021 and 2022, as extracted from the annual report of the Company for the year ended 31 December 2022.

	For the year ended 31 December	
	2021	2022
	HK\$'000	HK\$'000
Revenue	2,847,359	1,732,213
Cost of sales	(2,853,299)	(1,755,766)
Loss before taxation	(46,650)	(68,402)
Income tax expense	(304)	(143)
Loss for the year	(46,954)	(68,545)
Other comprehensive income/(loss) for the year	4,567	(7,737)
Total comprehensive loss for the year	(42,387)	(76,282)

BUSINESS PLANS OF THE GROUP AND INTENTION OF THE CONCERT GROUP

After completion of the proposed Rights Issue, the Company intends to continue with all of its existing businesses and it does not intend to downsize, dispose of or cease any existing business operations and the existing businesses of sale of electronic components for consumer electronic products together with the provision of IDH services to original brand manufacturers and original design manufacturers. The Concert Group had no intention to introduce any major changes to the Group's existing business (including redeployment of the fixed assets of the Group other than in its ordinary course of business) or terminate the continued employment of the employees of the Group; and the Concert Group had no intention to inject any new business/assets to the Group.

As disclosed in the annual report for the year ended 31 December 2022 and the first quarterly report for the three months ended 31 March 2023 of the Company, it is believed that the traditional consumer electronic market has been facing stagnant growth. Looking forward, the Group will maintain a flexible business strategy to explore new business opportunities for its development, including the development of products of:

MCU for new energy vehicles: With the lifting of the pandemic restrictions in China, the central government is expected to implement various measures to boost the economy and accelerate its recovery. Among the country's policies, those for the green energy and semiconductor industries are of particular importance, The Group will adjust its business direction and products to adapt to these trends, focusing on MCU for new energy vehicle controls and MCU for energy storage equipment. In the past, manufacturers of imported or domestic electric vehicles all used MCUs made in Europe and the United States. With the country's policy of semiconductor self-reliance, China-made MCUs for vehicles will gradually replace products from Europe and the United States. The Group has obtained domestic semiconductor agency rights that can be applied to the control of new energy vehicles and energy storage equipment.

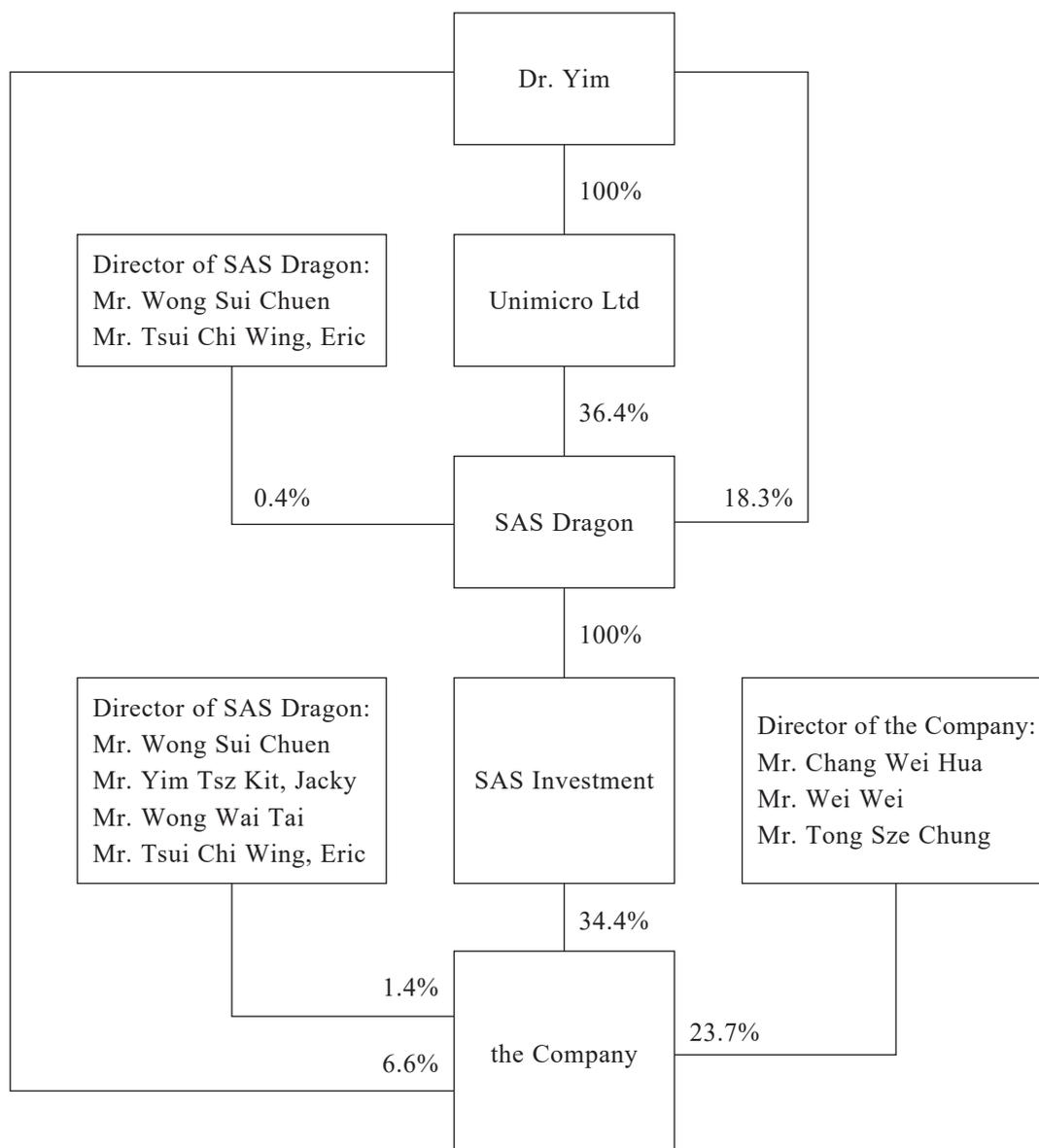
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Electronic paper applications: In respect of electronic paper applications, electronic paper is a display panel component with extremely low energy consumption. At present, electronic paper is widely known for its application in electronic tags and e-books, while the most common product in Hong Kong is the new type of parking meter. The Group has obtained the dealership rights of the world's largest supplier, E-ink, and is now developing displays for portable household appliances and test meters. Currently, several foreign manufacturers have already launched projects and tests.

The Group believes that above products can provide an impetus for the Company's future sustainable development. The Group will endeavor to broaden its revenue sources, enhance its product diversity, widen its customer base and search for new suppliers from different area so as to deliver long term sustainable value to the Shareholders.

INFORMATION ON THE CONCERT GROUP

Set out below is the shareholding structure chart of the Concert Group as at the Latest Practicable Date:



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SAS Dragon is an exempted company incorporated in Bermuda with limited liability with its shares listed and traded on the Main Board of the Stock Exchange (stock code: 1184). The principal activities of SAS Dragon and its subsidiaries include investment holding, distribution of electronic products, sale of business equipment and provision of related ancillary services, property and investment holding and sales and contract work of LED lighting product. As at the Latest Practicable Date, the board of SAS Dragon comprises Dr. Yim, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Ms. Yim Kei Man, Carmen, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin.

SAS Investment is a company incorporated in Hong Kong with limited liability, whose principal business is investment holding. As at the Latest Practicable Date, SAS Investment is a wholly-owned subsidiary of SAS Dragon and its directors are Dr. Yim and Mr. Wong Sui Chuen.

Unimicro is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. As at the Latest Practicable Date, Unimicro is owned 100% by Dr. Yim and its directors are Dr. Yim and Ms. Tsui Yuk Shan.

Dr. Yim, aged 64, is the founder, executive director, chairman and managing director of SAS Dragon since 25 May 1993. He was appointed as chairman and executive director of the Company on 1 October 2015. Dr. Yim was also appointed as independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange on 15 May 2020 and has been re-designated from independent non-executive director to non-executive director on 15 September 2021 and remained as a member of the audit committee and the nomination committee.

Mr. Wong Sui Chuen, aged 69, is appointed as an executive director of SAS Dragon in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. As at the Latest Practicable Date, Mr. Wong Sui Chuen directly holds 2,531,328 Shares, representing approximately 0.4% of the issued share capital of the Company.

Mr. Yim Tsz Kit, Jacky, aged 38, was appointed as an executive director of SAS Dragon 2013. He is the founder and chief executive officer of S.A.S. Lighting Company Limited. He joined SAS Dragon and its subsidiaries in 2009 and leads a working team to develop the LED lighting business in the group. He is the son of Dr. Yim and the nephew of Mr. Tsui Chi Wing, Eric. As at the Latest Practicable Date, Mr. Yim Tsz Kit, Jacky directly holds 300,000 Shares, representing approximately 0.05% of the issued share capital of the Company.

Mr. Wong Wai Tai, aged 52, was appointed as executive director of SAS Dragon in 2016. He joined SAS Dragon in 2005 as the company secretary and chief financial officer of SAS Dragon and its subsidiaries. Mr. Wong Wai Tai was appointed as non-executive director of the Company in 2016. As at the Latest Practicable Date, Mr. Wong Wai Tai directly holds 3,300,000 Shares, representing approximately 0.5% of the issued share capital of the Company.

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Mr. Tsui Chi Wing, Eric, aged 59, is appointed as executive director of SAS Dragon in 2021. He joined the group in 2012 as President of Time Speed Technology Corporation incorporated in Taiwan, a wholly-owned subsidiary of SAS Dragon. He has more than thirty years in the operation and management in the electronic industry. He is the brother-in-law of Dr. Yim and is the uncle of Mr. Yim Tsz Kit, Jacky. As at the Latest Practicable Date, Mr. Tsui Chi Wing, Eric directly holds 3,233,753 Shares, representing approximately 0.5% of the issued share capital of the Company.

Mr. Chang Wei Hua, aged 58, was appointed as an executive Director and chief executive officer of the Company on 1 October 2015. He is appointed as general manager of Hi-Level Technology Limited, a wholly-owned subsidiary of the Company, in 2000 and is appointed as a managing director of Hi-Level Technology Limited in 2003. Mr. Chang Wei Hua has over 20 years of experience in corporate management and business development. He has also over 25 years of extensive experience in sales, marketing and undertaking research and development projects within electronics field. As at the Latest Practicable Date, Mr. Chang Wei Hua is in aggregate interested in 76,847,000 Shares, representing approximately 11.8% of the issued share capital of the Company, in which he beneficially owns 600,000 Shares, representing approximately 0.1% of the issued share capital of the Company, and 76,247,000 Shares, representing approximately 11.7% of the issued share capital of the Company, are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.

Mr. Wei Wei, aged 53, was appointed as an executive Director of the Company on 1 October 2015. He is the founder of Hi-Level Technology Limited. He is appointed as Director and executive vice president of Hi-Level Technology Limited in 2000. Mr. Wei Wei is responsible for the operations of the Group in the PRC. He has over 20 years of management experience within the electronics field in sales, marketing and undertaking research and development projects. As at the Latest Practicable Date, Mr. Wei Wei is in aggregate interested in 76,847,000 Shares, representing approximately 11.8% of the issued share capital of the Company, in which he beneficially owns 600,000 Shares, representing approximately 0.1% of the issued share capital of the Company, and 76,247,000 Shares, representing approximately 11.7% of the issued share capital of the Company, are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

Mr. Tong Sze Chung, aged 54, was appointed as an executive Director on 1 October 2015 and he is also a financial controller, company secretary and compliance officer of the Company. He is a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Tong Sze Chung joined Hi-Level Technology Limited as the financial controller on 1 January 2013. Mr. Tong Sze Chung has been appointed as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, from September 2013 to February 2015. Mr. Tong is responsible for the accounting and financial management of the Group's operations. He has over 20 years' experience in accounting and financial management. As at the Latest Practicable Date, Mr. Tong Sze Chung directly holds 600,144 Shares, representing approximately 0.1% of the issued share capital of the Company.

As at the Latest Practicable Date, SAS Investment and Dr. Yim are controlling shareholders of the Company. SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly holds 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly holds 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company.

LETTER FROM THE BOARD

Furthermore, as at the Latest Practicable Date, Dr. Yim is a controlling shareholder of SAS Dragon in aggregate interested in 342,342,800 issued shares of SAS Dragon, representing approximately 54.7% of the issued shares of SAS Dragon, comprising 227,542,800 issued shares of SAS Dragon, representing approximately 36.4% of the issued shares of SAS Dragon, indirectly held through Unimicro and 114,800,000 issued shares of SAS Dragon, representing approximately 18.3% of the issued shares of SAS Dragon, held directly by him. Dr. Yim, being a controlling shareholder of SAS Dragon, is deemed to be interested in 224,423,000 Shares held by SAS Investment under the SFO.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming no further Shares will be issued or repurchased from the Latest Practicable Date and up to the Record Date):

	As at the Latest Practicable Date		Assuming all Shareholders have taken up the Rights Shares		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the placees under the Compensatory Arrangements		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<i>Controlling Shareholders of the Company</i>								
SAS Investment (Notes 1 and 2)	224,423,000	34.4	448,846,000	34.4	448,846,000	34.4	416,252,612	47.2
Dr. Yim (Notes 1, 2 and 12)	43,122,861	6.6	86,245,722	6.6	86,245,722	6.6	79,982,905	9.1
Sub-total of the Controlling Shareholders	267,545,861	41.0	535,091,722	41.0	535,091,722	41.0	496,235,517	56.3
<i>Directors of SAS Dragon</i>								
Wong Sui Chuen (Notes 10 and 12)	2,531,328	0.4	5,062,656	0.4	2,531,328	0.2	2,531,328	0.3
Yim Tsz Kit, Jacky (Notes 11 and 12)	300,000	0.05	600,000	0.05	300,000	0.02	300,000	0.03
Wong Wai Tai (Notes 5 and 12)	3,300,000	0.5	6,600,000	0.5	3,300,000	0.3	3,300,000	0.4
Tsui Chi Wing, Eric (Notes 9 and 12)	3,233,753	0.5	6,467,506	0.5	3,233,753	0.2	3,233,753	0.4
Sub-total of the directors of SAS Dragon	9,365,081	1.4	18,730,162	1.4	9,365,081	0.7	9,365,081	1.1

LETTER FROM THE BOARD

	As at the Latest Practicable Date		Assuming all Shareholders have taken up the Rights Shares		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the placees under the Compensatory Arrangements		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<i>Directors of the Company</i>								
Chang Wei Hua (Notes 3 and 13)	76,847,000	11.8	153,694,000	11.8	76,847,000	5.9	76,847,000	8.7
Wei Wei (Notes 4 and 13)	76,847,000	11.8	153,694,000	11.8	76,847,000	5.9	76,847,000	8.7
Tong Sze Chung (Notes 6 and 13)	600,144	0.1	1,200,288	0.1	600,144	0.05	600,144	0.07
Sub-total	154,294,144	23.7	308,588,288	23.7	154,294,144	11.8	154,294,144	17.5
Sub-total of the Concert Group	431,205,086	66.1	862,410,172	66.1	698,750,947	53.5	659,894,742	74.9
<i>Directors of the Company</i>								
Fung Cheuk Nang, Clement (Note 7)	600,000	0.1	1,200,000	0.1	600,000	0.05	600,000	0.07
Tsoi Chi Ho, Peter (Note 8)	600,000	0.1	1,200,000	0.1	600,000	0.05	600,000	0.07
Sub-total	1,200,000	0.2	2,400,000	0.2	1,200,000	0.1	1,200,000	0.1
Independent Placees	–	–	–	–	385,224,139	29.5	–	–
Other Public Shareholders	220,364,914	33.8	440,729,828	33.8	220,364,914	16.9	220,364,914	25
								(Note 2)
Total	652,770,000	100	1,305,540,000	100	1,305,540,000	100	881,459,656	100

* Figures may not add up due to rounding

LETTER FROM THE BOARD

Notes:

- (1) Dr. Yim is the controlling shareholder of SAS Dragon and is interested in approximately 54.7% of the issued shares of SAS Dragon, which in turn owns 100% of the shareholding of SAS Investment. Dr. Yim is an executive Director and the chairman of the Company and an executive director and chairman of SAS Dragon.
- (2) Each of SAS Investment and Dr. Yim has respectively undertaken that where the Rights Issue would result in the public float of the Company not being maintained, they will scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.
- (3) Mr. Chang Wei Hua, an executive Director, beneficially owns 600,000 Shares and 76,247,000 Shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
- (4) Mr. Wei Wei, an executive Director, beneficially owns 600,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.
- (5) Mr. Wong Wai Tai is an executive director of SAS Dragon and also a non-executive Director of the Company.
- (6) Mr. Tong Sze Chung is an executive Director.
- (7) Mr. Fung Cheuk Nang, Clement is an independent non-executive Director.
- (8) Mr. Tsoi Chi Ho, Peter is an independent non-executive Director.
- (9) Mr. Tsui Chi Wing, Eric is an executive director of SAS Dragon. He is the brother-in-law of Dr. Yim and is the uncle of Mr. Yim Tsz Kit, Jacky.
- (10) Mr. Wong Sui Chuen is an executive director of SAS Dragon.
- (11) Mr. Yim Tsz Kit, Jacky is an executive director of SAS Dragon. He is the son of Dr. Yim and the nephew of Mr. Tsui Chi Wing, Eric.
- (12) Pursuant to class (2) of the definition of the "acting in concert" under the Takeovers Code, a company with any directors (together with their close relatives, related trusts and companies controlled by such directors, close relatives and related trusts) of the company or of its parent are presumed to be acting in concert with others in the same class unless the contrary is established. Given Dr. Yim, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Mr. Wong Sui Chuen and Mr. Yim Tsz Kit, Jacky are directors of SAS Dragon, they are presumed to be parties acting in concert with SAS Dragon under this class.
- (13) Pursuant to class (6) of the definition of the "acting in concert" under the Takeovers Code, directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent are presumed to be acting in concert with others in the same class unless the contrary is established. Given Dr. Yim, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung are directors of the Company, they are presumed to be parties acting in concert with Dr. Yim under this class.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE GEM LISTING RULES

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the Latest Practicable Date, SAS Investment and Dr. Yim are controlling shareholders of the Company. SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly holds 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly holds 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company. Accordingly, the Concert Group and those Shareholders who are involved in, or interested in, the Rights Issue and the Placing Agreement shall abstain from voting in favour of the proposed Rights Issue and the Placing Agreement at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of the Announcement and up to the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR THE WHITEWASH WAIVER

Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of SAS Investment and Dr. Yim will increase from approximately 41.0% to 56.3% (with the shareholding interest of SAS Investment increases from approximately 34.4% to 47.2% and the shareholding interest of Dr. Yim increases from approximately 6.6% to 9.1% respectively) of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

LETTER FROM THE BOARD

Insofar as the Concert Group is concerned, assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of the Concert Group will increase from approximately 66.1% to 74.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances as described above, the acceptance in full or such maximum number of Rights Shares by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the Undertakings will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by the Concert Group, unless a waiver is granted by the Executive.

In light of the above, SAS Investment and Dr. Yim have made an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it is minded to grant the Whitewash Waiver, which, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder respectively. Save for the Concert Group, no other Shareholder is involved or interested in the Rights Issue, the Placing Agreement and/or the Whitewash Waiver, and hence, is required to abstain from voting in favour of the proposed resolution(s) approving the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM.

Shareholders and potential investors should be aware that there is a possibility that, upon completion of the Rights Issue, SAS Investment and Dr. Yim may hold more than 50% of the voting rights of the Company. Hence, SAS Investment and Dr. Yim may increase their holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer after completion of the Rights Issue.

As at the Latest Practicable Date, the Company does not believe that the Rights Issue, the Placing Agreement and the Whitewash Waiver give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Placing Agreement and the Whitewash Waiver do not comply with other applicable rules and regulations.

LETTER FROM THE BOARD

THE INDEPENDENT BOARD COMMITTEE, THE INDEPENDENT FINANCIAL ADVISER AND THE FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue, the Placing Agreement and the Whitewash Waiver are fair and reasonable and in the interest of the Independent Shareholders; and (ii) how to vote on the resolution(s) relating to the Rights Issue, the Placing Agreement and the Whitewash Waiver. As Mr. Wong Wai Tai, a non-executive Director of the Company, is also an executive director of SAS Dragon and a member of the Concert Group, he is regarded as being interested in the transactions contemplated under the Rights Issue, the Placing Agreement and the Whitewash Waiver and therefore will not be a member of the Independent Board Committee.

In this connection, the Independent Financial Adviser has been appointed (with the approval of the Independent Board Committee) by the Company to advise the Independent Board Committee and the Independent Shareholders in these regards.

The Company has also appointed Sunny Fortune Capital as the financial adviser to the Company as to the Rights Issue only. Sunny Fortune Capital has not and will not provide any advice on any Takeovers Code related matters including the Whitewash Waiver.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other things, (i) the Rights Issue; (ii) the Placing Agreement; and (iii) the Whitewash Waiver, each in accordance with the Articles of Association, the GEM Listing Rules and the Takeovers Code.

The register of members of the Company will be closed from Thursday, 20 July 2023 to Tuesday, 25 July 2023 (with both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. Shareholders whose names appear on the Company's register of members on Tuesday, 25 July 2023 will be eligible for attending and voting at the EGM. In order to be eligible for attending and voting at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar for registration not later than 4:30 p.m. (Hong Kong Time) on Wednesday, 19 July 2023. A notice convening the EGM is set out on pages 103 to 106 of this circular.

The voting in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver will be conducted by way of poll. A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong as soon as possible but in any event not less 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.

LETTER FROM THE BOARD

Subject to the approval of the Rights Issue, the Placing Agreement and the Whitewash Waiver by the Independent Shareholders at the EGM, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Monday, 7 August 2023 whereas the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

As at the Latest Practicable Date, save for the Undertakings, the Company has not received any irrevocable commitments or been notified of any intention from any Shareholders to accept or reject the Rights Shares or to vote for or against the Rights Issue, the Placing Agreement and/or the Whitewash Waiver.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee whose opinion after taking into account the advice of the Independent Financial Adviser are set forth in the letter from the Independent Board Committee in this circular) consider that the terms of the Rights Issue and the Placing Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned, and the Rights Issue, the Placing Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders including the Independent Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose opinion after taking into account the advice of the Independent Financial Adviser are set forth in the letter from the Independent Board Committee in this circular) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 41 to 42 of this circular which contain its recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver. Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 43 to 71 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the aforesaid matters.

Your attention is also drawn to the additional information contained in the appendices to this circular.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND/OR RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, the Executive granting the Whitewash Waiver to SAS Investment and Dr. Yim and the Rights Issue, the Placing Agreement and Whitewash Waiver being approved by the Independent Shareholders at the EGM. Please refer to the paragraphs headed “Proposed Rights Issue – Conditions of the Rights Issue” under the section headed “Letter from the Board” in this circular. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

LETTER FROM THE BOARD

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

Any dealings in the Shares from the date of this circular up to the date on which all conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
Hi-Level Technology Holdings Limited
Dr. Yim Yuk Lun, Stanley *BBS JP*
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.



Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8113)

Registered office:

One Nexus Way
Camana Bay, Grand Cayman
KY1-9005, Cayman Islands

Principal place of business in Hong Kong:

Room 614, 6/F, Tower B
Hung Hom Commercial Centre
37 Ma Tau Wai Road, Hung Hom
Kowloon, Hong Kong

3 July 2023

To the Independent Shareholders

Dear Sir or Madam,

**(A) PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARE FOR
EVERY ONE (1) SHARE HELD ON THE RECORD DATE;
AND
(B) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular dated 3 July 2023 of the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue and the Placing Agreement are on normal or better commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole, as to whether the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in these regards. Details of the advice of the Independent Financial Adviser, together with the principal factors it has taken into consideration on giving its advice, are contained in its letter set out

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

on pages 43 to 71 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the advice of the Independent Financial Adviser, we consider that the terms of the Rights Issue and the Placing Agreement are on normal or better commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. We also consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

Shea Chun Lok, Quadrant

*Independent
non-executive Director*

Fung Cheuk Nang, Clement

*Independent
non-executive Director*

Tsoi Chi Ho, Peter

*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver, which has been prepared for the purpose of incorporation into this Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

3 July 2023

To the Independent Board Committee and Independent Shareholders

Room 614, 6/F, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road, Hunghom
Kowloon, Hong Kong

Dear Sir/Madam,

**(A) PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE;
AND
(B) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 3 July 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 8 June 2023, the Board proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.12 per Rights Share, to raise up to approximately HK\$78.3 million before expenses by way of issuing up to 652,770,000 Rights Shares. The Rights Issue is conditional upon, among other things, the Executive having granted the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date and the Rights Issue, the Placing Agreement and Whitewash Waiver being approved by the Independent Shareholders at the EGM. Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. There will be no excess application arrangements in relation to the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company. Pursuant to the Undertakings, SAS Investment and Dr. Yim have provided undertakings to the Company respectively that subject to SAS Investment and Dr. Yim having obtained the Whitewash Waiver, they will accept in full the Rights Shares proposed to be provisionally allotted to them pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares provided that the obligations of SAS Investment and Dr. Yim are, however, subject to the public float requirement under the GEM Listing Rules and the total number of the Rights Shares to be subscribed by SAS Investment and Dr. Yim will be scaled down to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

The Company will make arrangements as described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. On 8 June 2023 (after trading hours), the Company therefore entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance. The placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares shall be not less than the Subscription Price but the final price will be determined based on the demand for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and market conditions during the process of the Placing.

GEM LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the Latest Practicable Date, SAS Investment and Dr. Yim were Controlling Shareholders. SAS Investment and Dr. Yim were in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly held 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly held 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company. Accordingly, the Concert Group and those Shareholders who are involved in, or interested in, the Rights Issue and the Placing Agreement shall abstain from voting in favour of the proposed Rights Issue and the Placing Agreement at the EGM under the GEM Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

TAKEOVERS CODE IMPLICATION

Assuming that (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of SAS Investment and Dr. Yim will increase from approximately 41.0% to 56.3% (with the shareholding interest of SAS Investment increases from approximately 34.4% to 47.2% and the shareholding interest of Dr. Yim increases from approximately 6.6% to 9.1% respectively) of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

Insofar as the Concert Group is concerned, assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of the Concert Group will increase from approximately 66.1% to 74.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances as described above, the acceptance in full or such maximum number of Rights Shares by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the Undertakings will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by the Concert Group, unless a waiver is granted by the Executive.

SAS Investment and Dr. Yim had made an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Rights Issue, the Placing Agreement and the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders of the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM by way of poll in accordance with the requirements of the Takeovers Code. Save for the Concert Group, no other Shareholder is involved or interested in the Rights Issue, the Placing Agreement and/or the Whitewash Waiver, and hence, is required to abstain from voting in favour of the proposed resolution(s) approving the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM. The Whitewash Waiver, if granted by the Executive, would be subject,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder respectively.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue, the Placing Agreement and the Whitewash Waiver are fair and reasonable; (ii) whether the Rights Issue, the Placing Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the relevant resolutions to be proposed at the EGM in relation to the Rights Issue, the Placing Agreement and the Whitewash Waiver, after taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has approved our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Rights Issue, the Placing Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue, the Placing Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the relevant resolutions to be proposed at the EGM in relation to the Rights Issue, the Placing Agreement and the Whitewash Waiver.

We (i) are not associated or connected, financial or otherwise, with the Company, the Company's controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) we have not acted as an independent financial adviser or financial adviser in relation to any transactions of the Company, the Company's controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them in the last two years prior to the date of the Circular.

Pursuant to Rule 17.96 of the GEM Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Rights Issue, the Placing and the Whitewash Waiver is at market level and not conditional upon the outcome of the Rights Issue, the Placing and the Whitewash Waiver; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration), the Company's controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of and not associated with the Company, the Company's controlling shareholders, or any parties acting in concert with any of them and can act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (ii) the first quarterly report of the Company for the three months ended 31 March 2023 (the “**2023 Q1 Report**”); (iii) the Placing Agreement; and (iv) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM. The Company will notify the Shareholders of any material changes to the information contained or referred to in the Circular as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. Shareholders will also be informed as soon as practicable when there are any material change to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading at the time they were made or will be untrue, inaccurate or misleading at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Group is primarily engaged in the sale of electronic components (mainly integrated circuit (“**IC**”) and panels) for consumer electronic products such as mobile internet devices (“**MID**”), electronic learning aids (“**ELA**”), multi-media player (car infotainment system), smartphone panel modules, set-top boxes (“**STB**”) and video image device together with the provision of independent design house (“**IDH**”) services to original brand manufacturers and original design manufacturers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1 Financial information of the Group

Set out below is a summary of financial information of the Group extracted from the 2022 Annual Report and 2023 Q1 Report.

Extract of consolidated statement of profit or loss

	For the year ended 31 December		For the three months ended 31 March	
	2021 HK\$ '000 (audited)	2022 HK\$ '000 (audited)	2022 HK\$ '000 (unaudited)	2023 HK\$ '000 (unaudited)
Revenue	2,847,359	1,732,213	472,838	312,280
Gross (loss)/profit	(5,940)	(23,553)	15,541	15,345
Distribution costs	(15,679)	(14,583)	(3,654)	(3,622)
Administrative expenses	(24,200)	(22,916)	(5,497)	(4,991)
(Loss)/profit for the year/ period	(46,954)	(68,545)	5,038	4,182

Extract of consolidated statement of financial position

	As at 31 December	
	2021 HK\$ '000 (audited)	2022 HK\$ '000 (audited)
Non-current assets	9,131	3,986
Property, plant and equipment	1,826	1,133
Current assets	745,050	409,143
– Inventories	477,692	140,771
– Cash and bank balances	98,864	91,896
Current liabilities	647,795	385,870
– Trade and other payables	327,175	148,770
– Bank borrowings	302,343	220,428
Non-current liabilities	2,901	56
Net current assets	97,255	23,273
Net assets	103,485	27,203
Net gearing ratio (<i>Note</i>)	182.1%	417.4%

Note: Net gearing ratio is calculated by dividing the Group's net debt (total bank borrowing minus bank balances and cash) by the Group's total equity.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Year ended 31 December 2021 (“FY2021”) compared with year ended 31 December 2022 (“FY2022”)

The significant drop in revenue from approximately HK\$2.8 billion in FY2021 to HK\$1.7 billion in FY2022, representing a decrease of approximately 39.2%, was the combined effects of (i) a weak demand in the consumer electronic market caused by unfavourable global business environment such as rising inflation worldwide and interest rate hikes in the US; and (ii) the postponement of the development of new products and depressing consumer sentiment due to the lockdown during the COVID-19 pandemic in the PRC resulting in sharp decline in sales of the Group’s MID related components, being the major revenue stream of the Group. Although there was growth in sales from car infotainment system, video image device and STB in FY2022 as compared to FY2021, such increase was not sufficient to offset the impact of reduction in sales from MID, smartphone panel module and ELA.

As a result of the above, the Group recorded an increase in gross loss from approximately HK\$5.9 million in FY2021 to HK\$23.6 million in FY2022 with a gross loss margin of approximately 0.2% and 1.4% in FY2021 and FY2022 respectively. Such decrease was mainly due to certain loss making shipments in the second half of 2022 related to downward trends of the prices of panels and panel modules caused by over-supply and fierce price competition. The Group’s operating costs mainly comprise distribution costs and administrative expenses. Such costs decreased from approximately HK\$39.9 million in FY2021 to approximately HK\$37.5 million in FY2022 due to the lower revenue.

The Group’s loss for the year increased from approximately HK\$46.9 million for FY2021 to approximately HK\$68.5 million in FY2022 which was mainly due to the increased gross loss as discussed above.

31 December 2021 compared with 31 December 2022

The decrease of the Group’s non-current assets from approximately HK\$9.1 million as at 31 December 2021 to approximately HK\$4.0 million as at 31 December 2022 was mainly due to depreciation expenses recorded for the lease of the Group’s land and building during FY2022. Current assets of the Group decreased substantially from approximately HK\$745.1 million as at 31 December 2021 to approximately HK\$409.1 million as at 31 December 2022 as a result of (i) a significant drop in the Group’s inventories from approximately HK\$477.7 million as at 31 December 2021 to approximately HK\$140.8 million as at 31 December 2022; and (ii) the decrease in bank balances and cash of approximately HK\$98.8 million as at 31 December 2021 to approximately HK\$91.9 million as at 31 December 2022. The Group’s decrease in inventory balance was mainly due to the implementation of strict inventory control measures to reduce its inventory level as well as impairment losses recorded. The decrease in the Group’s bank balances and cash was mainly resulted from the losses recorded for FY2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Current liabilities of the Group dropped from approximately HK\$647.8 million as at 31 December 2021 to approximately HK\$385.9 million as at 31 December 2022. Such decrease was due to the combined effects of (i) a decrease in trade and other payables from approximately HK\$327.2 million as at 31 December 2021 to approximately HK\$148.8 million as at 31 December 2022; and (ii) decrease in bank borrowings from approximately HK\$302.3 million as at 31 December 2021 to approximately HK\$220.4 million as at 31 December 2022 due to repayments made during FY2022.

Net assets of the Group dropped substantially from approximately HK\$103.5 million as at 31 December 2021 to HK\$27.2 million as at 31 December 2022 mainly due to the aforementioned losses recorded in FY2022. As a result of the substantial decrease in the Group's equity, the Group's net gearing ratio increased from 184.1% as at 31 December 2021 to 417.4% as at 31 December 2022.

Three months ended 31 March 2022 ("Q1 2022") compared with three months ended 31 March 2023 ("Q1 2023")

Notwithstanding that revenue of the Group dropped from approximately HK\$472.8 million in Q1 2022 to approximately HK\$312.3 million in Q1 2023, the Group's gross profit remained stable at approximately HK\$15.5 million in Q1 2022 and HK\$15.3 million in Q1 2023 due to enhanced gross profit margins from approximately 3.3% in Q1 2022 to 4.9% in Q1 2023. Furthermore, the Groups operating costs, being mainly distribution costs and administrative expenses, also remained stable at approximately HK\$9.1 million in Q1 2022 and HK\$8.6 million in Q1 2023. Nevertheless, the Group's overall profit for the period decreased by approximately HK\$0.9 million, from approximately HK\$5.0 million in Q1 2022 to HK\$4.2 million in Q1 2023. Such deterioration was mainly to due to increased finance costs in Q1 2023.

1.2 Outlook of the Group

The Directors believe that the traditional consumer electronic market has been facing stagnant growth. In order to overcome such challenging time, the Group is in the process to broaden its revenue source, enhance its product diversity, widen its customer base and search for new suppliers from different areas.

Microcontroller ("MCU") for new energy vehicles

With the lifting of the pandemic restrictions in the PRC, the central government is expected to implement various measures to boost the economy and accelerate its recovery. Among the country's policies, those for the green energy and semiconductor industries are of particular importance. The Group will adjust its business direction and products to adapt to these trends, focusing on MCU for new energy vehicle controls and MCU for energy storage equipment. The Company has obtained domestic semiconductor agency rights that can be applied to the control of new energy vehicles and energy storage equipment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In relation to application products related to energy storage equipment, the drastic fluctuations in energy prices caused by recent epidemiological and geopolitical events have made energy storage products of particular interest. Energy storage equipment is broadly divided into battery and power management, with power management consisting of battery protection, charging management, inverter and panel control. The Company is applying domestic MCU to develop related product solutions.

Electronic paper applications

In respect of electronic paper applications, electronic paper is a display panel component with extremely low energy consumption. At present, electronic paper is widely known for its application in electronic tags and e-books, while the most common product in Hong Kong is the new type of parking meter. The Company has obtained the dealership rights of the world's largest supplier, E-ink, and is now developing displays for portable household appliances and test meters. Currently, several foreign manufacturers have already launched projects and tests. The Group believes that above products can provide an impetus for the Company's future sustainable development.

2. Reasons for and benefits of the Rights Issue

2.1 Funding needs

Assuming that there is no change in the number of issued Shares on or before the Record Date, the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.2 million) will not be less than approximately HK\$26.2 million and not more than approximately HK\$77.1 million.

Assuming full subscription under the Rights Shares, the estimated net proceeds of the Rights Issue will be HK\$77.1 million. The Company intends to apply such net proceeds as to:-

- (a) approximately 70% of net proceeds (approximately HK\$54.0 million) for the repayment of outstanding bank borrowings;
- (b) approximately 20% of net proceeds (approximately HK\$15.4 million) for the development of new applications for MCU and electronic paper including sale team recruitment and initial buffer stock ordering; and
- (c) the remaining balance 10% of net proceeds (approximately HK\$7.7 million) for the general working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Rights Issue will proceed on a non-underwritten basis, the actual amount of the net proceeds from the Rights Issue cannot be ascertained as at the Latest Practicable Date. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilized in proportion to the above uses. Please refer to the paragraph headed “Reasons for the Rights Issue and use of proceeds” in the “Letter from the Board” for further details of the use of proceeds.

As described in the paragraph headed “1.2 Outlook of the Group” above, due to (i) unfavourable global business environment such as rising inflation worldwide and interest rate hikes; and (ii) the downwards trends of prices of panels and panel modules due to the fierce price competition, the Directors believe that the traditional consumer electronic business would continue to be challenging. In order to overcome such circumstances, the Management is in the process of broadening its product diversity displays for portable household appliances and test meters in relation to the electronic paper application.

Having recorded two consecutive years of net losses in FY2021 and FY2022, and implemented strict inventory control measures to reduce the closing inventory level as at 31 December 2022 to a normal level, we noted the Group’s net asset value as at 31 December 2022 was approximately HK\$103.5 million, with cash and bank balances of approximately HK\$91.9 million as at 31 December 2022 (of which HK\$11.5 million are the remaining un-utilised net proceeds raised by the Company through its initial public offering in 2016 and designated to be used by end of 2024 which was earmarked for upgrading the Group’s ERP system and development of certain hardware, further details of which are set out in the 2022 Annual Report and 2023 Q1 Report) and approximately HK\$220.4 million of bank borrowings as at 31 December 2022 repayable within a period not exceeding one year. Such bank borrowings are related to invoice financing, export loan and import loan. As a result of the substantial decrease in the Group’s total equity (as explained in the section headed “1.1 Financial information of the Group” above), the Group’s net gearing ratio increased from 184.1% as at 31 December 2021 to 417.4% as at 31 December 2022. As at 30 April 2023, the Group has an outstanding amount of bank borrowing of approximately HK\$134.4 million. These liabilities represent short-terms interest bearing borrowing from six licensed commercial banks in Hong Kong, carries interest rates ranged from 5.79% to 6.5% per annum and fall due between 2 May 2023 and 28 August 2023.

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In view of (i) the high gearing ratio of the Group; (ii) the relatively low liquidity capital position of the Group due to the current level of bank loans; (iii) the additional working capital required to support the diversification of various products and business developments as discussed in the paragraphs headed “1.2 Outlook of the Group” above and “Reasons for the Rights Issue and use of proceeds” in the “Letter from the Board”; and (iv) the weakened global economy and the challenging business outlook with regards to the traditional consumer electronic business pursuant to the recent epidemiological and lingering geopolitical events, the Management considers that it is crucial for the Company to manage the gearing ratio to a lower level and maintain a sufficient cash level for facing the upcoming potential challenges in the uncertain economic environment for supporting the long term expansion plans to prepare itself for future business opportunities. Accordingly, the Management considers that the Rights Issue is a preferred means for the Company to, on one hand, raise funds to repay certain outstanding loans to lower the gearing level of the Group and on the other hand, finance long-term investments and new business potentials without subjecting itself to interest burden or additional debt and believes that the Rights Issue is the best option available and in the best interests of the Company and the Shareholders as a whole. With the additional capital from the Rights Issue, the Group can strengthen its financial position and accelerate the investment in key strategic initiatives including MCU for new energy vehicle controls and MCU for energy storage equipment and developing displays for portable household appliances and test meters in relation to the electronic paper application in order to capture the business opportunities in the post pandemic era.

Taking into account the above, we are of the view that by conducting the Rights Issue under the current circumstances is important as it would improve the Group’s financial position and provide additional financial resources.

2.2 *Suitable fund raising method*

As described in the “Letter from the Board”, we noted that the Management has considered other financing alternatives including (i) debt financing; and (ii) other equity fund raising such as placement of new Shares and open offer.

(i) Debt financing

In respect of debt financing, as compared to the Rights Issues, it would result in an additional interest burden and financial costs, driving up the gearing ratio of the Group and imposing further liquidity pressure to the Group.

(ii) Placing of new Shares

In respect of equity financing, as compared to the Rights Issue, placement of new Shares would (a) lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company; and (b) it is common market practice to conduct such exercise on a best-effort basis and accordingly the amount to be raised would be uncertain and it is not uncommon for the relevant subscriber(s) to request for a substantial discount to the prevailing trading price of the shares.

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(iii) Open offer

Although similar to a rights issue which offers qualifying shareholders participation, open offer does not provide the flexibility to the Shareholders in dealing the nil-paid rights attached to the Rights Shares in the open market.

Having considered (i) the feasibility of the various fund raising methods; (ii) the potential financing costs; and (iii) the opportunity for the existing Shareholders to maintain shareholding in the Company and additional flexibility afforded by the Rights Issue to the existing Shareholders, the Directors (including the Independent Non-executive Directors, whose view is set out in the “Letter from the Independent Board Committee” after taking into account the recommendation made by us) is of the view, and we concur, that the Rights Issue is the most suitable fund raising method to the Group under the current circumstances.

3. Principal terms of the Rights Issue

3.1 Summary of the key terms

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.12 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	652,770,000 Shares
Total number of Rights Shares	:	Up to 652,770,000 Rights Shares (assuming no further Shares will be issued or repurchased on or before the Record Date)
Number of Rights Shares being undertaken by SAS Investment and Dr. Yim	:	267,545,861 Rights Shares, of which 224,423,000 Rights Shares are undertaken by SAS Investment and 43,122,861 Rights Shares are undertaken by Dr. Yim
Gross proceeds to be raised from the Rights Issue	:	From approximately HK\$27.4 million to approximately HK\$78.3 million

For further information of the Rights Issue, please refer to the section headed “Proposed Rights Issue” of the Circular.

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3.2 *The Subscription Price*

The Subscription Price was determined with reference to the recent closing price of the Share, the financial conditions of the Group, the current market conditions and the reasons and benefits of the Rights Issue as discussed in the section headed “Reasons for the Rights Issue and use of proceeds” of the Circular.

The Subscription Price of HK\$0.12 per Rights Share represents:

- (a) a discount of approximately 35.1% based on the closing price of HK\$0.185 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 35.5% to the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 35.5% to the average closing price of approximately HK\$0.186 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 35.5% to the average closing price of approximately HK\$0.186 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 32.5% to the average closing price of approximately HK\$0.178 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (f) a discount of approximately 32.8% to the average closing price of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (g) a discount of approximately 29.4% to the average closing price of approximately HK\$0.170 per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day;
- (h) a discount of approximately 21.6% to the theoretical ex-rights price of approximately HK\$0.153 per Share as quoted on the Stock Exchange on the Last Trading Day;

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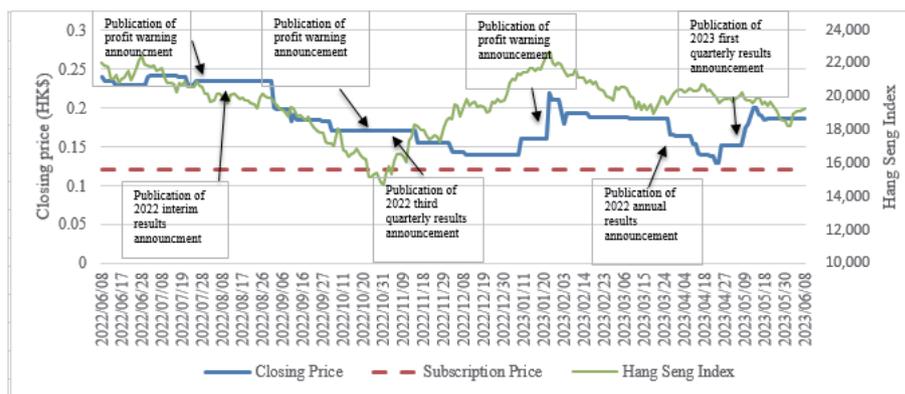
- (i) a premium of approximately 188.0% over the audited net asset value of approximately HK\$0.042 per Share based on the audited equity attributable to owners of the Company of approximately HK\$27.2 million as at 31 December 2022 and 652,770,000 Shares; and
- (j) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 17.7%, represented by a nominal discount of the theoretical diluted price of approximately HK\$0.153 per Share to the theoretical benchmarked price of HK\$0.186 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.186 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.186 per Share).

Based on the above, we note that the Subscription Price in general represents a discount to the prevailing market price of the Shares.

In order to assess the fairness and reasonableness of the Subscription Price, we have conducted the following analysis on the Subscription Price:

(a) *Historical price performance of the Shares*

Set out below is the chart illustrating the historical closing price of the Shares during the period from 8 June 2022, being 12 months immediately preceding the Last Trading Day, to the Last Trading Day (the “**Review Period**”). We consider that a period of 12 months, which reflects the prevailing market sentiment, is adequate to illustrate the recent price movement of the Shares for the purpose of conducting a reasonable comparison.



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

As illustrated in the above chart, the closing price of the Shares have been on a general downward trend, with a high of HK\$0.2420 recorded on 4 to 15 July 2022 and a low of HK\$0.1300 recorded on 24 and 25 April 2023 during the Review Period. The average daily closing price per Share was HK\$0.1867 during the Review Period.

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We note that the Subscription Price of HK\$0.12 per Rights Share is below the daily closing prices per Share throughout the Review Period and represents (i) a discount of approximately 50.4% from the highest closing price; (ii) a discount of approximately 7.7% to the lowest closing price; and (iii) a discount of approximately 35.7% from the average daily closing price during the Review Period.

We consider the recent market prices of the Shares are indicative of the market's evaluation on various aspects of the Company, such as the Company's financial performance, prospects and also reflects recent market sentiment as evident by the price trend of the Share, which is generally in line with the movement of the Hang Seng Index as illustrated in the table above. As such, we consider that using more recent market closing prices as reference to determine the Subscription Price to be fair and reasonable. We also consider by determining the Subscription Price at a discount to the prevailing market price could enhance the attractiveness of the Rights Issue so as to encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interest in the Company as well to participate in the future opportunities of the Company.

Furthermore, as discussed in the section headed "Comparison with recent rights issue transactions" below, we also noted that it is common market practice to set the Subscription Price at a discount to prevailing market prices to increase the attractiveness for shareholders to participate in a rights issue.

Considering that the Shares had been traded at a substantial premium of approximately 379.9% to a discount of approximately 21.6%, with a significant average premium of approximately 73.2% to the consolidated net asset value per Share during the Review Period, we are of the view that the net asset value per Share is not a meaningful benchmark to determine the Subscription Price and that the prevailing market price is more relevant factor in determining the fairness and reasonableness of the Subscription Price. We consider that the current market price of the Shares directly reflects the value of the Share that is generally perceived by the market having taken into account all business segments of the Group as well as the prevailing market conditions. Therefore, we are of the view that based in our analysis as set in the paragraph headed "Comparison with recent rights issue transactions" below, the Subscription Price is fair and reasonable as it reflects the prevailing market price.

Taking into account the above and the respective discounts under the Subscription Price (as described in this paragraph) are within the range of that of the Comparables as further discussed in the section headed "Comparison with recent rights issue transactions" below, we consider the Subscription Price to be fair and reasonable.

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(b) *Trading liquidity of the Shares*

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares as compared to (i) the total number of issued Shares and (ii) the Shares held by the public Shareholders during the Review Period.

Month	Number of trading days	Average daily trading volume of Shares	Average daily trading volume as a percentage to the total number of issued Shares ⁽¹⁾⁽²⁾	Average daily trading volume as a percentage to the total number of issued Shares held by public Shareholders ⁽¹⁾⁽³⁾
2022				
June (from 8 June 2022)	17	224,177	0.0343%	0.1017%
July	20	3,242	0.0005%	0.0015%
August	23	75	0.0000%	0.0000%
September	21	106,441	0.0163%	0.0483%
October	18	3,381	0.0005%	0.0015%
November	22	11,007	0.0017%	0.0050%
December	20	2,442	0.0004%	0.0011%
2023				
January	18	8,969	0.0014%	0.0041%
February	20	12,180	0.0019%	0.0055%
March	23	13,938	0.0021%	0.0063%
April	17	38,362	0.0059%	0.0174%
May	21	19,774	0.0030%	0.0089%
June (up to the Last Trading Day)	6	0	0.0000	0.000

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

Notes:

- (1) Calculated based on the total number of issued Shares as at each month end/period.
- (2) The calculation is based on the average daily trading volume divided by total number of issued Shares as at the end of each relevant month/period.
- (3) The calculation is based on the average daily trading volume divided by total number of issued Shares held by the public Shareholders (i.e. 220,364,914 Shares) as at the Last Trading Day.

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As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Shares and (ii) the total number of Shares held by public Shareholders, ranged from approximately 0.0000% to 0.0343% and approximately 0.000% to 0.1017% respectively. The average daily trading volume of the Shares during the Review Period was approximately 33,568 Shares, representing approximately 0.0051% of the total number of issued Shares and approximately 0.0152% of the total number of Shares held by public Shareholders as at the Latest Practicable Date, indicating that the Shares were generally illiquid in the open market. Given the thin trading volume of the Shares, we consider that the Company is unlikely to raise equity funds (by other means than the Rights Issue) without a substantial discount to the prevailing Share price as the subscribers (irrespective of existing or new Shareholders) may experience difficulty in dealing their Shares in the open market after the subscription and any sale of a significant number of such new Shares on the market may exert downward pressure on the market price of the Shares.

Taking into account (i) the financial performance and financial conditions of the Group as discussed the section headed “1.1 Financial information of the Group” above; and (ii) the downwards trend of the closing price of the Shares during the Review Period as discussed in the section headed “Historical price performance of the Shares above, we are of the view that, from the perspective of trading liquidity of the Shares, the Rights Issue is an appropriate equity financing method for the Group and the Subscription Price thereunder is fair and reasonable.

(c) Comparison with the recent rights issue transactions

In assessing the fairness and reasonableness of the Subscription Price, we have also conducted an analysis on the subscription prices of other recent rights issues exercises. Based on the criteria of (i) rights issues conducted by companies listed on GEM of the Stock Exchange; and (ii) rights issues that had issued relevant prospectuses during the Review Period, we have identified an exhaustive list of 17 comparable rights issues (the “**Comparables**”).

While the Comparables may have different principal business activities and scale of operations, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that they can provide a reasonable reference as to how the recent market generally perceives rights issues. We also consider that the length of the Review Period is adequate, and can fairly and reasonably reflect prevailing market conditions. We believe the list of Comparables below is exhaustive based on our selection criteria. It should be noted that, when forming our opinion, we take into account the below analysis together with all other factors stated in this letter as a whole.

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The major terms of the Comparables are summarised below:

Prospectus Date	Company name (Stock Code)	Market capitalisation ¹ (HK\$ million)	Principal activities	Discount of Subscription Price over						Compensatory		Placing commission (%)
				Basis of entitlement	Percentage of rights shares to the enlarged share capital	Closing price on the Last Trading Day	Theoretical Ex-rights Price	Theoretical dilution effect ²	Underwritten (Y/N)	Excess application (Y/N)	Arrangements and Placing (Y/N)	
13 Jun 2022	Palinda Group Holdings Limited (8179)	203.36	(i) Wine trading; and (ii) production and sales of food products in Hong Kong	1 for 2	33%	39.76%	13.25%	13.25%	Y	Y	N	N/A
6 Jul 2022	Gameone Holdings Limited (8282)	57.60	Provide software services in the PRC and engage in development, operation, publishing and distribution of online and mobile games and online PC games in Hong Kong and other countries and regions	1 for 2	33%	40.40%	31.20%	13.50%	Y	Y	N	N/A
29 Jul 2022	Ocean Star Technology Group Limited (8297)	303.00	Designing, manufacturing and sales of core lingerie products	1 for 2	33%	41.20%	32.00%	13.90%	Y	Y	N	N/A
5 Aug 2022	KOALA Financial Group Limited (8226)	59.29	Securities brokerage, share placements, underwriting services and money lending service	2 for 1	67%	4.76%	1.64%	4.70%	Y	Y	N	N/A
23 Aug 2022	F8 Enterprises (Holdings) Group Limited (8347)	29.29	Sale and transportation of diesel oil and related products in Hong Kong	1 for 2	33%	5.56%	3.68%	1.94%	Y	Y	N	N/A
24 Aug 2022	Xinyi Electric Storage Holdings Limited (8328)	2,120.10	Automobile glass repair and replacement business in Hong Kong, production and sales of electric storage products and photovoltaic films in the PRC and provision of engineering, procurement and construction services for solar energy projects	1 for 10	9%	18.82%	17.41%	1.71%	N	Y	N	N/A
29 Aug 2022	Easy Repay Finance & Investment Limited (8079)	88.17	Money lending business, financial instruments and quoted shares investment, retail and wholesale	1 for 2	33%	44.95%	35.14%	16.09%	N	N	Y	7.07%
2 Sep 2022	Zioncom Holdings Limited (8287)	45.41	Manufacturing and sales of networking products, specialising in the design and development of wireless networking products	1 for 2	33%	16.70%	11.76%	5.60%	Y	N	Y	2.50%
30 Sep 2022	Wan Cheng Metal Packaging Company Limited (8291)	32.48	Manufacturing and sales of tinsplate packaging products in the PRC and Hong Kong	1 for 1	50%	25.00%	14.30%	16.50%	N	N	Y	2.50%
10 Oct 2022	Life Concepts Holdings Limited (8056)	645.42	(i) Operation of restaurants in Hong Kong and the PRC; (ii) interior design and fitting-out business in the PRC; (iii) provision of consulting services in relation to organic vegetables research and development, plantation and sales in the PRC; and (iv) financial institution intermediation services in the PRC	3 for 2	60%	6.98%	2.91%	9.28%	Y	Y	N	N/A
13 Jan 2023	Jiading International Group Holdings Limited (8153)	197.17	Provision of advertising services and sales of new energy electric vehicles	1 for 2	33%	50.00%	40.12%	17.28%	N	N	Y	3.50%
17 Jan 2023	C&N Holdings Limited (8430)	74.24	Provision of transport and storage services to the logistics industry in Singapore, offering trucking and hubbing services to customers	3 for 1	75%	13.30%	3.70%	3.70%	N	N	Y	1.50%
3 Feb 2023	New Amante Group Limited (8412)	48.54	Operation of club and entertainment business in Hong Kong	1 for 2	33%	10.60%	8.70%	4.20%	Y	Y	N	N/A
13 Feb 2023	Kinetix Systems Holdings Limited (8606)	228.44	Provision of IT infrastructure solutions services, IT development solutions services, IT maintenance and support services and entertainment products	1 for 2	33%	29.35%	21.69%	9.78%	N	N	Y	1.30%
17 Feb 2023	SDM Education Group Holdings Limited (8363)	76.19	(i) Business of jazz and ballet and pop dance academy in Hong Kong; (ii) operation of kindergartens and pre-schools in Hong Kong and Singapore; (iii) provision of swallowing and speech treatments in Hong Kong; and (iv) provision of photographic services in Hong Kong	1 for 2	33%	0.00%	0.00%	0.00%	Y	Y	N	N/A
31 Mar 2023	K Group Holdings Limited (8475)	17.60	(i) Restaurant operations; (ii) sales of food ingredients; (iii) provision of franchise and royalty services	2 for 1	67%	28.80%	12.30%	20.40%	Y	Y	N	N/A
17 May 2023	CBK Holdings Limited (8428)	42.92	Provision of catering services in Hong Kong	5 for 1	83%	15.87%	2.93%	13.23%	N	N	Y	3.50%
	Maximum					50.0%	40.12%	20.40%				7.07%
	Minimum					0.0%	0.00%	0.00%				1.30%
	Mean					23.1%	14.87%	9.71%				3.12%
	Median					18.8%	12.30%	9.78%				2.50%
	The Company (8113)	121.42	Sale of electronic components (mainly integrated circuit and panels) for consumer electronic products such as mobile internet devices, electronic learning aids, multi-media player (car infotainment system), smartphone panel modules, set-top boxes and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers	1 for 1	50%	35.5%	21.6%	17.7%	N	N	Y	1.0%

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

Notes:

1. Market capitalisation is calculated based on the share closing price of the respective company times the total number of shares in issue as at the Last Trading Day.
2. The theoretical dilution effect is calculated in accordance with Rule 10.44A of the GEM Listing Rules.

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Based on the above analysis, save for one Comparable, being SDM Education Group Holdings Limited, all the other Comparables have set the subscription prices of their rights issues at discounts to (i) the prevailing closing prices of the relevant last trading days (the “LTD Price(s)”) of their rights issues; and (ii) the theoretical ex-rights prices based on the LTD Prices. Therefore, we consider it is common market practice to set the subscription price at a discount to the prevailing market price.

As illustrated above, the discounts (i) to the LTD Prices under the Comparables ranged from approximately 0.0% to 50.0%, with mean and median of approximately 23.1% and 18.8% respectively; and (ii) to the theoretical ex-rights prices under the Comparables ranged from approximately 0.0% to 40.1%, with mean and median of approximately 14.9% and 12.3% respectively. The Subscription Price, which represents a discount of approximately 35.5% and 21.6% to the closing price of the Shares on the Last Trading Day and the theoretical ex-rights prices, is higher than the mean and median but within the range of the Comparables.

In respect of theoretical dilution effect (as defined in the GEM Listing Rules), the Comparables range from approximately 0.0% to 20.4%, with mean and median of approximately 9.7% and 9.8% respectively. The theoretical dilution effect of the Rights Issue of approximately 17.7% is higher than the mean and median but within the range of the Comparables. It is noted that four comparable companies’ theoretical dilution effects out of the 17 Comparables are in similar regions or higher as compared to that of the Company’s (i.e. 16.09%, 16.50%, 17.28% and 20.40%). In particular, Wan Cheng Metal Packaging Company Limited (stock code: 8291) had conducted its rights issue on the same basis of entitlement as that of the Company, being one rights share for every one share held on record, and that its theoretical dilution effect of 16.50% is similar to that of the Company’s. Therefore, notwithstanding that the theoretical dilution effect of the Rights Issue is higher than the mean and median of the Comparables, we are of the view that such theoretical dilution effect of 17.7% is not uncommon and that the Subscription Price is fair and reasonable.

We have also considered the comparison to the net asset value per Share for our analysis. However, given that (i) the Company is relatively asset-light in nature; and (ii) the Shares had been traded at a substantial premium of approximately 379.9% to a discount of approximately 21.6%, with a significant average premium of approximately 73.2% to the consolidated net asset value per Share during the Review Period, we are of the view that the net asset value per Share is not a meaningful benchmark for determining the Subscription Price.

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Although the Subscription Price of HK\$0.12 per Rights Share is below the closing price of the Shares during the Review Period and continue up to the Latest Practicable Date, we concur with the Directors that (i) based on the above analysis, (ii) the Directors' consideration of the future business development of the Group; and (iii) by determining the Subscription Price at a discount to the prevailing market price would enhance the attractiveness of the Rights Issue so as to encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interest in the Company, from the perspective of discounts to the LTD Prices and theoretical ex-rights prices as well as theoretical dilution effect, the Subscription Price is fair and reasonable.

3.3 No excess application

Among the Comparables, we noted that seven out of the 17 Comparables did not have excess application arrangements in relation to the Rights Issue. Out of the seven Comparables without excess application arrangements, all companies have engaged placing agents to procure places to subscribe for the unsubscribed rights shares under the respective rights issue. We noted that the Company has also adopted similar compensatory and placing arrangements as the Comparables. We consider that such arrangements, which are (i) in compliance with Rule 10.31(1)(b) of the GEM Listing Rules; and (ii) in line with the common market practice, is fair and reasonable. Please refer to the section headed "3.5 The Compensatory Arrangements and the Placing" below for further details of the Compensatory Arrangements and the Placing.

3.4 Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, the size of the Rights Issue may be reduced accordingly. It is noted that seven of the 17 Comparables were conducted on a non-underwritten basis. As such, we are of the view that it is not uncommon for rights issues to be conducted on a non-underwritten basis.

Although there is no guarantee of minimum amount to be raised by the Rights Issue, pursuant to the Undertakings, SAS Investment and Dr. Yim have provided undertakings to the Company respectively that subject to SAS Investment and Dr. Yim having obtained the Whitewash Waiver, they will accept in full the Rights Shares proposed to be provisionally allotted to them pursuant to the Rights Issue provided that the obligations of SAS Investment and Dr. Yim are, however, subject to the public float requirement under the GEM Listing Rules and the total number of the Rights Shares to be subscribed by SAS Investment and Dr. Yim will be scaled down to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue, further details of the Undertakings are set out in the sub-section headed "The Undertakings" in the Circular. Assuming no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent, the Company will raise gross proceeds of approximately HK\$27.4 million.

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Given that the Rights Issue provides an opportunity for the Group to raise funds for its capital needs, we consider the Rights Issue to be in the interests of the Company and the Independent Shareholders as a whole.

3.5 *The Compensatory Arrangements and the Placing*

According to the Circular, the Company will make arrangements as described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. On 8 June 2023 (after trading hours), the Company therefore entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance. Set out below are the principal terms of the Placing Agreement:

Placing fee and expenses : The commission payable to the Placing Agent shall be 1% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

The Company will pay all out-of-pocket expenses properly and reasonably incurred by the Placing Agent in connection with the Placing (excluding legal and other professional fees and expenses) which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.

Placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) : The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price but the final price will be determined based on the demand for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and market conditions during the process of the Placing.

For details of the Placing Agreement, please refer to the section headed “The Placing Agreement” in the Circular.

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According to the Placing Agreement, the commission payable to the Placing Agent shall be 1.0% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. As illustrated in the table set out in the sub-section headed “(c) Comparison with the recent rights issue transactions” above, the placing commission of the Comparables ranged from approximately 7.1% to 1.3%, with mean and median of approximately 3.1% and 2.5%. The placing commission of 1.0% payable by the Company to the Placing Agent is lower than lower end of the Comparables. Hence, we consider that the placing commission under the Placing Agreement to be fair and reasonable.

We also noted that the placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price. Given that (i) the Subscription Price is fair and reasonable for the reasons as discussed in the section headed “3.2 (a) Historical price performance of the Shares” above; (ii) the Placing Price shall be not less than the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (iii) the placing commission is lower than range of the Comparables, we are of the view that the Placing Price to be fair and reasonable.

As there will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the Listing Rules, the Company has implemented the Compensatory Arrangements as required by Rule 10.31(1)(b) of the Listing Rules. We understand from the Management that the Compensatory Arrangements are at the cost of the Company for the purpose of protecting the interests of the Company’s minority Shareholders. The Unsubscribed Rights Shares and the NQS Unsold Rights Shares would be placed to independent places under the Compensatory Arrangements which will expand the shareholders’ base. Having considered that the Compensatory Arrangements and the Placing would (i) provide a distribution channel of the Unsubscribed Rights Shares for the Company; (ii) broaden the diversity and base of the Shareholders; (iii) potentially offer monetary benefits to the No Action Shareholders under the Net Gain arrangement and provide a compensatory mechanism for the relevant No Action Shareholders; and (iv) facilitate the implementation of the Rights Issue to raise funds for the Company’s capital needs, we are of the view that the Compensatory Arrangements and the Placing Agreement are fair and reasonable.

3.6 Section summary

Taking into consideration (i) the principal terms of the Rights Issue as highlighted above is fair and reasonable; (ii) the Compensatory Arrangements and the Placing provides additional means to facilitate the subscription of the unsubscribed portions of the Rights Issue to the maximum extent considering the funding needs of the Company and the difficulties in conducting alternative fund raising methods as mentioned in the paragraph headed “2. Reasons for and benefits of the Rights Issue” above; and (iii) the principal terms of the Compensatory Arrangements and the Placing Agreement as highlighted above are fair and reasonable, we concur with the Management that the terms of the Rights Issue and the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Financial impacts of the Rights Issue

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

4.1 *Liquidity*

According to the 2022 Annual Report, the cash and bank balances of the Group amounted to approximately HK\$91.9 million as at 31 December 2022. Since the net proceeds from the Rights Issue will be applied as to approximately 70% for the repayment of outstanding bank borrowings; approximately 20% for the development of new applications for MCU and electronic paper (including sales team recruitment and initial buffer stock ordering); and the remaining balance of approximately 10% as working capital of the Group, the Group's liquidity position would be improved upon completion of Rights Issue.

4.2 *Net assets*

According to the "Unaudited pro forma financial information of the Group" as set out in Appendix II – Unaudited pro forma financial information of the Group to the Circular, assuming that the Rights Issue had been completed on 31 December 2022, the Group's net assets per Share would be enhanced from approximately HK\$0.042 per Share to approximately HK\$0.061 (assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent) or approximately HK\$0.080 per Share (assuming all Shareholders have taken up the Rights Shares), representing an improvement in the Group's net assets position.

4.3 *Gearing ratio*

According to the 2022 Annual Report, the Group's net gearing ratio was 417.4% as at 31 December 2022, calculated by dividing the Group's net debt (total bank borrowing minus bank balances and cash) by the Group's total equity.

According to the unaudited pro forma financial information of the Group as set out in Appendix II – Unaudited pro forma financial information of the Group to the Circular, the consolidated net assets of the Group as at 31 December 2022 was approximately HK\$27.2 million. Based on (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders immediately after the completion of the Rights Issue would be approximately HK\$53.4 million (assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent) or approximately HK\$104.3 million (assuming all Shareholders have taken up the Rights Shares) as a result of the inflow of net proceeds from the Rights Issue as stated in the Appendix II – Unaudited pro forma financial information of the Group in the Circular; and (ii) the total bank borrowings was approximately HK\$220.4 million as at 31 December 2022 as stated in the 2022 Annual Report, the gearing ratio would be improved after the completion of the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole.

5. Possible dilution effect

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 50.0%.

For illustrative purposes only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (a) assuming all Shareholders have taken up the Rights Shares; (b) assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the placees under the Compensatory Arrangements and SAS Investment and Dr. Yim have taken up their Rights Shares entitlement; and (c) assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent and only SAS Investment and Dr. Yim have taken up their Rights Shares entitlement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at the Latest Practicable Date		Assuming all Shareholders have taken up the Rights Shares		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their Rights Shares take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the placees under the Compensatory Arrangements		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Controlling Shareholders of the Company</u>								
SAS Investment (Notes 1 and 2)	224,423,000	34.4	448,846,000	34.4	448,846,000	34.4	416,252,612	47.2
Dr. Yim (Notes 1, 2 and 12)	43,122,861	6.6	86,245,722	6.6	86,245,722	6.6	79,982,905	9.1
Sub-total of the Controlling Shareholders	267,545,861	41.0	535,091,722	41.0	535,091,722	41.0	496,235,517	56.3
<u>Directors of SAS Dragon</u>								
Tsui Chi Wing, Eric (Notes 9 and 12)	3,233,753	0.5	6,467,506	0.5	3,233,753	0.2	3,233,753	0.4
Wong Sui Chuen (Notes 10 and 12)	2,531,328	0.4	5,062,656	0.4	2,531,328	0.2	2,531,328	0.3
Yim Tsz Kit, Jacky (Notes 11 and 12)	300,000	0.05	600,000	0.05	300,000	0.02	300,000	0.03
Wong Wai Tai (Notes 5 and 12)	3,300,000	0.5	6,600,000	0.5	3,300,000	0.3	3,300,000	0.4
Sub-total of the directors of SAS Dragon	9,365,081	1.4	18,730,162	1.4	9,365,081	0.7	9,365,081	1.1
<u>Directors of the Company</u>								
Chang Wei Hua (Notes 3 and 13)	76,847,000	11.8	153,694,000	11.8	76,847,000	5.9	76,847,000	8.7
Wei Wei (Notes 4 and 13)	76,847,000	11.8	153,694,000	11.8	76,847,000	5.9	76,847,000	8.7
Tong Sze Chung (Notes 6 and 13)	600,144	0.1	1,200,288	0.1	600,144	0.05	600,144	0.07
Sub-total	154,294,144	23.7	308,588,288	23.7	154,294,144	11.8	154,294,144	17.5
Sub-total of the Concert Group	431,205,086	66.1	862,411,722	66.1	698,750,947	53.5	659,894,742	74.9
<u>Directors of the Company</u>								
Fung Cheuk Nang, Clement (Note 7)	600,000	0.1	1,200,000	0.1	600,000	0.05	600,000	0.07
Tsoi Chi Ho, Peter (Note 8)	600,000	0.1	1,200,000	0.1	600,000	0.05	600,000	0.07
Sub-total	1,200,000	0.2	2,400,000	0.2	1,200,000	0.1	1,200,000	0.1
Independent Placees	–	–	–	–	385,224,139	29.5	–	–
Other Public Shareholders	220,364,914	33.8	440,729,828	33.8	220,364,914	16.9	220,364,914	25 (Note 2)
Total	652,770,000	100.0	1,305,540,000	100.0	1,305,540,000	100.0	881,459,656	100.0

* Figures may not add up due to rounding

Notes:

- (1) Dr. Yim is the controlling shareholder of SAS Dragon and is interested in approximately 54.7% of the issued shares of SAS Dragon, which in turn owns 100.0% of the shareholding of SAS Investment. Dr. Yim is an executive Director and the chairman of the Company and an executive director and chairman of SAS Dragon.
- (2) Each of SAS Investment and Dr. Yim has respectively undertaken that where the Rights Issue would result in the public float of the Company not being maintained, they will scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.
- (3) Mr. Chang Wei Hua, an executive Director, beneficially owns 600,000 Shares and 76,247,000 Shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.

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- (4) Mr. Wei Wei, an executive Director, beneficially owns 600,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.
- (5) Mr. Wong Wai Tai is an executive director of SAS Dragon and also a non-executive Director of the Company.
- (6) Mr. Tong Sze Chung is an executive Director.
- (7) Mr. Fung Cheuk Nang, Clement is an independent non-executive Director.
- (8) Mr. Tsoi Chi Ho, Peter is an independent non-executive Director.
- (9) Mr. Tsui Chi Wing, Eric is an executive director of SAS Dragon. He is the brother-in-law of Dr. Yim and is the uncle of Mr. Yim Tsz Kit, Jacky.
- (10) Mr. Wong Sui Chuen is an executive director of SAS Dragon.
- (11) Mr. Yim Tsz Kit, Jacky is an executive director of SAS Dragon. He is the son of Dr. Yim and the nephew of Mr. Tsui Chi Wing, Eric.
- (12) Pursuant to class (2) of the definition of the “acting in concert” under the Takeovers Code, a company with any directors (together with their close relatives, related trusts and companies controlled by such directors, close relatives and related trusts) of the company or of its parent are presumed to be acting in concert with others in the same class unless the contrary is established. Given Dr Yim, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Mr. Wong Sui Chuen and Mr. Yim Tsz Kit, Jacky are directors of SAS Dragon, thus they are presumed to be parties acting in concert with SAS Dragon under this class.
- (13) Pursuant to class (6) of the definition of the “acting in concert” under the Takeovers Code, directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent are presumed to be acting in concert with others in the same class unless the contrary is established. Given Dr. Yim, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung are directors of the Company, thus they are presumed to be parties acting in concert with Dr. Yim under this class.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and shareholders’ interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to sell in the market, subject to availability, their nil-paid rights to subscribe for the Rights Shares, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, we are of the view that, the implementation of the Rights Issue, which is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the existing Shareholders, is acceptable and justifiable.

6. Whitewash Waiver

As at the Latest Practicable Date, SAS Investment and Dr. Yim are controlling shareholders of the Company. SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly holds 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly holds 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company.

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Based on the table illustrating the aggregate shareholding interest of SAS Investment and Dr. Yim in the Company under scenario (ii)(c) as set out in section headed “5. Possible dilution effect” above, the acceptance in full by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by the Concert Group, unless a waiver is granted by the Executive.

SAS Investment and Dr. Yim have made an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Rights Issue, the Placing Agreement and Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders of the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM by way of poll in accordance with the requirements of the Takeovers Code. Save for the Concert Group, no other Shareholder is involved or interested in the Rights Issue, the Placing Agreement and/or the Whitewash Waiver, and hence, is required to abstain from voting in favour of the proposed resolution(s) approving the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder respectively.

Based on our analysis of the benefits and terms of the Rights Issue, we consider that the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. As such, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the implementation of the Rights Issue, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole for the purpose of proceeding with the Rights Issue.

RECOMMENDATIONS

(a) Rights Issue

Having considered the above principal factors and reasons, we are of the view that

- (i) it is in the interests of the Company and the Independent Shareholders as a whole to raise long term equity capital through the Rights Issue for the Group’s expansion and operation needs to be fair and reasonable;
- (ii) the Rights Issue is currently the most appropriate and equitable fund raising method available to the Company; and
- (iii) the terms of the Rights Issue (including the Subscription Price, the Compensatory Arrangements and the Placing Agreement) are fair and reasonable.

Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Placing

Having considered the above principal factors and reasons, we are of the view that

- (i) the terms of the Placing Agreement (including the commission payable and Placing Price) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole as it provides additional means to facilitate the subscription of the unsubscribed portions of the Rights Issue to the maximum extent considering the funding needs of the Company; and
- (ii) the Compensatory Arrangement and the Placing are in compliance with Rule 10.31(1)(b) of the GEM Listing Rules;

Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Placing Agreement.

(c) Whitewash Waiver

Having taking into account,

- (i) the reasons for and possible benefits of the Rights Issue;
- (ii) the terms of the Rights Issue are fair and reasonable; and
- (iii) that the Rights Issue is conditional upon, amongst other things, the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied,

we are of the view that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Leo Tam
Executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over eight years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2023 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hi-levelhk.com):

- (i) the unaudited financial information of the Group for the three months ended 31 March 2023 is disclosed in the 2023 first quarterly report of the Company for the three months ended 31 March 2023 published on 11 May 2023, from pages 2 to 7 (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0511/2023051100412.pdf>);
- (ii) the audited financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 29 March 2023, from pages 30 to 103 (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0329/2023032900731.pdf>);
- (iii) the audited financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 29 March 2022, from pages 30 to 105 (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0329/2022032900573.pdf>); and
- (iv) the audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 29 March 2021, from pages 29 to 107 (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0329/2021032900648.pdf>).

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2020, 2021 and 2022 as extracted from the consolidated financial statements of the Company as set forth in the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the unaudited consolidated financial results of the Group for the three months ended 31 March 2023 as extracted from the condensed consolidated financial statements of the Company as set forth in the 2023 first quarterly report of the Company for the three months ended 31 March 2023:

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the years ended 31 December			For the three months ended
	2020	2021	2022	31 March
	(audited) <i>HK'000</i>	(audited) <i>HK'000</i>	(audited) <i>HK'000</i>	(unaudited) <i>HK'000</i>
Revenue	2,254,195	2,847,359	1,732,213	312,280
Cost of sales	(2,172,604)	(2,853,299)	(1,755,766)	(296,935)
Gross profit/(loss)	81,591	(5,940)	(23,553)	15,345
Other income	1,831	1,004	2,145	348
Other gain/(loss)	233	(737)	(1,378)	170
Impairment losses under expected credit loss model, net of (provision)/reversal	(3,545)	1,743	(387)	(278)
Distribution costs	(13,381)	(15,679)	(14,583)	(3,622)
Administrative expenses	(24,614)	(24,200)	(22,916)	(4,991)
Finance costs	(3,283)	(2,841)	(7,730)	(2,790)
Profit/(Loss) before taxation	38,832	(46,650)	(68,402)	4,182
Income tax expense	(6,705)	(304)	(143)	–
Profit/(Loss) for the year/period	32,127	(46,954)	(68,545)	4,182
Other comprehensive income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations:				
– subsidiaries	5,203	4,567	(7,737)	6,270
Other comprehensive income for the year/period	5,203	4,567	(7,737)	6,270
Total comprehensive income for the year/period	37,330	(42,387)	(76,282)	10,452
Earnings/(Loss) per share <i>(HK cents)</i>				
– basic	4.92	(7.19)	(10.50)	0.64
– diluted	4.92	(7.19)	(10.50)	0.64
Dividend per share <i>(HK cents)</i>	2.5	1.0	–	–

Save as disclosed above, the Group did not have any item of any income or expenses which was material for each of the three years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2023.

The following is a summary of the audited consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 as extracted from the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022:

	As at 31 December		
	2020 <i>HK'000</i>	2021 <i>HK'000</i>	2022 <i>HK'000</i>
Non-current assets			
Property, plant and equipment	1,806	1,826	1,133
Right-of-use assets	8,331	6,249	2,587
Club membership	266	266	266
Rental deposit	777	790	–
	<u>11,180</u>	<u>9,131</u>	<u>3,986</u>
Current assets			
Inventories	239,680	477,692	140,771
Trade and other receivables	165,558	143,925	131,884
Debt instruments at fair value through other comprehensive income	1,477	6,342	25,283
Taxation recoverable	–	3,227	4,309
Fixed bank deposit	–	15,000	15,000
Bank balances and cash	140,961	113,864	91,896
	<u>547,676</u>	<u>745,050</u>	<u>409,143</u>
Current liabilities			
Trade and other payables	310,335	327,175	148,770
Contract liabilities	10,279	14,519	13,608
Lease liabilities	8,194	3,471	2,640
Amount due to a related party	91	132	333
Taxation payable	6,429	155	91
Bank borrowings	54,667	302,343	220,428
	<u>389,995</u>	<u>647,795</u>	<u>385,870</u>
Net current assets	<u>157,681</u>	<u>97,255</u>	<u>23,273</u>

	As at 31 December		
	2020	2021	2022
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Total Assets less Current Liabilities	168,861	106,386	27,259
Non-current liabilities			
Lease liabilities	142	2,901	56
Net assets	<u>168,719</u>	<u>103,485</u>	<u>27,203</u>
Capital and Reserves			
Share capital	6,528	6,528	6,528
Reserves	<u>162,191</u>	<u>96,957</u>	<u>20,675</u>
Total equity	<u>168,719</u>	<u>103,485</u>	<u>27,203</u>

Opinion by the auditor of the Company in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2020, 2021 and 2022

The auditors' report issued by BDO Limited in respect of the Group's audited consolidated financial statements for the each of the three years ended 31 December 2020, 2021 and 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern. The Company's auditors have not issued any qualified opinion on the Group's financial statements for each of the three years ended 31 December 2020, 2021 and 2022.

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

	<i>HK\$'000</i>
Bank Borrowing	
– Unsecured bank borrowings: Invoice financing, export loan and import loan	114,101
– Secured bank borrowings: Invoice financing and import loan (<i>Note a</i>)	17,673
	<hr/>
Total Bank Borrowing (<i>Note b</i>)	131,774
Lease Liabilities	
– due within 1 year	1,651
– due later than 1 year	43
	<hr/>
Total Lease Liabilities	1,694
	<hr/>
Total debt	133,468
	<hr/> <hr/>

Note:

- (a) Bank borrowings are secured by a short-term bank deposit with carrying amount of HK\$15,000,000
- (b) All the bank borrowings are repayable within a period not exceeding one year

Save as disclosed above, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees, debt securities, term loans, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or other material contingent liabilities as at the close of business on 31 May 2023.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, after taking into account the financial resources presently available to the Group including internally generated funds, the currently available banking facilities and other borrowings and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of the publication of this circular.

4. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

During the three months ended 31 March 2023, the Group's average monthly revenue, had decreased as compared to that of the year ended 31 December 2022 as the overall electronic consumer market remained weak. While the Group recorded a loss of approximately HK\$68.5 million for the year ended 31 December 2022, it recorded profits of approximately HK\$4.2 million during the three months ended 31 March 2023 as disclosed in the first quarterly report of the Company for the three months ended 31 March 2023 due to the absence of specific provision of allowance for inventories.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in the sale of electronic components (mainly integrated circuit ("IC") and panels) for consumer electronic products such as mobile internet devices ("MID"), electronic learning aids ("ELA"), multi-media players (car infotainment system), smartphone panel modules, set-top boxes ("STB"), and video image devices together with the provision of IDH services to original brand manufacturers and original design manufacturers.

During the latest financial year, the Group's overall financial performance sluggish mainly due to the weak demand in the consumer electronic market caused by unfavorable global business environment such as rising inflation worldwide, and interest rate hikes in the US and the downwards trends of price of panels and panel modules due to the fierce price competition. In 2021 and 2022, the Group recorded losses of approximately HK\$46.9 million and approximately HK\$68.5 million respectively. The Group's sales in the first quarter of 2023 was slightly better than expected. However, as the overall consumer electronic market remained weak. Coupled with the high US dollar interest rates added to the burden of business operations, most customers have adopted a more conservative business strategy to cope with the current economic situation.

Look forward, traditional consumer electronic market is believed to face stagnant growth. The Group will endeavor to broaden its revenue sources, enhance its product diversity, widen its customer base and search for new suppliers from different areas. The Group is currently in the process of developing products including:

Microcontrollers (MCU) for new energy vehicles: With the lifting of the pandemic restrictions in China, the central government is expected to implement various measures to boost the economy and accelerate its recovery. Among the country's policies, those for the green energy and semiconductor industries are of particular importance. The Group will adjust its business direction and products to adapt to these trends, focusing on MCU for new energy vehicle controls and MCU for energy storage equipment. In the past, manufacturers of imported or domestic electric vehicles all used MCUs made in Europe and the United States. With the country's policy of semiconductor self-reliance, China-made MCUs for vehicles will gradually replace products from Europe and the United States. The Group has obtained domestic semiconductor agency rights that can be applied to the control of new energy vehicles and energy storage equipment.

Electronic paper applications: In respect of electronic paper applications, electronic paper is a display panel component with extremely low energy consumption. At present, electronic paper is widely known for its application in electronic tags and e-books, while the most common product in Hong Kong is the new type of parking meter. The Group has obtained the dealership rights of the world's largest supplier, E-ink, and is now developing displays for portable household appliances and test meters. Currently, several foreign manufacturers have already launched projects and tests. The Group believes that above products can provide an impetus for the Company's future sustainable development.

Although there are challenges and difficulties, the Group will maintain a flexible business strategy to explore new business opportunities for its development. The Group will continue to explore and seize business opportunities so as to achieve the sustainable business development.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The accompanying unaudited pro forma statement of adjusted consolidated net tangible assets (collectively the “**Unaudited Pro Forma Financial Information**”) of the Group has been prepared in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company on 31 December 2022 as if it had taken place on 31 December 2022.

Capitalised terms used herein shall have the same meanings as those defined in this Circular unless the context otherwise requires. The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the actual consolidated net tangible assets of the Group had the Rights Issue been completed as at 31 December 2022 or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 31 December 2022, as extracted from the published annual report of the Group for the year ended 31 December 2022, with adjustments described below.

B. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2(a))</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after completion of the Rights Issue <i>HK\$'000</i>	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 per Share <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after the Rights Issue per Share <i>HK\$</i> <i>(Note 4(a))</i>
Rights issue of 652,770,000 Rights Shares to be issued at the subscription price of HK\$0.12 per Rights Share	27,203	77,132	104,335	0.042	0.080
Scenario for illustrative purposes	<i>(Note 1)</i>	<i>(Note 2(b))</i>		<i>(Note 3)</i>	<i>(Note 4(b))</i>
Rights issue of 228,689,656 Rights Shares to be issued at the subscription price of HK\$0.12 per Rights Share	27,203	26,243	53,446	0.042	0.061

Note:

1. The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 of approximately HK\$27,203,000 represents the net assets of the Group attributable to the equity holders of the Company, as extracted from the published annual report of the Company for the year ended 31 December 2022.
- 2(a). The estimated net proceeds from the Rights Issue of approximately HK\$77,132,000, which are calculated based on the 652,770,000 Rights Shares to be issued at the subscription price of HK\$0.12 per Rights Share and after deduction of estimated professional fees and other related expenses which are directly attributable to the Rights Issue of approximately HK\$1,200,000, assuming that all Shareholders have taken up the Rights Shares.
- 2(b). **Scenario for illustrative purposes assuming (1) no Qualifying Shareholders (save for SAS Investment and Dr Yim) take up their respective entitlements under the Rights Issue, (2) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent, and (3) Rights Shares to be issued to the extent that the public float requirement under the GEM Listing Rules (“Assumptions”).**

As at the date of this circular, SAS Investment and Dr. Yim have undertaken to accept in full the Rights Shares to be provisionally allotted to them or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company.

For illustrative purpose, the estimated net proceeds from the Rights Issue of approximately HK\$26,243,000, which are calculated based on the 228,689,656 Rights Shares to be issued at the subscription price of HK\$0.12 per Rights Share and after deduction of estimated professional fees and other related expenses which are directly attributable to the Rights Issue of approximately HK\$1,200,000, assuming that save for SAS Investment and Dr. Yim, no other Qualifying Shareholders take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent.

3. The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 per Share of HK\$0.042 was based on the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 of approximately HK\$27,203,000 and 652,770,000 Shares in issue as at 31 December 2022.

Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 (HK\$ '000)	27,203
Number of Shares in issue as at 31 December 2022	652,770,000
Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 per Share (HK\$)	0.042

- 4(a). The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after completion of the Rights Issue per Share is arrived after aggregating the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 of HK\$27,203,000 (Note 1) and the estimated net proceeds of HK\$77,132,000 from the Rights Issue (Note 2(a)) and on the basis that 652,770,000 Shares were in issue as at 31 December 2022 and 652,770,000 Rights Shares were issued under the Rights Issue as if the Rights Issue has been completed on 31 December 2022, assuming that all Shareholders have taken up the Rights Shares.

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 (HK\$ '000)	104,335
Number of Shares in issue as at 31 December 2022 and Rights Shares to be issued pursuant to the Rights Issue as if the Rights Issue had been completed on 31 December 2022	1,305,540,000
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after the completion of the Rights Issue per Share (HK\$)	0.080

- 4(b). **Scenario for illustrative purposes assuming (1) no Qualifying Shareholders (save for SAS Investment and Dr Yim) take up their respective entitlements under the Rights Issue, (2) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent, and (3) Rights Shares to be issued to the extent that the public float requirement under the GEM Listing Rules (“Assumptions”).**

For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after completion of the Rights Issue per Share is arrived after aggregating the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 of HK\$27,203,000 (Note 1) and the estimated net proceeds of HK\$26,243,000 from the Rights Issue (Note 2(b)) and on the basis that 652,770,000 Shares were in issue as at 31 December 2022 and 228,689,656 Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company were issued under the Rights Issue as if the Rights Issue has been completed on 31 December 2022, assuming that save for SAS Investment and Dr. Yim, no other Qualifying Shareholders take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent.

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 (<i>HK\$'000</i>)	53,446
Number of Shares in issue as at 31 December 2022 and Rights Shares to be issued pursuant to the Rights Issue as if that the Rights Issue had been completed on 31 December 2022	881,459,656
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after the completion of the Rights Issue per Share (<i>HK\$</i>)	0.061

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022, and because of its nature, it may not give a true picture of the Group’s financial position or results.

C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP



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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Hi-Level Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hi-Level Technology Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2022 and related notes as set out in Sections A and B of Appendix II of the Company’s circular dated 3 July 2023 (the “**Circular**”) in connection with the proposed rights issue on the basis of one Rights Share for every one existing shares held on the Record Date (as defined in the Circular) (the “**Proposed Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Sections A and B of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Rights Issue on the Group’s financial position as at 31 December 2022 as if the Proposed Rights Issue had taken place at 31 December 2022. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s consolidated financial statements as at 31 December 2022, on which an auditor’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Rights Issue at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

3 July 2023

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 Group. 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.

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming (i) no further issue or repurchase of Shares on or before the completion of the Rights Issue and (ii) all Shareholders have taken up the Rights Shares or all Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the placees under the Compensatory Arrangements) will be as follows:

(a) As at the Latest Practicable Date

<i>Authorised share capital</i>	<i>HK\$</i>
2,000,000,000 Shares of par value HK\$0.01 each	20,000,000
<i>Issued and fully paid:</i>	<i>HK\$</i>
652,770,000 Shares of par value HK\$0.01 each	6,527,700

- (b) **Immediately following the completion of the Rights Issue (assuming (i) no other change in the number of Shares in issue up to completion of the Rights Issue save for the issue of the Rights Shares and (ii) all Shareholders have taken up the Rights Shares or all Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements)**

<i>Authorised share capital</i>		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.01 each	20,000,000
<hr/> <hr/>		<hr/> <hr/>
<i>Issued and fully paid:</i>		<i>HK\$</i>
652,770,000	Shares as at the Latest Practicable Date	6,527,700
652,770,000	Rights Shares to be issued pursuant to the Rights Issue	6,527,700
1,305,540,000	Shares in issue immediately upon completion of the Rights Issue	13,055,400
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All Shares rank *pari passu* with each other in all respects including the rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the Shares in issue on the date of allotment and issue of the Rights Shares in all respects including rights to dividends, voting and return of capital. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the fully-paid Rights Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in issue and to be issued, and the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

The Company had not issued any Shares since 31 December 2022, being the end of the last financial year of the Company, and up to the Latest Practicable Date. As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

3. MARKET PRICE

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day in the Shares took place at the end of each of the calendar months during the Relevant Period, (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date:

Date	Closing price per Share <i>HK\$</i>
30 December 2022	0.14
31 January 2023	0.16
28 February 2023	0.188
31 March 2023	0.164
28 April 2023	0.152
31 May 2023	0.186
8 June 2023 (the Last Trading Day)	0.186
30 June 2023 (the Latest Practicable Date)	0.185

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.219 on 27 January 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.13 on 24 April 2023 and 25 April 2023 respectively.

4. DISCLOSURE OF INTERESTS

(A) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”), to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code were as follows:

*Long Positions in Shares**(a) Interest in the Shares*

Name of Directors or chief executives	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the issued shares
Dr. Yim <i>(Note 1)</i>	Interest in a controlled corporation	224,423,000	34.4%
	Beneficial owner	43,122,861	6.6%
Chang Wei Hua <i>(Note 2)</i>	Interest in a controlled corporation	76,247,000	11.7%
	Beneficial owner	600,000	0.1%
Wei Wei <i>(Note 3)</i>	Interest in a controlled corporation	76,247,000	11.7%
	Beneficial owner	600,000	0.1%
Wong Wai Tai	Beneficial owner	3,300,000	0.5%
Tong Sze Chung	Beneficial owner	600,144	0.1%
Fung Cheuk Nang, Clement	Beneficial owner	600,000	0.1%
Tsoi Chi Ho, Peter	Beneficial owner	600,000	0.1%

Notes:

1. Dr. Yim beneficially owns 43,122,861 Shares and is the controlling shareholder of SAS Dragon, being interested in approximately 54.7% of the issued shares of SAS Dragon; Dr. Yim, being a controlling shareholder of SAS Dragon, is therefore deemed to be interested in 224,423,000 Shares held by SAS Investment under the SFO, which is a wholly-owned subsidiary of SAS Dragon.
2. Mr. Chang Wei Hua beneficially owns 600,000 Shares and 76,247,000 Shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
3. Mr. Wei Wei, beneficially owns 600,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

(b) Interest in the shares of as associated corporation

Director	Name of associated corporation	Capacity/ Nature of Interest	Number of shares	Approximate percentage of the issued shares
Dr. Yim <i>(Note 1)</i>	SAS Dragon	Interest in a controlled corporation	227,542,800	36.4%
		Beneficial owner	114,800,000	18.3%

Note:

1. As at the Latest Practicable Date, Dr. Yim directly holds 114,800,000 shares in SAS Dragon and is interested in 100% interest in Unimicro and is therefore deemed to be interested in 227,542,800 shares in SAS Dragon held by Unimicro under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) were required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Required Standard of Dealings, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code.

(B) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Positions in the Shares and underlying Shares

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the issued shares
SAS Dragon	Interest in a controlled corporation	227,542,800 (L)	36.4%
SAS Investment	Beneficial owner	227,542,800 (L)	36.4%

Notes:

1. The letter “L” denotes the person/corporation’s long position in our Shares.
2. SAS Dragon is deemed to be interested in the 227,542,800 Shares held by SAS Investment, a wholly-owned subsidiary of SAS Dragon, under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including continuous and fixed term contracts) had been entered into or amended during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

8. ADDITIONAL DISCLOSURE

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding to transfer, charge or pledge the Rights Shares to be acquired by SAS Investment and Dr. Yim in pursuance of the Rights Issue to any other persons;
- (b) save for in aggregate 431,205,086 Shares held by the Concert Group, representing approximately 66.1% of the issued share capital of the Company, none of the members of the Concert Group and any parties acting in concert with them own, control or have control or direction over any voting rights and right over Shares, convertible securities, warrants, options or derivatives of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (c) the Concert Group and other directors of the Company have no dealings in any securities of the Company during the Relevant Period;
- (d) the Concert Group have not received any irrevocable commitment from any Shareholders to vote for or against the proposed resolutions relating to the Rights Issue, the Placing Agreement, and/or the Whitewash Waiver at the EGM;
- (e) save for the Undertakings, none of the Concert Group have received any irrevocable commitment from any Shareholders to accept or reject the relevant Rights Shares to be provisionally allotted to the relevant party under the Rights Issue;
- (f) save for the Undertakings, the Company has not received any irrevocable commitments or been notified of any intention from any Shareholders (including the Directors who hold Shares, including Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter, being the independent non-executive Directors of the Company) to accept or reject the Rights Shares or to vote for or against the Rights Issue, the Placing Agreement and/or the Whitewash Waiver. Each of Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter, being the independent non-executive Directors of the Company, will vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the Whitewash Waiver but have not decided their intention in respect of their own beneficial shareholding, to accept or reject the relevant Rights Shares to be provisionally allotted to them under the Rights Issues, respectively;

- (g) there is no outstanding derivative in respect of securities in the Company entered into by the Concert Group;
- (h) save for the Undertakings, none of the Concert Group have any arrangements (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code, with any other persons in relation to the Shares or the shares of SAS Investment and Dr. Yim and which might be material to the Rights Issue, the Placing Agreement and/or the Whitewash Waiver;
- (i) the Independent Financial Adviser does not own or control or have control or direction over any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company and had not dealt for value in any such securities of the Company during the Relevant Period;
- (j) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group have borrowed or lent;
- (k) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue and the transactions contemplated thereunder and the Whitewash Waiver;
- (l) save for the Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) existed among the Concert Group and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Placing Agreement and/or the Whitewash Waiver;
- (m) save that the Rights Issue is conditional upon, among other things, obtaining of the Whitewash Waiver by SAS Investment and Dr. Yim and there being no material breach of the obligations of SAS Investment and Dr. Yim under the Undertakings, there is no arrangement or agreement to which any members of the Concert Group or any parties acting in concert with them are a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Placing Agreement and/or the Whitewash Waiver;
- (n) no subsidiaries of the Company, pension funds of the Company or of any subsidiaries of the Company or person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code own, control or have control or direction, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;

- (o) save for the Placing Agreement and the Undertakings, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the members of the Concert Group on one part and any other person;
- (p) save for the Placing Agreement entered between the Company and the Placing Agent, and the Undertakings given by SAS Investment and Dr. Yim to the Company, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (q) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had not dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (r) pursuant to the Undertakings, each of SAS Investment and Dr. Yim has provided irrevocable and unconditional undertakings to the Company as set out in the section headed “Undertakings” in the “Letter from the Board”. In accordance with the GEM Listing Rules and the Takeovers Code, the Concert Group shall abstain from voting on the resolutions in respect of the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder and the Whitewash Waiver at the EGM;
- (s) save for the Undertakings, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver or otherwise connected with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (t) save for the Undertakings, there was no material contract entered into by the Concert Group or any parties acting in concert with any one of them in which any Director had a material personal interest;
- (u) apart from Subscription Price for the Rights Shares to be subscribed, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Concert Group to the Group in connection with the Rights Issue;

- (v) apart from the Undertakings, there is no other understanding, arrangement or special deal (as defined under Rule 25 of the Takeover Code) between the Group and the Concert Group or any parties acting in concert with them; and
- (w) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeover Code) between any Shareholders and (i) the Concert Group, or (ii) the Company, its subsidiaries or associated companies.

9. MATERIAL CONTRACT

The material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) entered into by members of the Group from 8 June 2021 (being the date falling two years immediately preceding 8 June 2023 (being the date of the Announcement)) up to and including the Latest Practicable Date comprises the placing agreement dated 8 June 2023 entered into between the Company (as issuer) and the Placing Agent (as placing agent) in relation to the placing of up to a maximum of 652,770,000 new Shares at the placing price of not less than HK\$0.12 per Share pursuant to the terms and conditions of the Placing Agreement.

10. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

11. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions, letters or advice contained in this circular are set out below:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
BDO Limited	Certified public accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, advice, report and/or references to its names, in the form and context in which they are respectively included.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

12. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, the Placing Agreement and the Whitewash Waiver, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$1,200,000.

13. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the existing Directors are set out below:

Executive Directors

Dr. Yim, aged 63, is appointed as a group chairman and executive Director of the Company on 1 October 2015. He is responsible for the formulation of corporate strategies and the overall direction of the Group. Dr. Yim is the founder, executive director, chairman and managing director of SAS Dragon (stock code: 1184, a company listed on the Main Board of the Stock Exchange in 1994) since 25 May 1993. Dr. Yim is appointed as independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange on 15 May 2020 and has been re-designated from independent non-executive director to a non-executive director on 15 September 2021 and remain as a member of the audit committee and the nomination committee.

Dr. Yim is currently the president of the Hong Kong Justice of the Peace Association, a member of HKSAR Fight Crime Committee, a non-official member of Correctional Services Department Complaints Appeal Board, a member of Development Bureau Appeal Tribunal Panel, the honorary vice chairman of the Hong Kong Electronic Industries Association, a member of Yan Chai Hospital Advisory Board, the vice chairman of Federation of Hong Kong-Shanghai Associations, the chairman of the Tsuen Wan District Civic Education Committee, the vice chairman of Tsuen Wan District JPC Honorary President Council and the honorary permanent president of Hong Kong Baptist University Foundation.

Mr. Chang Wei Hua (張偉華), aged 58, is appointed as an executive Director and chief executive officer of the Company on 1 October 2015. He is appointed as general manager of Hi-Level Technology Limited in 2000 and is appointed as a managing director of Hi-Level Technology Limited in 2003. He graduated from Tungnan University in Taiwan with a Bachelor's degree in Electronics Engineering in June 1985.

Mr. Chang has over 20 years of experience in corporate management and business development. He has also over 25 years of extensive experience in sales, marketing and undertaking R & D projects within electronics field.

Mr. Wei Wei (魏衛), aged 53, is appointed as an executive Director of the Company on 1 October 2015. He is the founder of Hi-Level Technology Limited. He is appointed as Director and executive vice president of Hi-Level Technology Limited in 2000. He graduated from Huazhong University of Science and Technology in Wuhan, Hubei with a Bachelor's degree in Electronics Engineering in July 1991.

Mr. Wei is responsible for the operations of our Group in the PRC. He has over 20 years of management experience within the electronics field in sales, marketing and undertaking R & D projects.

Mr. Tong Sze Chung (唐思聰), aged 54, is appointed as an executive Director on 1 October 2015 and he is also a financial controller, company secretary and compliance officer of the Company. He is a member of the Remuneration Committee and Nomination Committee. Mr. Tong joined Hi-Level Technology Limited as the financial controller on 1 January 2013. He obtained a Bachelor's degree of Business Administration from the Open University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Tong has been appointed as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, from September 2013 to February 2015.

Mr. Tong is responsible for the accounting and financial management of Hi-Level group's operations. He has over 20 years' experience in accounting and financial management.

Non-executive Director

Mr. Wong Wai Tai (黃維泰), aged 52, is appointed as non-executive Director of the Company in 2016. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years' experience in accounting, auditing, taxation and financial management.

Mr. Wong is appointed as executive director of SAS Dragon (stock code: 1184) in 2016 which is listed on the Main Board of the Stock Exchange.

Independent non-executive Directors

Mr. Shea Chun Lok, Quadrant (佘俊樂) (alias Martin, former name, Shea Chi Lap, Quadrant), aged 56, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a chairman of our Audit Committee, Nomination Committee and Remuneration Committee. Mr. Shea graduated from Monash University of Australia with a Bachelor's degree in Business and later completed a postgraduate program of Public Finance (Taxation) and obtained a Master's degree in Economics from Jinan University, China and a Master of Laws degree from Renmin University of China. He is also a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. Mr. Shea is a Chartered Tax Adviser of Hong Kong and has obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau.

Mr. Shea has substantial experience in accounting and finance in listed companies and worked as a qualified accountant and company secretary in various companies listed on the Main Board of the Stock Exchange over the years. He was the group financial controller of SAS Dragon (stock code: 1184) from 1999 to 2005, a company listed on the Main Board of the Stock Exchange. Mr. Shea has been appointed as the chief financial officer and company secretary of Asia Allied Infrastructure Holdings Limited (stock code: 711) (“AAI”), a company listed on the Main Board of the Stock Exchange, since 2015. He has further been appointed as an executive director of AAI since July 2017 and is also currently a member of the management committee and executive committee of the board and the member of the property development executive board of AAI. Mr. Shea has also been appointed as an independent non-executive director of Beijing Enterprises Water Group Limited (stock code: 371) since 2002, a company listed on the Main Board of the Stock Exchange, and is also the chairman of the audit committee of the company.

Mr. Fung Cheuk Nang, Clement (馮卓能), aged 46, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. He has extensive management experience in development and manufacturing of consumer products.

Mr. Fung is also a director of Smarhome Technology Limited and Smarhome Products Limited, both of which are privately-owned consumer electronics companies in Hong Kong. Mr. Fung has been appointed as an independent non-executive director of Crocodile Garments Limited (stock code: 122), a company listed on the Main Board of the Stock Exchange, since March 2021. Mr. Fung holds positions in various charitable and social organisations. He is a member of the advisory board of Yan Chai Hospital, of which he was the chairman of the board of directors during the term of year 2018-2019.

Mr. Tsoi Chi Ho, Peter (蔡子豪), aged 36, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of the Audit Committee. Mr. Tsoi graduated from the York University of Canada with a Bachelor’s degree in Business Administration Studies in June 2009 and obtained his Master’s degree in E-Commerce from the Hong Kong Polytechnic University in November 2010.

Mr. Tsoi has been the marketing director of an international trading company in South Africa since 2010 and is mainly responsible for coordinating sales and sourcing electronic products from China to South Africa. He has substantial experience in marketing and trading of electronic products as well as extensive knowledge on the electronic industry of South Africa.

Business address of the Directors

The business address of the Directors and chief executive officer is the same as the Company’s head office and principal place of business in Hong Kong at Room 614, 6/F, Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

14. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	One Nexus Way Camana Bay, Grand Cayman KY1-9005, Cayman Islands
Head office and principal place of business in Hong Kong	Room 614, 6/F, Tower B Hung Hom Commercial Centre 37 Ma Tau Wai Road, Hung Hom Kowloon, Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Intertrust Corporate Services (Cayman) Limited One Nexus Way Camana Bay, Grand Cayman KY1-9005, Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Company secretary	Mr. Tong Sze Chung
Authorised representatives	Chang Wei Hua Room 614, 6/F, Tower B Hung Hom Commercial Centre 37 Ma Tau Wai Road, Hung Hom Kowloon, Hong Kong Tong Sze Chung Room 614, 6/F, Tower B Hung Hom Commercial Centre 37 Ma Tau Wai Road, Hung Hom Kowloon, Hong Kong
Principal banker	Bank of China (Hong Kong) Limited Hang Seng Bank Limited Standard Chartered Bank (Hong Kong) Limited

Reporting accountants	BDO Limited Certified Public Accountants 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Legal adviser to the Company as to Hong Kong laws	TC & Co. Units 2201-2203 22/F, Tai Tung Building 8 Fleming Road Wanchai Hong Kong
Legal adviser to the Company as to Cayman Islands laws	Appleby Suites 4201-03 & 12, 42/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Altus Capital Limited 21 Wing Wo Street Central, Hong Kong
Placing Agent	Sunny Fortune Capital Limited 2101, Chinachem Century Tower 178 Gloucester Road Wanchai, Hong Kong

15. GENERAL

- (i) The company secretary of the Company is Mr. Tong Sze Chung.
- (ii) The audit committee of the Board was established with written terms of reference adopted in compliance with the GEM Listing Rules. The main functions of the audit committee are to, among others, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve and review the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee consists of three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant (chairman of the committee), Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter. A summary of their background (including current and past directorships of other listed companies, if any) is set out in the paragraphs headed "14. Particulars of Directors and Senior Management" in this appendix.

- (iii) The registered office of SAS Investment is situated at 18/F., S.A.S. Tower 55 Lei Muk Road, Kwai Chung, N.T., H.K.
- (iv) The registered office of SAS Dragon is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the correspondence address in Hong Kong is situated at 19/F., S.A.S. Tower 55 Lei Muk Road, Kwai Chung, N.T., H.K..
- (v) The address of Dr. Yim is situated at House B, No. 2 Oxford Road, Kowloon Tong, Kowloon, Hong Kong.
- (vi) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (vii) As at the Latest Practicable Date, there is no material foreign exchange exposure to the Company.
- (viii) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.
- (ix) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.hi-levelhk.com), the Stock Exchange (www.hkexnews.hk) and the SFC (www.sfc.hk) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 December 2021 and 2022 and the first quarterly report of the Company for the three months ended 31 March 2023;
- (c) the letter from the Board, the text of which is set out on pages 10 to 40 of this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 41 to 42 of this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 43 to 71 of this circular;
- (f) the report from BDO Limited on the unaudited pro forma financial information of the Group in respect of the Rights Issue, the text of which is set out in Appendix II to this circular;

- (g) the written consents referred to in the paragraph headed “Experts and Consents” in this appendix;
- (h) the material contract referred to in the paragraph headed “Material contract” in this appendix; and
- (i) this circular.

NOTICE OF EGM



Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8113)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Hi-Level Technology Holdings Limited (the “Company”) will be held at 28/F., Noble Centre, No.1006, 3rd Fuzhong Road, Futian District, Shenzhen, P.R.C. on 11:00 a.m. (Hong Kong time), on Tuesday, 25 July 2023 (or an adjournment thereof) for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions of the Company:

Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

ORDINARY RESOLUTION

1. “**THAT** subject to and conditional upon the passing of the resolution numbered 2 and, the fulfilment of all the conditions as set out in the section headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in the circular of the Company dated 3 July 2023 (the “Circular”) (a copy of which marked “A” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification):
 - (i) the Company’s allotment and issue by way of rights of a maximum of 652,770,000 new ordinary shares of par value HK\$0.01 each (“Shares”) (assuming no further Shares will be issued or repurchased on or before the Record Date (as defined below)) (the “Rights Shares”) to the shareholders of the Company (the “Shareholders”) at the subscription price of HK\$0.12 per Rights Share (the “Subscription Price”) on the basis of one (1) Rights Share for every one (1) Share in issue held by the Shareholders (the “Qualifying Shareholders”) whose names appear on the register of members of the Company on Friday, 4 August 2023, or such other date as may be determined by the Company for determining entitlements of the Shareholders to participate in the Rights Issue (as defined below) (the “Record Date”), save for the

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Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong (if any) to whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Non-Qualifying Shareholders**”), and substantially on the terms and conditions set out in the Circular and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

- (ii) the placing agreement dated 8 June 2023 (the “**Placing Agreement**”) entered into between the Company and Sunny Fortune Capital Limited (a copy of which has been produced to the meeting marked “**B**” and initialled by the chairman of the meeting for the purpose of identification), in relation to the offer by way of private placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (iii) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Directors be and is hereby authorised to make such exclusions or other arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as he/she considers necessary, desirable or expedient having regard any restrictions under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong to give effect to any or all other transactions contemplated in this resolution; and
- (iv) any one or more Directors be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents, which are ancillary to the Rights Issue and the Placing Agreement, on behalf of the Company, including under common seal where applicable, as they may consider necessary, desirable or expedient to implement or give effect to any matters in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

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SPECIAL RESOLUTION

2. “**THAT:**

- (i) subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the granting of a waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) in respect of the obligation of S.A.S. Investment Company Limited (the “**SAS Investment**”) and Dr. Yim Yuk Lun, Stanley *BBS JP* (嚴玉麟) (“**Dr. Yim**”) to make a mandatory general offer to the Shareholders in respect of all Shares not already owned or agreed to be acquired by SAS Investment, Dr. Yim and parties acting in concert with any of them (including SAS Dragon Holdings Limited, Unimicro Limited, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung) which may be triggered as a result of the acceptance by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the undertakings given by SAS Investment and Dr. Yim in favour of the Company in the event that the Rights Shares are not issued in full (the “**Whitewash Waiver**”) be and is hereby approved; and
- (ii) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

By Order of the Board
Hi-Level Technology Holdings Limited
Dr. Yim Yuk Lun, Stanley *BBS JP*

Hong Kong, 3 July 2023

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Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited with the Company's Share Registrars in Hong Kong in Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting.
- (2) Pursuant to the Takeovers Code, resolution numbered 2 must be approved by at least three-fourths of the votes cast on a poll by the Independent Shareholders (as defined in the Circular) present in person or by proxy at the EGM.
- (3) The register of members of the Company will be closed from 20 July 2023 to 25 July 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the EGM, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 19 July 2023. The record date for the attending and voting at the EGM is 25 July 2023.
- (4) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.hi-levelhk.com and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.
- (5) As at the date hereof, the Board comprises four executive Directors, namely Dr. Yim Yuk Lun, Stanley *BBS JP*, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung; one non-executive Director, namely Mr. Wong Wai Tai; and three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter.