

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 dealer in securities, bank manager, solicitor, professional accountant or other independent professional adviser.

If you have sold or transferred all your shares in IBO Technology Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



IBO TECHNOLOGY COMPANY LIMITED

艾伯科技股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2708)

**(I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE;
(III) CLOSURE OF REGISTER OF MEMBERS;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriter



VC Brokerage Limited

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



Sorrento Capital Limited

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

A letter from the Board is set out on pages 14 to 47 of this circular. A notice convening the EGM to be held at 7th Floor, Centre Point, 181-185 Gloucester Road, Wanchai, Hong Kong on Tuesday, 23 January 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM or any adjourned meeting is also enclosed.

The Rights Issue is only underwritten by the Underwriter on a best effort basis. In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under the PAL(s) or the EAF(s), or transferees of Nil-paid Rights and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. The Rights Issue is subject to fulfilment of the conditions precedent of the Rights Issue as set out in the section headed "Letter from the Board – Conditions precedent of the Rights Issue" in this circular and the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Monday, 26 February 2024). If the Underwriting Agreement does not become unconditional or if any of the conditions precedent of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

It should be noted that the Shares will be dealt in on an ex-rights basis from Thursday, 25 January 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 7 February 2024 to Friday, 16 February 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the existing Shares and/or the Nil-paid Rights up to the date on which all the conditions precedent of the Rights Issue are fulfilled or waived (as applicable) and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases, shall accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any Shareholders or other persons contemplating any dealing in the existing Shares and/or the Nil-paid Rights are recommended to consult their own professional advisers and exercise caution.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event the instrument appointing a proxy shall be deemed to be revoked.

5 January 2024

CONTENTS

	<i>Page</i>
Expected Timetable	1
Definitions	4
Termination of the Underwriting Agreement	12
Letter from the Board	14
Letter from the Independent Board Committee	48
Letter from Sorrento Capital	IFA-1
Appendix I – Financial information of the Group	I-1
Appendix II – Unaudited pro forma financial information of the Group	II-1
Appendix III – General information of the Group	III-1
Notice of Extraordinary General Meeting	EGM-1

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Event	Time and date
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Tuesday, 16 January 2024
Closure of register of members of the Company to determine entitlement to attend and vote at the EGM (both days inclusive)	Wednesday, 17 January 2024 to Tuesday, 23 January 2024
Latest time for lodging forms of proxy for the EGM (not less than 48 hours prior to the time of the EGM)	10:00 a.m. on Sunday, 21 January 2024
Record date for attending and voting at the EGM	Tuesday, 23 January 2024
Time and date of the EGM	10:00 a.m. on Tuesday, 23 January 2024
Announcement of poll results of the EGM	Tuesday, 23 January 2024
Re-opening of the register of members of the Company	Wednesday, 24 January 2024
Last day of dealings in the Shares on a cum-rights basis of the Rights Issue	Wednesday, 24 January 2024
First day of dealings in the Shares on an ex-rights basis of the Rights Issue	Thursday, 25 January 2024
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue	4:30 p.m. on Friday, 26 January 2024
Closure of register of members of the Company to determine the entitlement to the Rights Issue (both days inclusive)	Monday, 29 January 2024 to Friday, 2 February 2024

EXPECTED TIMETABLE

Event	Time and date
Record Date to determine entitlements under the Rights Issue	Friday, 2 February 2024
Register of members of the Company re-opens	Monday, 5 February 2024
Despatch of the Prospectus Documents (in case of the Excluded Shareholders, the Prospectus only)	Monday, 5 February 2024
First day of dealings in Nil-paid Rights	Wednesday, 7 February 2024
Latest time for splitting of PALs	4:30 p.m. on Friday, 9 February 2024
Last day of dealings in Nil-paid Rights	Friday, 16 February 2024
Latest time for acceptance of and payment for the Rights Shares and application for and payment for Excess Rights Shares	4:00 p.m. on Wednesday, 21 February 2024
Latest time and date for termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 26 February 2024
Announcement of results of the Rights Issue and the application for Excess Rights Shares	Friday, 1 March 2024
Despatch of share certificates for the fully-paid Rights Shares	Monday, 4 March 2024
Despatch of refund cheques, if any, for wholly or partially unsuccessful excess applications or if the Rights Issue is terminated	Monday, 4 March 2024
Commencement of dealings in the fully-paid Rights Shares	9:00 a.m. on Tuesday, 5 March 2024

All times and dates stated in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company in agreement with the Underwriter and in accordance with the Listing Rules. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EXPECTED TIMETABLE

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

Whenever any part of the expected timetable of the Rights Issue as enlisted in the provisions of the Underwriting Agreement may be interrupted by a typhoon, a black rainstorm warning or Extreme Conditions, the Company shall properly inform the Shareholders of the corresponding contingency arrangements, which contingency arrangements shall include the Latest Time for Acceptance not taking place on the time as scheduled:

- (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 5:00 p.m. on the same day; or
- (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on or before 4:00 p.m. on Wednesday, 21 February 2024, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable of the Rights Issue as soon as practicable.

DEFINITIONS

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

“acting in concert”	having the meaning as set out in the Takeovers Code
“Announcement”	the announcement of the Company dated 28 November 2023 in relation to the Increase in Authorised Share Capital and the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act (As Revised) of the Cayman Islands
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	IBO Technology Company Limited (incorporated in the Cayman Islands with limited liability), the shares of which are listed on Main Board of the Stock Exchange
“connected person(s)”	shall have the meaning ascribed to it in the Listing Rules
“Conversion Period”	the period commencing on 2 May 2023 and ending on 2 May 2025. In the event that the Company is unable to redeem the Convertible Bonds according to the terms in the instrument of the Convertible Bonds, such period shall continue until full redemption of the Convertible Bonds
“Convertible Bonds”	the 2-year unsecured irredeemable convertible bonds issued on 2 May 2023 in the principal amount of HK\$2,772,000 at 8% coupon convertible into a maximum of 1,800,000 new Shares during the Conversion Period to be allotted and issued by the Company at the conversion price of HK\$1.54 per each such new Share and the maturity date will be on 2 May 2025

DEFINITIONS

“Director(s)”	the director(s) of the Company for the time being
“EAF(s)”	the form(s) of application for Excess Rights Shares in the agreed form for use by such Qualifying Shareholders who wish to apply for any Excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Increase in Authorised Share Capital, and the Rights Issue to be conducted in accordance with the Underwriting Agreement
“Excess Rights Shares”	any Nil-paid Rights provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of Nil-paid Rights prior to the Latest Time for Acceptance, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold, and shall (for avoidance of any doubt) include the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any)
“Excluded Shareholder(s)”	those Overseas Shareholders whose address is/are in such place(s) outside Hong Kong where the Directors, based on the enquiry(ies) made pursuant to the Underwriting Agreement consider it necessary or expedient on account of either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, to exclude them from the Rights Issue and to whom the Directors decide not to offer any of the Rights Shares
“Extreme Condition”	the extreme conditions as announced by any Hong Kong Government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019 in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“Group”	collectively, the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the Company’s authorised share capital from HK\$10,000,000 divided into 1,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by creating an additional 9,000,000,000 unissued Shares
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the Underwriting Agreement
“Independent Financial Adviser” or “Sorrento Capital”	Sorrento Capital Limited, a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and make recommendation as to voting
“Independent Shareholders”	the Shareholders, save and except the controlling shareholders of the Company (within the meaning of the Listing Rules) 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 or the Underwriter and Value Convergence Holdings Limited and their associates, who are not required under the Listing Rules to abstain from voting on the resolution(s) to approve the Rights Issue at the EGM
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
“Last Trading Day”	28 November 2023, being the last trading day of the Shares on the Stock Exchange prior to the making of the Announcement

DEFINITIONS

“Latest Practicable Date”	4 January 2024, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 21 February 2024 or such later time or date as may be agreed between the Parties in writing, being the latest time for acceptance of, and payment for, the Rights Shares and application for and payment for Excess Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on 26 February 2024 or such later time or date as may be agreed between the Parties in writing, which shall be the latest time for termination of the Underwriting Agreement
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“Mr. Lai”	Mr. Lai Tse Ming, the executive Director and chairman of the Board, who holds 100% interest in Shine Well
“Nil-paid Rights”	the nil-paid rights of the Qualifying Shareholders to be allotted the Rights Shares pursuant to the Rights Issue
“Option Holders”	holders of the exercisable Share Options
“Overseas Shareholder(s)”	such Shareholder(s) whose registered address(es) (as shown in the register of members of the Company at the close of business on the Record Date) is/are situated outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders in respect to their pro rata entitlement under the Rights Issue
“Party” or “Parties”	the Company and the Underwriter (each a “Party” and collectively, the “Parties”)
“Petition Announcements”	the announcements of the Company dated 27 July 2023, 31 August 2023, 19 September 2023, 27 September 2023, 18 October 2023, 1 November 2023, 3 November 2023, 29 November 2023 and 4 December 2023 in relation to a winding-up petition of the Company

DEFINITIONS

“PRC”	the People’s Republic of China
“Prospectus”	the prospectus (including any supplementary prospectus, if any) to be despatched to the Shareholders in connection with the Rights Issue in such form as may be agreed between the Parties
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	5 February 2024 or such other date as may be agreed between the Parties in writing, being the date for the despatch of the Prospectus Documents (in case of Excluded Shareholder(s), the Prospectus only)
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules which requires, <i>inter alia</i> , at least 25% of the issuer’s total number of issued shares must at all times be held by the public
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	2 February 2024 or such other date as may be agreed between the Parties in writing, being the date for the determination of the entitlements under the Rights Issue
“Registrar”	Computershare Hong Kong Investor Services Limited, being the branch share registrar and transfer office of the Company in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares for subscription by the Qualifying Shareholders on the basis of three (3) Rights Shares for every one (1) existing Share in issue and held on the Record Date at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	up to 2,313,613,998 new Shares for subscription by the Qualifying Shareholders by way of the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Scale-down EAF Shares”	such number of Rights Shares applied for as excess application under the EAF(s) which would, if allotted by the Company, result in either the incurring of an MGO Obligation on the part of the applicant or the failure to comply with the Public Float Requirement on the part of the Company
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in either the incurring of an MGO Obligation on the part of the applicant or the failure to comply with the Public Float Requirement on the part of the Company
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of Nil-paid Rights shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation or non-compliance with the Public Float Requirement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s) from time to time
“Share Option(s)”	the share options granted by the Company under the Share Option Scheme, and as at the Latest Practicable Date, 62,577,893 Share Options remain outstanding, of which 60,937,893 Share Options are exercisable which entitle the holders thereof to subscribe for an aggregate of 60,937,893 new Shares

DEFINITIONS

“Share Option Scheme”	the share option scheme adopted by the Company on 6 December 2017 and expiring on 6 December 2027 (both days inclusive) under and pursuant to which, up to the date of the Underwriting Agreement, an aggregate of 175,070,524 Share Options had been granted by the Company, and as at the Latest Practicable Date, 62,577,893 Share Options remain outstanding, of which 60,937,893 Share Options are exercisable which entitle the holders thereof to subscribe for an aggregate of 60,937,893 new Shares
“Shine Well”	Shine Well Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is owned as to 100% by Mr. Lai
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.11 per Rights Share
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Underwriter”	VC Brokerage Limited, a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated 28 November 2023 entered into between the Company and the Underwriter in relation to the Rights Issue, and as revised, supplemented and/or amended from time to time in accordance with its terms
“Underwritten Shares”	up to 2,313,613,998 Rights Shares underwritten by the Underwriter on best-effort basis pursuant to the terms and conditions of the Underwriting Agreement

DEFINITIONS

“Untaken Share(s)”	such number of Rights Shares in respect of which duly completed PAL(s) or EAF(s) have not been lodged for acceptance or not fully paid by the Latest Time for Acceptance, including any Rights Shares to which the Excluded Shareholders would not have otherwise been entitled under the Rights Issue
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

If prior to the Latest Time for Termination:

- (1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the making of any winding up order against the Company by the High Court or the Company being put in liquidation; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion or unrest, fire, flood, explosion, epidemic, pandemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or
- (5) in the absolute opinion of the Underwriter, there occurs any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than twenty (20) consecutive Business Days otherwise than due to or in connection with or in relation to the Underwriting Agreement and/or the Rights Issue and excluding any suspension in connection with the clearance of any announcement or other matters in connection with the Underwriting Agreement and/or the Rights Issue, or
- (8) the Prospectus Documents, when published, contain any information (either as to business prospects or the condition of the Group or as to its compliance with any applicable law or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing served on the Company on or prior to the Latest Time for Termination.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.



IBO TECHNOLOGY COMPANY LIMITED

艾伯科技股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2708)

Executive Directors:

Mr. Lai Tse Ming
Mr. Liang Jun
Mr. Li Yang
Mr. Zhang Yaoliang

Registered Office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. Hung Muk Ming
Mr. Jin Zi
Mr. Luk Hong Man, Hammond

*Head office and principal place of
business in the PRC:*

Levels 6, Block A,
Fu Wah Technology Building,
No. 9116 Beihuan Avenue, Nanshan
Shenzhen, PRC

5 January 2024

To the Shareholders:

Dear Sir or Madam,

- (I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE;
(III) CLOSURE OF REGISTER OF MEMEBRS;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the Increase in Authorised Share Capital and the Rights Issue.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Increase in Authorised Share Capital; (ii) further information regarding the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder; (iv) a letter of advice from Sorrento Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder; (v) other information required under the Listing Rules; and (vi) a notice convening the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the authorised share capital of the Company from HK\$10,000,000 divided into 1,000,000,000 Shares of par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each by creating an additional 9,000,000,000 unissued Shares. The Increase in Authorised Share Capital is conditional upon the approval of the Shareholders by way of an ordinary resolution at the EGM.

In order to accommodate the future growth of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board proposed the Increase in Authorised Share Capital. The Board considers that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

Subject to the passing of such ordinary resolution, the Increase in Authorised Share Capital will become effective on the date of the EGM.

PROPOSED RIGHTS ISSUE

The Board proposes the Rights Issue, details of which are summarised below:

Rights Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) existing Share in issue and held at the close of business on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	708,466,773 Shares

LETTER FROM THE BOARD

- Number of Rights Shares to be issued : (i) Up to 2,125,400,319 Rights Shares (assuming no conversion of the Convertible Bonds and none of the exercisable Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- (ii) Up to 2,313,613,998 Rights Shares (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- Aggregate nominal value of the Rights Shares : (i) Up to HK\$21,254,003.19 (assuming no conversion of the Convertible Bonds and none of the exercisable Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- (ii) Up to HK\$23,136,139.98 (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- Subscription Price : HK\$0.11 per Rights Share
- Net price per Rights Share (i.e. Subscription Price less costs and expenses incurred in the Rights Issue) : Approximately HK\$0.107 per Rights Share

LETTER FROM THE BOARD

- Enlarged number of Shares in issue upon completion of the Rights Issue : (i) Up to 2,833,867,092 Shares (assuming no conversion of the Convertible Bonds and none of the exercisable Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- (ii) Up to 3,084,818,664 Shares (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- Gross proceeds from the Rights Issue : (i) Up to HK\$233,794,035.09 before expenses (assuming no conversion of the Convertible Bonds and none of the exercisable Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- (ii) Up to HK\$254,497,539.78 before expenses (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- Right of excess applications : Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, there are outstanding Convertible Bonds in an aggregate principal amount of HK\$2,772,000, which are convertible into 1,800,000 conversion Shares at a conversion price of HK\$1.54, and outstanding 62,577,893 Share Options granted to the grantees, of which 60,937,893 Share Options are exercisable which entitle the holders thereof to subscribe for an aggregate of 60,937,893 new Shares. Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding derivatives, options, warrants or securities in issue which confer any rights to subscribe for, convert or exchange into Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue. In addition, Mr. Lai and Shine Well have no present intention to take up their provisional allotment and to apply for Excess Rights Shares as at the Latest Practicable Date. The Company shall not from the date of the Underwriting Agreement until after the Record Date issue any new Share or issue or grant any option or other securities convertible into, exchangeable for or which carries the right to acquire any Share.

Assuming full subscription under the Rights Issue, no conversion of the Convertible Bonds and none of the exercisable Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date, the 2,125,400,319 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents 300% of the total number of issued Shares and approximately 75% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Assuming full subscription under the Rights Issue, full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date, the 2,313,613,998 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents 300% of the total number of issued Shares as enlarged by the allotment and issue of the new Shares converted/exercised from the Convertible Bonds and exercisable Share Options and approximately 75% of the total number of issued Shares as enlarged by the allotment and issue of the new Shares converted/exercised from the Convertible Bonds and exercisable Share Options, and the Rights Shares.

The Rights Issue is only underwritten by the Underwriter on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of the conditions of its level of acceptances, and up to 2,313,613,998 Rights Shares are available to be subscribed subject, however, to any scale-down vis-a-vis the MGO Obligation or the Public Float Requirement.

In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of Nil-paid Rights, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price is HK\$0.11 per Rights Share, payable in full on application and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

The Subscription Price represents:

- (i) a discount of approximately 12.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 25.17% to the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 25.68% to the average of the closing price of approximately HK\$0.148 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 25.17% to the average of the closing price of approximately HK\$0.147 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 7.56% to the theoretical ex-rights price of approximately HK\$0.119 per Share based on the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 19.26%, represented by the theoretical diluted price of approximately HK\$0.120 per Share to the benchmarked price of HK\$0.148 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.147 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.148 per Share);
- (vii) a discount of approximately 87.49% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.879 (based on the latest published audited consolidated net asset value attributable to Shareholders of approximately RMB513,857,000 (equivalent to approximately HK\$586,876,080 based on the exchange rate of RMB1 to HK\$1.1421) and 667,318,773 Shares in issue as at 31 March 2023); and
- (viii) a discount of approximately 83.33% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.660 (based on the latest published unaudited consolidated net asset value attributable to Shareholders of approximately RMB436,185,000 (equivalent to approximately HK\$467,939,268 based on the exchange rate of RMB1 to HK\$1.0728) and 708,466,773 Shares in issue as at 30 September 2023).

LETTER FROM THE BOARD

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed "**REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS**" in this circular. The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in this circular) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, shall rank *pari passu* in all respects with the Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid with a record date which falls on or after the date of allotment of the Rights Shares in their fully-paid form.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Excluded Shareholders on the Record Date.

To qualify for the Rights Issue, a Shareholder:

- (i) must be registered as a member of the Company at the close of business on the Record Date; and
- (ii) is not an Excluded Shareholder.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date so as to qualify for the Rights Issue, any transfer of Shares (together with the relevant share certificates) must be lodged with the Registrar for registration by 4:30 p.m. on Friday, 26 January 2024. The address of the Registrar, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

It is expected that the last day of dealing in the Shares on a cum-rights basis is Wednesday, 24 January 2024 and the Shares will be dealt with on an ex-rights basis from Thursday, 25 January 2024.

LETTER FROM THE BOARD

Subject to the fulfilment of the conditions precedent as set out in the Underwriting Agreement, the Company will despatch the Prospectus Documents containing, among other things, details of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, to the Qualifying Shareholders on the Prospectus Posting Date. The Company will despatch the Prospectus (without the PAL or the EAF) to the Excluded Shareholders for their information only.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 17 January 2024 to Tuesday, 23 January 2024, both days inclusive, for determining the Shareholders' entitlements to attend and vote at the EGM.

The register of members of the Company will be closed from Monday, 29 January 2024 to Friday, 2 February 2024, both days inclusive, for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure period.

Rights of Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed 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.

The Directors will make enquiries as to the applicable securities legislation of the relevant overseas jurisdictions or the requirements of any relevant regulatory body or stock exchange in respect of extending the issue of the Rights Shares to Overseas Shareholders whose address on the register of members of the Company is in a place outside Hong Kong on the Record Date. If, after making such enquiries and having obtained legal advice in the relevant jurisdictions, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirement of the relevant regulatory body or stock exchange in that jurisdiction, not to offer the Rights Shares to such Overseas Shareholders, the Rights Issue will not be available to such Overseas Shareholders and no provisional allotment of the Nil-paid Rights or allotment of the Rights Shares will be made to them. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

As at the Latest Practicable Date, there are 6 Overseas Shareholders with registered addresses situated outside Hong Kong.

LETTER FROM THE BOARD

The Company will arrange for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, if any, to be sold in the market as soon as practicable after the commencement of dealings on the Stock Exchange in Rights Shares in nil-paid form and in any event before the last day for dealing in the Nil-paid Rights, if a premium (net of expenses) can be obtained. In the event that and to the extent that such Nil-paid Rights can be sold, the Company will then distribute such proceeds in Hong Kong dollars (after deducting the expenses of sale (if any)) to the Excluded Shareholders pro rata (but rounded down to the nearest cent) to their shareholdings on the Record Date, except that individual amount of HK\$100 or less shall not be so distributed but shall be retained for the benefit of the Company. Any such unsold Nil-paid Rights to which such Excluded Shareholders would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAF(s).

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 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for 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 should exercise caution when dealing in the Shares.

Basis of provisional allotments

The Company shall provisionally allot the Rights Shares to the Qualifying Shareholders at the Subscription Price, in the proportion of three (3) Rights Shares for every one (1) existing Share held at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

No fractional entitlements

On the basis of the entitlement to subscribe three (3) Right Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise from the Rights Issue.

Application for Excess Rights Shares

The Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of EAF, and the Excess Rights Shares represent:

- (i) any Nil-paid Rights provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of Nil-paid Rights prior to the Latest Time for Acceptance;
- (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold; and

LETTER FROM THE BOARD

(iii) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any).

The Company will, upon consultation with the Underwriter, allocate the Excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (i) any Excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the Excess Rights Shares applied for;
- (ii) reference will only be made to the number of Excess Rights Shares being applied for but no reference will be made to the Rights Shares comprised in applications by the PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of Nil-paid Rights under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for Excess Rights Shares in full application; and
- (iv) no preference will be given to topping up odd lots to whole board lots.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the Excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisors if they are in any doubt as to their status. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar for registration by no later than 4:30 p.m. on Friday, 26 January 2024.

LETTER FROM THE BOARD

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions precedent of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Monday, 4 March 2024 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques (without interest) will be posted on or before Monday, 4 March 2024 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques (without interest) in respect of wholly or partially unsuccessful applications for Excess Rights Shares (if any) are expected to be posted on or before Monday, 4 March 2024, by ordinary post to the applicants, at their own risk, to their registered addresses.

Scale-down of subscriptions to avoid the triggering of MGO Obligation and non-compliance of Public Float Requirement

Without prejudice to the generality of the Underwriting Agreement, as the Rights Issue is only underwritten by the Underwriter on a best effort basis, to avoid the unwitting triggering of MGO Obligations and non-compliance of Public Float Requirement, all applications for Rights Shares whether under the PAL(s) or the EAF(s), or by transferees of Nil-paid Rights, or by subscribers procured by the Underwriter will be made on the basis that the applications are to be scaled-down by the Company to a level which (a) does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it, and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. Any subscription monies for the Scale-down PAL Shares or the Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares and the Scale-down EAF Shares will be made available for subscription by other Qualifying Shareholders through the EAF(s).

In addition, under and/or pursuant to the Scaling-down, any application for Rights Shares, whether under the PAL(s) or the EAF(s), shall be subject to the scale-down mechanisms of the Rights Issue as determined by the Company to levels which do not trigger any MGO Obligation or non-compliance of Public Float Requirement. Such scale-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principles: (a) EAF(s) should be scaled down before PAL(s); and (b) where the scale-down is necessitated by the exceeding of shareholding by a group rather than an individual shareholder, the allocations of EAF(s) and PAL(s) to members of the affected group should be made on a pro rata basis by reference to the number of Shares held by the affected applicants on the Record Date, but for the avoidance of any doubt, any or any such onward allocation(s) shall be subject to the Scaling-down as well.

LETTER FROM THE BOARD

Taxation

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

Application for listing

The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. The Rights Shares (in both nil-paid and fully-paid forms) will be traded in the board lots of 2,000 Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, 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. 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 licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests if they are in any doubt.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

THE UNDERWRITING AGREEMENT

On 28 November 2023 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue. Further details of the Underwriting Agreement are set out below:

Underwriting Agreement

Date	:	28 November 2023 (after trading hours)
Issuer	:	the Company
Underwriter	:	VC Brokerage Limited, a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

As at the Latest Practicable Date, the Underwriter holds 422,000 Shares, representing approximately 0.06% of the total number of existing issued Shares. In addition, the holding company of the Underwriter, namely Value Convergence Holdings Limited, holds 53,560,000 Shares, representing approximately 7.56% of the total number of existing issued Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.

Number of Rights Shares underwritten by the Underwriter	:	up to 2,313,613,998 Rights Shares underwritten by the Underwriter on a best-effort basis pursuant to the terms and conditions of the Underwriting Agreement
Underwriting commission	:	2% of the aggregate Subscription Price in respect of such number of the Rights Shares actually procured by the Underwriter for subscription pursuant to the Underwriting Agreement

LETTER FROM THE BOARD

Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscription for the Untaken Shares, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for subscription therefor on best effort basis whilst using its best endeavours to ensure that (1) each of the subscribers of the Untaken Shares procured by the Underwriter shall be an Independent Third Party of and not connected with the Company, any of the Directors or chief executive or substantial shareholders of the Company or their respective associates; (2) the Public Float Requirement be complied with by the Company upon completion of the Rights Issue; and (3) the Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% (or such percentage which will trigger any MGO Obligation under the Takeovers Code) or more of the voting rights of the Company immediately after the Rights Issue.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the market practice. The Directors consider that the terms of the Underwriting Agreement including the commission rate, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Underwriting Agreement.

Subject to the fulfilment of all the conditions precedent (save and except such conditions precedent waived in accordance with the conditions precedent (8) and (13) and the sub-paragraphs as set out in the paragraph headed "**Conditions precedent of the Rights Issue**") contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe or procure subscription on the terms of the Prospectus Documents (insofar as the same are applicable) for such Untaken Shares.

Conditions precedent of the Rights Issue

Completion of the Rights Issue shall be conditional upon:

- (1) the passing by the Independent Shareholders at the relevant EGM of ordinary resolutions to approve the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the Rights Issue;
- (2) the Increase in Authorised Share Capital having been effected under the Companies Act;
- (3) (a) the validation order under section 182 of the Companies (WUMP) Ordinance regarding, *inter alia*, the use or utilisation of the net proceeds of the Rights Issue having been granted by the High Court; and
(b) the validation order under section 182 of the Companies (WUMP) Ordinance regarding, *inter alia*, the issuance and transfer of the Rights Shares and/or the Nil-paid Rights having been granted by the High Court;

LETTER FROM THE BOARD

- (4) the delivery to the Stock Exchange for authorisation and the registration with the Companies Registry of Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (5) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (6) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriter accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Prospectus Posting Date, and such listing and permission to deal not having been withdrawn or revoked;
- (7) the obligations of the Underwriter having become unconditional and the Underwriting Agreement not having been terminated in accordance with its terms;
- (8) compliance with and performance of all undertakings and obligations, and representations and warranties of the Company under the Underwriting Agreement, and the Underwriting Agreement is not terminated in accordance with its terms;
- (9) compliance with the requirements under all applicable laws and regulations of Hong Kong and Cayman Islands;
- (10) each Party having obtained all necessary consent and/or approval for entering into the Underwriting Agreement and for the transactions contemplated therein;
- (11) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms, respectively) and no notification having been received by the Company from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (12) there being no Specified Event occurring on or before the Latest Time for Termination; and

LETTER FROM THE BOARD

(13) the Underwriter having received from the Company all the documents as set out in the Underwriting Agreement in such form and substance satisfactory to the Underwriter as soon as practicable after the date of the Underwriting Agreement, and not later than 4:00 p.m. on the Business Day immediately before the Prospectus Posting Date.

Apart from the conditions precedent as set out in (8) and (13) above which can be waived in whole or in part by the Underwriter unilaterally (but not by the Company) by notice in writing to the Company prior to the Latest Time for Termination, all other conditions precedent are incapable of being waived. The Parties shall use their respective best endeavours to procure the fulfilment of all the conditions precedent by the Latest Time for Termination or such other date as the Parties may agree in writing and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Rights Shares (in their nil-paid or fully-paid forms) or to give effect to the Rights Issue and the arrangements contemplated in the Underwriting Agreement.

If any of the conditions precedent (save and except those having been waived in accordance with the above paragraph) are not satisfied in whole by the Latest Time for Termination or such other date as the Parties may agree in writing, the Underwriting Agreement shall terminate (save and except the clauses of fees and expenses and indemnity and certain clauses which shall remain in full force and effect) and no Party shall have any claim against the other Party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, the condition precedent (10) has been satisfied and none of the other conditions precedent has been satisfied or fulfilled. Further, conditions precedents (8) and (13) have not been waived by the Underwriter. For the avoidance of any doubt, the Company have confirmed that a validation order as stated in conditions precedent 3(a) and 3(b) above has been applied and the hearing of the application for such validation order has been scheduled on 29 January 2024. Accordingly, as at the Latest Practicable Date, the conditions precedent 3(a) and 3(b) above have not been satisfied or fulfilled.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is a National High and New Technology Enterprise (國家高新技術企業) that focuses on providing 5G communication equipment and private network solutions, ITAI IT terminal products and industry solutions, IoT products and solutions, as well as industrial digital solutions in the PRC. Classified by form of product/service, the business of the Group can be divided into four types, namely (i) intelligent terminal products sales; (ii) system integration; (iii) software development; and (iv) system maintenance services. The customers of the Group are from both the public and private sectors in the PRC, such as the PRC governmental authorities, large-scale state-owned enterprises and private enterprises.

LETTER FROM THE BOARD

The net proceeds from the Rights Issue, after deducting the underwriting commission, professional fees and all other relevant expenses, are estimated to be not more than approximately HK\$247.5 million (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue).

As disclosed in the annual report of the Company for the year ended 31 March 2023 (the “**2023 Annual Report**”), the Group’s consolidated bank and other borrowings that are repayable within one year and those that are repayable more than one year, but not more than two years amounted to approximately RMB97,213,000 and approximately RMB20,108,000 respectively. As further disclosed in the 2023 Annual Report, the current portion and the non-current portion of the bonds payables of the Company amounted to approximately RMB95,134,000 and approximately RMB11,505,000 respectively.

Furthermore, as disclosed in the interim report of the Company for the six months period ended 30 September 2023, the Group recorded revenue of approximately RMB199.02 million and gross profit of approximately RMB7.18 million for the six months ended 30 September 2023, which representing a decrease of approximately 45.6% and a decrease of approximately 90.6% respectively as compared with the same period in 2022. The Company recorded loss attributable to the Shareholders of approximately RMB135.39 million, for the six months ended 30 September 2023 as compared to profit attributable to Shareholders of approximately RMB7.39 million for the same period in 2022. In addition, as at 30 September 2023, the Group’s bank balances and cash was approximately RMB846,000 while the Group’s consolidated bank and other borrowings that are repayable within one year and those that are repayable more than one year, but not more than two years amounted to approximately RMB100,585,000 and approximately RMB20,037,000 respectively. Also, the current portion and the non-current portion of the bonds payables of the Company amounted to approximately RMB116,243,000 and nil respectively.

On 24 July 2023, a winding-up petition (the “**Petition**”) was filed by a bondholder (the “**Petitioner**”) with the High Court for the winding-up of the Company under the provision of the Companies (WUMP) Ordinance. Details of the Petition are set out in the section headed “**WINDING-UP PETITION**” below. In view of the Petition, the holders of the remaining non-convertible bonds (with the aggregate principal amount of approximately HK\$113.6 million with the maturity dates from April 2022 to August 2024. For details, please refer to the bond payables from the breakdown of the Outstanding Indebtedness below) issued by the Company allege that the Petition triggers a cross-default of the Company on the non-convertible bonds held by them. They have requested immediate full repayment of the non-convertible bonds by the Company, irrespective of the original maturity dates. On the other hand, although the Group have fulfilled its repayment obligations of the bank loans and interests from time to time, certain banks have exercised their overriding rights in requesting early repayment of the bank loans in full even if such loans are not yet due for repayment or long term in nature. Worse still, debtors of the Group slow down their repayments to the Group in view of the Petition. The aforesaid is similar to credit squeeze, which exert tremendous pressure on the liquidity of the Group.

LETTER FROM THE BOARD

Even though the amount allegedly due by the Company to the Petitioner thereof aggregated at approximately HK\$5,600,000 (inclusive of both principal amount and interest, according to the amended Petition and re-amended Petition which was filed by the Petitioner on 5 September 2023 and 11 October 2023 respectively) only, event of default under most of the Company's debt and/or derivative instruments or agreements has been triggered as a result of the presentation of the Petition, and the Company shall have to raise funds for repayment of outstanding liabilities and guarantees of the Company which have thus fallen due subject to settlement arrangements among the parties (the "**Outstanding Indebtedness**"). As at 31 October 2023, the Outstanding Indebtedness amounts to approximately HK\$227 million and the breakdown of the Outstanding Indebtedness are as follows:

Nature of the Outstanding Indebtedness	Maturity date	Outstanding amount <i>HK\$ (million)</i>
Guaranteed bank loans of the subsidiary of the Company	past due	7.9
Guaranteed bank loans of the subsidiary of the Company	January to November 2024	42.4
Convertible Bonds	May 2025	2.9
Amounts due to member companies in the Group	Not applicable	0.3
Bonds payables	past due	89.4
Bonds payables	March to August 2024	35.5
Unsecured other borrowings	past due	10.6
Unsecured other borrowings	January to July 2024	9.2
Directors' remuneration	past due	10.1
Auditor	past due	5.2
Commission	past due	3.1
Consultants	past due	2.2
Financial advisers	past due	1.0
Lawyers	past due	1.1
Other staff costs	past due	0.2
Printers	past due	1.6
Public relation	past due	1.4
Secretary	past due	1.4
Share registrar	past due	0.5
Valuer	past due	1.0
		227.0

LETTER FROM THE BOARD

The Company intends to apply the net proceeds from the Rights Issue as follows:

	Approximate allocation (HK\$ million)
repay and discharge the Outstanding Indebtedness	227
the remaining of the net proceeds will be used for general working capital of the Group including but not limited to	
staff cost	10.0
rental expenses	1.0
legal and professional fees	5.5
other office overhead and general corporate purposes of the Group	4.0
Total	247.5

Assuming full subscription under the Rights Issue, no conversion of the outstanding Conversion Bonds and no exercise of the exercisable Share Options and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date, the gross proceeds from the Rights Issue will be up to HK\$233,794,035.09 before expenses by issuing up to 2,125,400,319 Rights Shares and the net proceeds are estimated to be approximately HK227 million. Under the above circumstance, the Company intends to apply the net proceeds from the Rights Issue as follows:

	Approximate allocation (HK\$ million)
repay and discharge the Outstanding Indebtedness	227

In the event that there is an under-subscription of the Rights Issue, the net proceeds from the Rights Issue will first be applied for repayment of the Outstanding Indebtedness, and any surplus which remains thereafter will be used for general working capital of the Group.

LETTER FROM THE BOARD

The Company is considering and evaluating the existing operation and business of the Group with a view to restructure and/or streamline the same so as to further improve the financial position of the Group. As at the Latest Practicable Date, this plan is under negotiation. Further announcement shall be made by the Company as and when appropriate. As disclosed in the announcement of the Company dated 19 September 2023, the Company and its legal team are contacting the Company's creditors and/or their legal advisers for debt capitalisation. The aim of the Company is, in addition to the Rights Issue, to effectuate debt capitalisation to swap the Outstanding Indebtedness or such relevant part thereof into new Shares to be issued and allotted by the Company therefor so as to reduce the amount of the Outstanding Indebtedness as much as possible. As at the Latest Practicable Date, approximately 20 Company's creditors and/or their legal advisers have expressed their interests and continued to negotiate with the Company for debt capitalisation. As at the Latest Practicable Date, the negotiations in relation to the debt capitalisation are still in progress and none of the abovementioned creditors have reached any agreement with the Company. Further announcement(s) will be made in accordance with the Listing Rules as and where appropriate or necessary.

Assuming full subscription under the Rights Issue, the Company expects that it will obtain sufficient financial resources to settle the Outstanding Indebtedness upon completion of the Rights Issue and/or the debt capitalisation.

The expenses in relation to the Rights Issue (including the underwriting commission, financial advisory fee, printing, translation, registration, legal, accounting, levy, and documentation charges) payable by the Company are estimated to be approximately HK\$7 million, subject to the final subscription.

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. As disclosed in the announcement of the Company dated 19 September 2023, in order to improve the liquidity of the Group and to finance the debt restructuring related expenses, the Company has been considering to conduct fund raising exercise by way of rights issue and/or placing of new Shares to raise funds in the region of HK\$180 million to HK\$200 million. As disclosed in the announcement of the Company dated 12 September 2023, a placing agreement was entered into by the Company and a placing agent in order to raise the gross proceeds of approximately of HK\$11.9 million which was intended to be used for debt restructuring related expenses and general working capital of the Group. However, on 20 October 2023, as no placees was identified by the placing agent, the Board announced that the placing was not completed and the placing agreement lapsed. In addition, in view of the Petition, the Company can hardly obtain any new loans or borrowings from any banks or other financial institutions. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the Nil-paid Rights in the market. The Rights Issue will also give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

LETTER FROM THE BOARD

In order to further enhance the Group's liquidity and financial position, the Group will take the following measures to improve the working capital:

- (i) The Group has been actively negotiating with the banks for extension/renewal of bank and other borrowings, in particular, the Group is active negotiations with the lenders to extend the repayment dates of the overdue borrowings.
- (ii) The Company and its legal team are contacting the Company's creditors and/or their legal advisers for debt capitalisation. The aim of the Company is, in addition to the Rights Issue, to effectuate debt capitalisation to swap the Outstanding Indebtedness or such relevant part thereof into new Shares to be issued and allotted by the Company therefor so as to reduce the amount of the Outstanding Indebtedness as much as possible.
- (iii) The Group will accelerate the demand and collection of the outstanding trade receivables of the Group.
- (iv) The Company is considering and evaluating the existing operation and business of the Group with a view to restructure and/or streamline the same so as to further improve the financial position of the Group. As at the Latest Practicable Date, this plan is under negotiation. On the other hand, the Company will explore other business opportunities to diversify the Group's source of revenue.
- (v) The Company will continue to seek external sources of funding including but not limited to by ways of placing of new shares/convertible bonds to finance the Group's working capital and improve the liquidity position if there is any shortfall in the gross proceeds from the Rights Issue as mentioned in the assumption (i) above.

Having considered the abovementioned alternatives, the Directors consider that the Rights Issue will enable the Group to strengthen its capital structure without incurring additional debt financing cost and enhance its financial position, and that the Rights Issue is more attractive in view of the current market condition. The Directors are also of the opinion that the Rights Issue will allow all the Qualifying Shareholders the equal opportunity to subscribe for their respective pro rata provisional entitlement of the Rights Shares and hence avoiding dilution in their shareholding interests in the Company.

In light of the aforementioned, the Directors consider that the terms of the Underwriting Agreement are fair and reasonable and the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the Latest Practicable Date to immediately after completion of the Rights Issue assuming (i) no conversion of the Convertible Bonds and no exercise of the exercisable Share Options on or before the Record Date; and (ii) full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date are set out below:

LETTER FROM THE BOARD

Scenario 1: assuming no conversion of the Convertible Bonds and no exercise of the exercisable Share Options on or before the Record Date

Shareholders	Before the Rights Issue		Immediately after completion of the Rights Issue						
	As at the Latest Practicable Date		Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholder		Assuming (a) no acceptance by the Qualifying Shareholders; and (b) all the Untaken Shares are taken up by the subscriber(s) procured by the Underwriter		Assuming (a) no acceptance by the Qualifying Shareholders except the Underwriter and VCH; (b) the Underwriter and VCH subscribe up to 29.90% of the enlarged number of Shares upon completion of the Rights Issue; and (c) all the Untaken Shares are taken up by the subscriber(s) procured by the Underwriter		
									No. of Shares
Director									
Mr. Lai (Note 1)	43,360,000	6.12%	173,440,000	6.12%	43,360,000	1.53%	43,360,000	1.53%	
Co-chief executive officer									
Mr. Zhong Zhi Xiong ("Mr. Zhong") (Note 2)	3,980,000	0.56%	15,920,000	0.56%	3,980,000	0.14%	3,980,000	0.14%	
The Underwriter and Value Convergence Holdings Limited ("VCH") (Note 3 and 5)	53,982,000	7.62%	215,928,000	7.62%	53,982,000	1.90%	847,326,260	29.90%	
The subscriber(s) procured by the Underwriter (Note 4 and 5)	-	-	-	-	2,125,400,319	75.00%	1,332,056,059	47.00%	
Public Shareholders	<u>607,144,773</u>	<u>85.70%</u>	<u>2,428,579,092</u>	<u>85.70%</u>	<u>607,144,773</u>	<u>21.43%</u>	<u>607,144,773</u>	<u>21.43%</u>	
Total	<u>708,466,773</u>	<u>100.00%</u>	<u>2,833,867,092</u>	<u>100.00%</u>	<u>2,833,867,092</u>	<u>100.00%</u>	<u>2,833,867,092</u>	<u>100.00%</u>	

LETTER FROM THE BOARD

Scenario 2: assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date

Shareholders	Before the Rights Issue				Immediately after completion of the Rights Issue					
	As at the Latest Practicable Date		Assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date		Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholder		Assuming (a) no acceptance by the number of Shares upon completion of the Rights Issue; and (b) all the Untaken Shares are taken up by the subscriber(s) procured by the Underwriter		Assuming (a) no acceptance by the number of Shares upon completion of the Rights Issue; and (b) the Underwriter and VCH subscribe up to 29.90% of the enlarged number of Shares upon completion of the Rights Issue; and (c) all the Untaken Shares are taken up by the subscriber(s) procured by the Underwriter	
	No. of Shares	Approx	No. of Shares	Approx	No. of Shares	Approx	No. of Shares	Approx	No. of Shares	Approx
Directors										
Mr. Lai (Note 1)	43,360,000	6.12%	43,360,000	5.62%	173,440,000	5.62%	43,360,000	1.41%	43,360,000	1.41%
Mr. Liang Jun ("Mr. Liang") (Note 6)	-	-	5,492,631	0.71%	21,970,524	0.71%	5,492,631	0.18%	5,492,631	0.18%
Co-chief executive officer										
Mr. Zhong (Note 2)	3,980,000	0.56%	3,980,000	0.52%	15,920,000	0.52%	3,980,000	0.13%	3,980,000	0.13%
The Underwriter and VCH										
(Note 3 and 5)	53,982,000	7.62%	53,982,000	7.00%	215,928,000	7.00%	53,982,000	1.75%	922,360,780	29.90%
The subscriber(s) procured by the Underwriter										
(Note 4 and 5)	-	-	-	-	-	-	2,313,613,998	75.00%	1,445,235,218	46.85%
Public Shareholders										
Option Holders except										
Mr. Liang	-	-	55,445,262	7.19%	221,781,048	7.19%	55,445,262	1.80%	55,445,262	1.80%
Convertible Bonds holders	-	-	1,800,000	0.23%	7,200,000	0.23%	1,800,000	0.06%	1,800,000	0.06%
Other public Shareholders	607,144,773	85.70%	607,144,773	78.73%	2,428,579,092	78.73%	607,144,773	19.67%	607,144,773	19.67%
Total	708,466,773	100.00%	771,204,666	100.00%	3,084,818,664	100.00%	3,084,818,664	100.00%	3,084,818,664	100.00%

Notes:

- Mr. Lai beneficially owns 430,000 Shares and Shine Well holds 42,930,000 Shares. As the issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai. Mr. Lai is therefore deemed to be interested in the Shares held by Shine Well pursuant to the SFO. Accordingly, Mr. Lai is interested in an aggregate of 43,360,000 Shares. Ms. Ho Fung Lin is the spouse of Mr. Lai, and thus she is deemed to be interested in the Shares in which Mr. Lai is interested for the purpose of the SFO.
- Mr. Zhong is a co-chief executive officer of the Company.
- As at the Latest Practicable Date, the Underwriter holds 422,000 Shares and VCH holds 53,560,000 Shares. As the Underwriter is an indirectly wholly-owned subsidiary of VCH, VCH is therefore deemed to be interested in the Shares held by the Underwriter pursuant to the SFO. Accordingly, VCH is interested in an aggregate of 53,982,000 Shares.
- Each of the subscribers of the Untaken Shares procured by the Underwriter shall be an Independent Third Party of and not connected with the Company, any of the Directors or chief executive or substantial shareholders of the Company or their respective associates.

LETTER FROM THE BOARD

5. The Underwriter and VCH, or the subscriber(s) procured by the Underwriter are subject to scale-down of subscriptions to avoid the unwitting triggering of MGO Obligations so that the Underwriter and VCH, or the subscriber(s) procured by the Underwriter will not hold 30% or more of the total number of issued Shares and avoid non-compliance of Public Float Requirement, all applications for the Rights Shares will be made on the basis that the applications are to be scaled-down by the Company to a level which (a) does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it, and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. The Company will comply with the Public Float Requirement and ensure that the Company will maintain a minimum public float of 25% of the total number of issued Shares at all times.
6. Mr. Liang beneficially owns 5,492,631 Share Options which entitles him to subscribe for 5,492,631 new Shares.

POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE BONDS AND THE SHARE OPTIONS

As at the Latest Practicable Date, there are (i) outstanding Convertible Bonds in the principal amount of HK\$2,772,000 which are convertible into 1,800,000 new Shares; and (ii) 62,577,893 outstanding Share Options, of which 60,937,893 Share Options are exercisable which entitle the holders thereof to subscribe for an aggregate of 60,937,893 new Shares. Pursuant to the terms and conditions of the instrument of the Convertible Bonds and the Share Option Scheme and the Listing Rules, the Rights Issue may lead to adjustments to, among others, (i) the conversion price and/or the number of Shares to be converted under the Convertible Bonds and (ii) the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme. Further announcement will be made in respect of the said adjustments as and when appropriate.

Pursuant to the instrument of the Convertible Bonds, the initial conversion price shall be adjusted by the following formula for the Rights Issue:

$$\frac{A + B}{A + C}$$

where

- A: the total number of Shares immediately before the Rights Issue
- B: the maximum number of Rights Shares issuable at market price (which will be the closing price of the Shares on the last day of dealing in cum-rights basis) based on the maximum value of the Rights Issue with Rights Shares issued at the Subscription Price. For illustrative purpose, HK\$0.147 per Share, being the closing price of the Shares on the Last Trading Day, is used
- C: the maximum number of the Rights Shares

LETTER FROM THE BOARD

Such adjustments shall become effective on the date of the issue of the Rights Shares, being 4 March 2024 and the adjustments are as follows:

	Before adjustment		After adjustment	
Principal amount (HK\$)	Number of existing Shares to be issued upon full conversion	Conversion price per Share (HK\$)	Adjusted number of new Shares to be issued upon full conversion	Adjusted conversion price per new Share (HK\$)
2,772,000	1,800,000	1.54	2,218,867	1.249286

Pursuant to the Share Option Scheme, in the event of any alteration in the capital structure of the Company whilst any Share Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, excluding any alteration in the capital structure of the Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to the Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to the Shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

- (i) the number of Shares subject to the Share Option so far as unexercised; or
- (ii) the subscription price,

or any combination thereof, as the auditors or the independent financial adviser of the Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.

LETTER FROM THE BOARD

The supplementary guidance on Rule 17.03(13) issue by the Stock Exchange provide the guideline for calculating the permitted adjustment to the exercise price of outstanding Share Options for the Rights Issue is as follow:

New number of Share Options = Existing Share Options x F

New exercise price = Existing exercise price $\times \frac{1}{F}$

Where

$F = \frac{\text{CUM}}{\text{TEEP}}$

CUM = closing price of the Shares on the last day of dealing in cum-rights basis. For illustrative purpose, HK\$0.147 per Share, being the closing price of the Shares on the Last Trading Day, is used

$\text{TEEP (Theoretical Ex Entitlement Price)} = \frac{\text{CUM} + (\text{M} \times \text{R})}{1 + \text{M}}$

M = Entitlement per existing Share

R = The Subscription Price

LETTER FROM THE BOARD

Such adjustments shall become effective on 4 March 2024 and the adjustments are as follows:

Particulars	Before adjustment		After adjustment	
	Number of existing Shares to be issued upon full exercise	Exercise price per Share (HK\$)	Adjusted number of new Shares to be issued upon full exercise	Adjusted exercise price per new Shares (HK\$)
Share Options	31,477,893	3.652	38,802,935	2.962592
Share Options	4,100,000	3.354	5,054,087	2.720847
Share Options	27,000,000	2.2	33,283,016	1.784694

Save as disclosed above, as at the Latest Practicable Date, the Company does not have any other share options, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares prior to the Record Date.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not undertaken any equity fund raising exercise over the period of twelve months prior to the Latest Practicable Date:

Date of announcements	Events	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the Latest Practicable Date
Announcements dated 28 March 2023, 3 April 2023 and 2 May 2023	Placing of convertible bonds at the initial conversion price of HK\$1.54 per Share under general mandate	Approximately HK\$51.9 million (equivalent to approximately RMB45.8 million)	<p>(i) approximately 60% or approximately HK\$31.1 million (equivalent to approximately RMB27.5 million) of the net proceeds from the placing will be used to supplement cash flow of the Group in (a) cost of inventories for the intelligent terminal products sales (approximately HK\$24.9 million (equivalent to approximately RMB22.0 million)); and (b) sales and services rendering related business expenses (approximately HK\$6.2 million (equivalent to approximately RMB5.5 million)); and</p> <p>(ii) approximately 40% or approximately HK\$20.8 million (equivalent to approximately RMB18.3 million) of the net proceeds from the placing shall be applied for general working capital of the Group including staff cost, rental expenses, legal and professional fees, other office overhead and general corporate purposes of the Group.</p>	<p>(i) approximately RMB27.5 million has been used to supplement cash flow of the group in (a) cost of inventories for the intelligent terminal products sales approximately RMB22.0 million; and (b) sales and services rendering related business expenses approximately RMB5.5 million; and</p> <p>(ii) approximately RMB18.3 million has been used for general working capital of the Group including staff cost, rental expenses, legal and professional fees, other office overhead and general corporate purposes of the Group.</p>

* For the purpose of illustration only, the above conversions of HK\$ into RMB are based on the approximate exchange rate of HK\$1 to RMB0.88206.

Announcements dated 19 June 2023, 3 July 2023 and 5 July 2023	Placing of new Shares under general mandate at the placing price of HK\$1.14 per Share	Approximately HK\$9.03 million (equivalent to approximately RMB8.30 million)	<p>(i) approximately 40% or approximately HK\$3.61 million (equivalent to approximately RMB3.32 million) will be used for the Subscription (as defined in the announcement of the Company dated 29 May 2023); (Note)</p> <p>(ii) approximately 40% or approximately HK\$3.61 million (equivalent to approximately RMB3.32 million) will be used to supplement cash flow of the Group in (a) cost of inventories for the intelligent terminal products sales (approximately HK\$2.89 million (equivalent to approximately RMB2.66 million)); and (b) sales and services rendering related business expenses (approximately HK\$0.72 million (equivalent to approximately RMB0.66 million)); and</p>	<p>(i) approximately RMB3.32 million has been used to supplement cash flow of the Group in (a) cost of inventories for the intelligent terminal products sales approximately RMB2.66 million; and (b) sales and services rendering related business expenses approximately RMB0.66 million; and</p> <p>(ii) approximately RMB4.98 million has been used for general working capital of the Group including staff cost, rental expenses, legal and professional fees, other office overhead and general corporate purposes of the Group. (Note)</p>
---	--	--	--	--

LETTER FROM THE BOARD

Date of announcements	Events	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the Latest Practicable Date
			(iii) approximately 20% or approximately HK\$1.81 million (equivalent to approximately RMB1.66 million) shall be applied for general working capital of the Group including but not limited to staff cost, rental expenses, legal and professional fees, other office overhead and general corporate purposes of the Group.	

Note: As the Subscription (as defined in the announcement of the Company dated 29 May 2023) has not yet been implemented, the proposed use of the net proceeds of approximately RMB3.32 million for the Subscription has been changed and applied for general working capital including staff cost, rental expenses, legal and professional fees, other office overhead and general corporate purposes of the Group.

* For the purpose of illustration only, the above conversions of HK\$ into RMB are based on the approximate exchange rate of HK\$1 to RMB0.91909.

Announcements dated 12 September 2023, 19 September 2023, 26 September 2023 and 20 October 2023	Placing of new shares at the placing price of HK\$0.1442 per Share under general mandate	Nil	(i) approximately HK\$5.0 million will be used for debt restructuring related expenses; and (ii) the remaining balance shall be applied for general working capital of the Group including but not limited to staff cost, rental expenses, legal and professional fees, other office overhead and general corporate purposes of the Group.	The placing agreement was lapsed as announced by the Company on 20 October 2023.
---	---	-----	---	--

In addition, references are made to the announcements of the Company dated 7 March 2023, 16 March 2023, 31 March 2023 and 19 April 2023, in relation to the Previous Placing (as defined below). On 7 March 2023, the Company entered into a conditional placing agreement with a placing agent, pursuant to which the Company conditionally agreed to place, through that placing agent on best endeavour basis, up to 53,332,000 new Shares under general mandate (the “**Previous Placing**”). As disclosed in the announcement of the Company dated 19 April 2023, the Company and such placing agent mutually agreed to terminate that placing agreement and the Previous Placing by a termination agreement.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

WINDING-UP PETITION

Background of the Petition

References are made to the Petition Announcements. On 24 July 2023, the Petition was presented by the Petitioner to the High Court for the winding-up of the Company under the provision of the Companies (WUMP) Ordinance.

As stated in the announcement of the Company dated 31 August 2023, the Petitioner's revised alleged claim was HK\$5,503,616, which represent net amount of the outstanding principal of the bonds issued by the Company and the interest. In addition, it has come to the attention of the Company that a few alleged creditors of the Company have filed Notice of Intention to Appear on the Petition (the "**Alleged Creditors**"). While the Company has already instructed legal advisers to defence the Petition and to seek further information on the Alleged Creditors, the Company is also trying to negotiate with relevant parties.

As disclosed in the announcement of the Company dated 18 October 2023, the Company has instructed its legal team to apply for a validation order from the High Court and at the hearing thereof on 3 November 2023, the High Court granted the validation order to the effect that any transfer of the Company's fully paid up Shares on or after 24 July 2023, being the date of the Petition, shall not be void by virtue of the Petition under Section 182 of the Companies (WUMP) Ordinance.

As disclosed in the announcement of the Company dated 4 December 2023, the hearing of the Petition has been further adjourned to Monday, 29 January 2024.

Impact of the Petition on the Rights Issue

In order to fulfil condition precedent (3) as set out in the paragraph headed "**Conditions precedent of the Rights Issue**" above so that HKSCC would provide the depositary services for the Nil-paid Rights and the Rights Shares, the Company has applied for an additional validation order for, *inter alia*, the use or utilisation of the net proceeds of the Rights Issue and the transfer of the Rights Shares and/or Nil-paid Rights such that the contemplated use of such proceeds as set out in the section headed "**REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS**" above and the transfer of the Rights Shares and/or the Nil-paid Rights shall not be void by virtue of the Petition under Section 182 of the Companies (WUMP) Ordinance. The hearing of the application for such validation order has been scheduled on 29 January 2024.

The Company will make further announcement(s) to keep the Shareholders and potential investors of the Company informed of any material developments in relation to the Petition as and when appropriate and in accordance with the Listing Rules.

LISTING RULES IMPLICATIONS

The Increase in Authorised Share Capital

The Increase in Authorised Share Capital is conditional upon the approval of the Shareholders by way of an ordinary resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates have a material interest in the Increase in Authorised Share Capital, no Shareholder will be required to abstain from voting on the resolution relating to the Increase in Authorised Share Capital at the EGM.

The Rights Issue

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within a 12 month period immediately preceding the date of the Announcement, the Rights Issue will be subject to the approval by the Independent Shareholders at the EGM by way of poll at which the 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 resolution relating to the Rights Issue at the EGM. As at the Latest Practicable Date, Mr. Lai, who holds 430,000 Shares, representing approximately 0.06% of the total number of existing issued Shares, and Shine Well, which holds 42,930,000 Shares, representing approximately 6.06% of the total number of existing issued Shares, will abstain from voting in favour of the resolution relating to the Rights Issue at the EGM. Also, Mr. Zhong, a co-chief executive of the Company, who holds 3,980,000 Shares, representing approximately 0.56% of the total number of existing issued Shares, will abstain from voting in favour of the resolution relating to the Rights Issue at the EGM. In addition, as none of the Directors has a material interest in the Rights Issue, no Director was required to abstain from voting on the resolutions proposed at the Board meeting to approve the Rights Issue.

In addition, as the Underwriter, which holds 422,000 Shares, representing approximately 0.06% of the total number of existing issued Shares, and its holding company, Value Convergence Holdings Limited, which holds 53,560,000 Shares, representing approximately 7.56% of the total number of existing issued Shares, are considered to have a material interest in the Underwriting Agreement and the transactions contemplated thereunder, the Underwriter and Value Convergence Holdings Limited will be required to abstain from voting on the resolution relating to the Rights Issue at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

LETTER FROM THE BOARD

EGM

The EGM will be convened and held at 7th Floor, Centre Point, 181-185 Gloucester Road, Wanchai, Hong Kong on Tuesday, 23 January 2024 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Increase in Authorised Share Capital, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. The proposed resolutions will be conducted by way of poll at the EGM pursuant to Rule 13.39(4) of the Listing Rules and an announcement on the results of the EGM will be made by the Company after the EGM.

The Increase in Authorised Share Capital is conditional upon the approval of the Shareholders by way of an ordinary resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates have a material interest in the Increase in Authorised Share Capital, no Shareholder will be required to abstain from voting on the resolution relating to the Increase in Authorised Share Capital at the EGM.

As at the Latest Practicable Date, the Company has no controlling Shareholder as defined under the Listing Rules. Other than Mr. Lai and Mr. Zhong, no other Directors and the chief executive of the Company and their respective associates are interested in any Shares. Therefore, save for Mr. Lai, Shine Well and Mr. Zhong, no Shareholder is required to abstain from voting in favour of the resolution to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the EGM. In addition, as the Underwriter and its holding company, Value Convergence Holdings Limited are considered to have a material interest in the Underwriting Agreement and the transactions contemplated thereunder, the Underwriter and Value Convergence Holdings Limited will be required to abstain from voting on the resolution relating to the Rights Issue at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM or any adjournment thereof is also enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and 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 you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the instrument appointing a proxy shall be deemed to be revoked.

Subject to the approval of the Increase in Authorised Share Capital and Rights Issue at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares, PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Monday, 5 February 2024.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the terms of the Increase in Authorised Share Capital are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Increase in Authorised Share Capital.

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Hung Muk Ming, Mr. Jin Zi and Mr. Luk Hong Man, Hammond, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Sorrento Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 48 to 49 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Sorrento Capital set out on pages IFA-1 to IFA-29 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES AND NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraphs headed “Conditions precedent of the Rights Issue” and “Termination of the Underwriting Agreement” in this circular). Accordingly, the Rights Issue may or may not proceed.

LETTER FROM THE BOARD

Any Shareholder or other person dealing in the existing Shares and/or the Nil-paid Rights up to the date on which all the conditions to which the Rights Issue are fulfilled or waived (as applicable) (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the existing Shares and/or the Nil-paid Rights. Any party (including Shareholders and potential investors of the Company) who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Your faithfully,
For and on behalf of the Board of
IBO Technology Company Limited
Lai Tse Ming
Chairman and Executive Director



IBO TECHNOLOGY COMPANY LIMITED

艾伯科技股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2708)

5 January 2024

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE**

To the Independent Shareholders:

Dear Sir or Madam,

We refer to the circular of the Company dated 5 January 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Details of the Rights Issue are set out in the “**Letter from the Board**” on pages 14 to 47 of the Circular.

Sorrento Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages IFA-1 to IFA-29 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Rights Issue and the Underwriting Agreement, the information contained in the Circular and the advice of the Independent Financial Adviser, we consider that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee of
IBO Technology Company Limited

Mr. Hung Muk Ming
*Independent non-executive
Director*

Mr. Jin Zi
*Independent non-executive
Director*

**Mr. Luk Hong Man,
Hammond**
*Independent non-executive
Director*

LETTER FROM SORRENTO CAPITAL

The following is the text of the letter of advice from Sorrento Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in relation to the Rights Issue which has been prepared for the purpose of inclusion in this circular.



Room 1208, 12/F,
Wing On Centre,
111 Connaught Road Central,
Sheung Wan,
Hong Kong

5 January 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed offer for subscription of up to 2,313,613,998 Rights Shares by way of the Rights Issue at the Subscription Price of HK\$0.11 each to be made by the Company to the Qualifying Shareholders on the basis of three (3) Rights Shares for every one (1) existing Share held on the Record Date, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 5 January 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As stated in the Letter from the Board, on 28 November 2023 (after trading hours), the Company and VC Brokerage Limited (the “**Underwriter**”) entered into the Underwriting Agreement, pursuant to which the Company conditionally appointed the Underwriter and the Underwriter conditionally agreed to underwrite up to 2,313,613,998 Rights Shares on a best-effort basis. The maximum gross proceeds from the Rights Issue will be (i) approximately HK\$233.8 million (assuming full subscription under the Rights Issue, no conversion of the outstanding Convertible Bonds and no exercise of the exercisable Share Options and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date); and (ii) approximately HK\$254.5 million (assuming full subscription under the Rights Issue, full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue). The net proceeds would be approximately HK\$247.5 million under scenario (i) and approximately HK\$227 million under scenario (ii) above respectively, which will be applied towards repayment and discharge the Outstanding Indebtedness and general working capital of the Group (if there is any balance).

LETTER FROM SORRENTO CAPITAL

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within a 12 months period immediately preceding the date of the announcement of the company (the “**Announcement**”) dated 28 November 2023 in relation to, among others, the Rights Issue, the Rights Issue is conditional upon the minority Shareholders’ approval at the EGM, and any controlling Shareholders (within the meaning of the Listing Rules) and their respective associates, or where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM. As at the Latest Practicable Date, Mr. Lai, who holds 430,000 Shares, representing approximately 0.06% of the total number of existing issued Shares, and Shine Well Holdings Limited (“**Shine Well**”, a substantial shareholder of the Company under the Listing Rules), which holds 42,930,000 Shares, representing approximately 6.06% of the total number of existing issued Shares, will abstain from voting in favour of the resolution relating to the Rights Issue at the EGM. Also, Mr. Zhong, a co-chief executive of the Company, who holds 3,980,000 Shares, representing approximately 0.56% of the total number of existing issued Shares as at the Latest Practicable Date, will abstain from voting in favour of the resolution relating to the Rights Issue at the EGM.

In addition, as the Underwriter, which holds 422,000 Shares, representing approximately 0.06% of the total number of existing issued Shares, and its holding company, Value Convergence Holdings Limited, which holds 53,560,000 Shares, representing approximately 7.56% of the total number of existing issued Shares, are considered to have a material interest in the Underwriting Agreement and the transactions contemplated thereunder, the Underwriter and Value Convergence Holdings Limited will be required to abstain from voting on the resolution relating to the Rights Issue at the EGM.

The Independent Board Committee comprising Mr. Hung Muk Ming, Mr. Jin Zi and Mr. Luk Hong Man, Hammond (i.e. all the independent non-executive Directors) has been established by the Board to consider the terms of the Rights Issue and to make recommendation to the Independent Shareholders as regards voting. We, Sorrento Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Rights Issue are normal commercial and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) whether to vote in favour of the Rights Issue at the EGM.

We are independent from and not connected with the Group, its substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules or connected persons. During the last two years, we have not been engaged as any financial adviser or other roles to the Company except appointment of us as independent financial adviser in connection with the Rights Issue and review on the potential adjustments to the terms of the Convertible Bonds and Share Options as a result of the Rights Issue, and we are not aware of any relationship or interest between us and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Shareholders in respect of the Right Issue. Accordingly we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue.

LETTER FROM SORRENTO CAPITAL

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, documents, opinions and representations expressed to us by the Directors and management of the Company, e.g. annual reports, interim report, indebtedness, agreements relating to fund-raising (i.e. bank loan agreements and the Underwriting Agreement) and trading statistics of the Shares on the Stock Exchange. We have assumed that (i) all such statements, information, opinions and representations expressed to us by the Directors and management of the Company, for which they are solely responsible, are true, accurate and complete in all material aspects at the time they were made and up to the date of the Circular; and (ii) all the opinions and representations have been reasonably made by the Directors and the management of the Company after due and careful enquiry. We have also assumed that the information referred to in the Circular will continue to be true, accurate and complete as at the date of the Circular and if there is any material change of information in the Circular up to the date of the EGM, we will inform the Shareholders as soon as practicable. We have also sought and obtained confirmation from the Directors and/or management of the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONCERNED

In considering whether the terms of the Rights Issue are fair and reasonable and are in the interest of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Group is principally engaged in (i) sales of intelligent terminal products (the “**Intelligent Terminal Products Sales Segment**”); (ii) provision of tailor-made system solutions applying internet of things technologies of smart cities by provision of coordination, management and installation services, sale of intelligent terminal products as well as development of customised softwares (the “**System Integration Segment**”); (iii) development of customised softwares (the “**Software Development Segment**”); and (iv) provision of system maintenance services. As at the Latest Practicable Date, the authorised share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 Shares of which 708,466,773 Shares with par value of HK\$0.01 each were in issue. As set out in the Letter from the Board, the Company proposed to increase the authorised share capital of the Company from HK\$10,000,000 divided into 1,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares.

LETTER FROM SORRENTO CAPITAL

The audited consolidated financial information of the Group for each of the two years ended 31 March 2023, as extracted from the annual report of the Company for the year ended 31 March 2023 (the “**2023 AR**”) and the unaudited consolidated financial information of the Group for the six months ended 30 September 2022 and 2023, as extracted from the interim report of the Company for the six months ended 30 September 2023 (the “**2023 IR**”), are summarised as follows:

	For the six months ended		For the year ended	
	30 September		31 March	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	199,016	366,154	907,274	1,046,296
Cost of sales	(191,840)	(289,826)	(813,371)	(867,695)
Gross Profit	7,176	76,328	93,903	178,601
Other income	866	4,234	7,043	6,317
Other (losses)/gains, net	(4,561)	(17,946)	(54,592)	3,664
Share of results of associates	–	(5)	(34)	727
Impairment losses under expected credit loss model, net of reversal	(111,757)	(2,652)	(150,998)	(15,423)
Distribution and selling expenses	(2,202)	(3,356)	(6,890)	(8,048)
Administrative expenses	(24,528)	(37,483)	(59,311)	(62,624)
Equity-settled share-based payments	–	–	(54,912)	(28,488)
Finance costs	(12,123)	(9,084)	(19,748)	(18,290)
Research and development expenses	(13,102)	(3,613)	(39,646)	(12,531)
(Loss)/profit before taxation	(160,231)	6,423	(285,185)	43,905
Income tax credit (expense)	10,242	(7,348)	(8,095)	(19,889)
Loss and total comprehensive expense for the year/period	(149,989)	(925)	(293,280)	24,016
(Loss) profit and total comprehensive (expense) income for the year/period attributable to				
– owners of the Company	(135,394)	7,390	(243,564)	14,663
– non-controlling interests	(14,595)	(8,315)	(49,716)	9,353

Comparison between the years ended 31 March 2022 and 31 March 2023

The Company recorded a revenue of approximately RMB907.27 million for the year ended 31 March 2023 representing a decrease of approximately 13.29% as compared with approximately RMB1,046.30 million for the previous year mainly due to decrease in revenue of the Intelligent Terminal Products Sales Segment, the System Integration Segment and the Software Development Segment by approximately 5.47%, 98.91% and 49.67% respectively during the year ended 31 March 2023 resulting from the overall poor market conditions in the PRC. The Intelligent Terminal Products Sales Segment remained as the largest business segment of the Group and revenue from which accounted for approximately 92.87% of total revenue of the Company for the year ended 31 March 2023.

LETTER FROM SORRENTO CAPITAL

Gross profit margin of the Company decreased from approximately 17.07% for the year ended 31 March 2022 to approximately 10.35% for the year ended 31 March 2023 mainly due to the increase in the proportion of revenue from the Intelligent Terminal Products Sales Segment (with relatively low gross profit margin) to the total revenue of the Company from approximately 85.19% for the year ended 31 March 2022 to approximately 92.87% of total revenue of the Company for the year ended 31 March 2023.

The Company's other losses, net amounted to approximately RMB54.59 million for the year ended 31 March 2023 as compared to approximately RMB3.66 million for the previous year. Such change was mainly due to (i) foreign exchange losses, net was recorded for the year ended 31 March 2023 while foreign exchange gain, net was recorded in the previous year; (ii) gain on change in fair value of derivative component of the convertible bonds of approximately RMB13.83 million was recorded in year ended 31 March 2022 while there was no such gain for the year ended 31 March 2023; and (iii) impairment loss on goodwill for an acquisition of approximately RMB3.6 million and written off of intangible assets (i.e. software) of approximately RMB36.2 million were recorded for the year ended 31 March 2023 while there was no such impairment loss and written off were recorded in the previous year.

During the year ended 31 March 2023, the impairment losses under expected credit loss (ECL) model, net of reversal increased substantially by 879.2% to approximately RMB151.00 million as compared to approximately RMB15.42 million in previous year. This was mainly due to (i) an increase in the Group's total trade receivables from approximately RMB903.36 million as at 31 March 2022 to approximately RMB1,429.05 million as at 31 March 2023, resulting in a significant increase in the total trade receivables subject to impairment assessment based on the expected credit loss model during the year ended 31 March 2023; and (ii) an increase in the ageing of the Group's trade receivables as at 31 March 2023 as a result of the adverse overall market conditions in the PRC during the year ended 31 March 2023.

During the year ended 31 March 2023, the Company's equity-settled share-based payments increased by 92.7% to approximately RMB54.91 million as compared to approximately RMB28.49 million for the previous year mainly due to the fact that the Share Options granted during the year vested immediately on the date of grant and therefore the related share option expenses were not spread, whereas the Share Options granted in 2022 have a vesting period and the related share option expenses were spread over the vesting period.

The Company's research and development expenses increased from approximately RMB12.53 million for the year ended 31 March 2022 to approximately RMB39.65 million for the year ended 31 March 2023 mainly due to the increase in resources investing in research and development expenses as the Group's performance is expected to improve in the future.

LETTER FROM SORRENTO CAPITAL

As a result of the abovementioned, the Company recorded a loss attributable to owners of the Company of approximately RMB243.56 million for the year ended 31 March 2023 as compared with profit attributable to owners of the Company of approximately RMB14.66 million for the year ended 31 March 2022.

Comparison between the six months ended 30 September 2022 and 2023

The Company recorded a revenue of approximately RMB199.02 million for the six months ended 30 September 2023 representing a decrease of approximately 45.65% as compared with approximately RMB366.15 million for the same period in previous year mainly due to decrease in revenue of all four business segments particularly the decrease of (i) approximately 38.35% for Intelligent Terminal Products Sales Segment which had the largest revenue contribution to the Group over 85% of total revenue of the Company during the six months ended 30 September 2022 and 2023; (ii) approximately 98.65% for Software Development Segment which contributed approximately 12.61% to the total revenue of the Company during the six months ended 30 September 2022; and (iii) the absence of revenue from the System Integration Segment during the six months ended 30 September 2023.

Gross profit margin of the Company decreased from approximately 20.85% for the six months ended 30 September 2022 to approximately 3.61% for the six months ended 30 September 2023 mainly due to the decrease of sales price.

During the six months ended 30 September 2023, the impairment losses under ECL model, net of reversal increased substantially to approximately RMB111.76 million as compared to approximately RMB2.65 million for the same period in previous year mainly due to an increase in the ageing of the Group's trade receivables as at 30 September 2023.

The Company's research and development expenses increased from approximately RMB3.61 million for the six months ended 30 September 2022 to approximately RMB13.10 million for the six months ended 30 September 2023 mainly due to more research and development expenses allocated to Software Development Segment during the six months ended 30 September 2022.

As a result of the abovementioned, the Company recorded a loss attributable to owners of the Company of approximately RMB135.39 million for the six months ended 30 September 2023 as compared with profit attributable to owners of the Company of approximately RMB7.39 million for the same period in previous year.

LETTER FROM SORRENTO CAPITAL

	As at 30 September 2023	As at 31 March 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Non-current assets	294,389	295,469
Current assets	<u>1,351,109</u>	<u>1,833,874</u>
Total assets	1,645,498	2,129,343
Non-current liabilities	34,027	52,021
Current liabilities	<u>1,136,502</u>	<u>1,510,086</u>
Total liabilities	1,170,529	1,562,107
Net current assets	214,607	1,510,086
Equity attributable to owners of the Company	436,185	513,857
Non-controlling interests	<u>38,784</u>	<u>53,379</u>
Total equity/Net assets	<u><u>474,969</u></u>	<u><u>567,236</u></u>

The non-current assets of the Company was approximately RMB294.39 million as at 30 September 2023 and comparable to that as at 31 March 2023. The current assets of the Company decreased from approximately RMB1.83 billion as at 31 March 2023 to approximately RMB1.35 billion as at 30 September 2023 mainly due to (i) decrease in trade and other receivables by approximately RMB207.35 million; and (ii) decrease in bank balances and cash by approximately RMB205.87 million.

The non-current liabilities of the Company decreased from approximately RMB52.02 million as at 31 March 2023 to approximately RMB34.03 million as at 30 September 2023 mainly due to (i) decrease in bonds payables by approximately RMB11.51 million; and (ii) decrease in deferred tax liabilities by approximately RMB10.24 million.

LETTER FROM SORRENTO CAPITAL

The current liabilities of the Company decreased from approximately RMB1.51 billion as at 31 March 2023 to approximately RMB1.14 billion as at 30 September 2023 mainly due to decrease in trade and other payables, particularly the decrease in (i) trade payables by approximately RMB257.40 million; (ii) deposits received for issue of convertible bonds by approximately RMB44.55 million; and (iii) investment cost payables by approximately RMB33.56 million. Nevertheless, bank and other borrowings increased by approximately RMB3.37 million and bonds payables increased by approximately RMB21.11 million from 31 March 2023 to 30 September 2023.

As disclosed in the 2023 IR, the Group incurred an audited loss for the six months ended 30 September 2023 and had certain indebtedness as at 30 September 2023 due for repayment within the next twelve months from the end of reporting period and bank balances and cash of approximately RMB0.85 million. In addition, the Company received the Petition. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern (the "**Uncertainty related to Going Concern**"). Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the Directors have been implementing various plans and measures such as (i) to restructure and capitalise certain of the Group's liabilities into new shares; (ii) the proposed rights issue of shares in Company; (iii) possible disposal of a significant business; and (iv) the Group is considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds (for details, please refer to the notes to the condensed consolidated financial statements set out in the 2023 IR).

According to the 2023 IR, the directors of the Company were of the opinion that, taking into account the above plans and measures, the Group would have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 30 September 2023. The directors of the Company were therefore of the opinion that it was appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

LETTER FROM SORRENTO CAPITAL

During the six months ended 30 September 2023, the Company has completed (i) a placing of the Convertible Bonds under general mandate (the “**Placing of CBs**”) on 2 May 2023 to raise a net proceeds of approximately HK\$51.9 million; and (ii) a placing of new Shares under general mandate (the “**Placing of Shares**”) on 5 July 2023 to raise a net proceeds of approximately HK\$9.0 million. As disclosed in the Letter from the Board, all net proceeds from the Placing of CBs and Placing of Shares have been utilised as at the Latest Practicable Date. Save as the abovementioned, the Company has not conducted and completed any other equity financing activity in the 12 months immediately preceding the date of the Announcement.

2. Reasons for the Rights Issue and proposed use of net proceeds

According to the Letter from the Board, the net proceeds from the Rights Issue, after deducting the underwriting commission, professional fees and all other relevant expenses, are estimated to be not more than (i) approximately HK\$247.5 million (assuming full subscription under the Rights Issue, full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue); and (ii) approximately HK\$227 million (assuming full subscription under the Rights Issue, no conversion of the outstanding Conversion Bonds and no exercise of the exercisable Share Options and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date).

As disclosed in the 2023 AR, the Group’s consolidated bank and other borrowings that are repayable within one year and those that are repayable more than one year, but not more than two years amounted to approximately RMB97.21 million and approximately RMB20.11 million respectively as at 31 March 2023. As further disclosed in the 2023 AR, the current portion and the non-current portion of the bonds payables of the Company amounted to approximately RMB95.13 million and approximately RMB11.51 million respectively as at 31 March 2023.

Furthermore, as disclosed in the 2023 IR, the Group recorded an unaudited revenue of approximately RMB199.02 million and gross profit of approximately RMB7.18 million for the six months ended 30 September 2023, which representing a decrease of approximately 45.6% and a decrease of approximately 90.6% respectively as compared with the same period in 2022. The Company recorded loss attributable to the Shareholders of approximately RMB135.39 million for the six months ended 30 September 2023 as compared to profit attributable to Shareholders of approximately RMB7.39 million for the same period in 2022. In addition, as at 30 September 2023, the Group’s unaudited bank balances and cash was approximately RMB0.85 million while the Group’s unaudited consolidated bank and other borrowings that are repayable within one year and those that are repayable more than one year, but not more than two years amounted to approximately RMB100.59 million and approximately RMB20.04 million respectively. Also, the current portion and the non-current portion of the bonds payables of the Company amounted to approximately RMB116.24 million and nil as at 30 September 2023 respectively.

LETTER FROM SORRENTO CAPITAL

On 24 July 2023, a winding-up petition (the “**Petition**”) was filed by a bondholder (the “**Petitioner**”) with the High Court for the winding-up of the Company under the provision of the Companies (WUMP) Ordinance. Details of the Petition are set out in the section headed “WINDING-UP PETITION” in the Letter from the Board. According to the Letter from the Board, in view of the Petition, the holders of the remaining non-convertible bonds (with the aggregate principal amount of approximately HK\$113.6 million with the maturity dates from April 2022 to August 2024. For details, please refer to the Letter from the Board) issued by the Company allege that the Petition triggers a cross-default of the Company on the non-convertible bonds held by them. They have requested immediate full repayment of the non-convertible bonds by the Company, irrespective of the original maturity dates. On the other hand, although the Group have fulfilled its repayment obligations of the bank loans and interests from time to time, certain banks have exercised their overriding rights in requesting early repayment of the bank loans in full even if such loans are not yet due for repayment or long term in nature. Worse still, debtors of the Group slow down their repayments to the Group in view of the Petition. The aforesaid is similar to credit squeeze, which exert tremendous pressure on the liquidity of the Group.

Even though the amount allegedly due by the Company to the Petitioner thereof aggregated at approximately HK\$5.6 million (inclusive of both principal amount and interest according to the amended Petition and re-amended Petition which was filed by the Petitioner on 5 September 2023 and 11 October 2023 respectively) only, event of default under most of the Company’s debt and/or derivative instruments or agreements has been triggered as a result of the presentation of the Petition, and the Company shall have to raise funds for repayment of outstanding liabilities and guarantees of the Company which have thus fallen due subject to settlement arrangements among the parties (the “**Outstanding Indebtedness**”). As at 31 October 2023, the Outstanding Indebtedness amounts to approximately HK\$227 million (or approximately RMB208.3 million).

As part of our due diligence, we have reviewed the indebtedness of the Group as at 30 November 2023 and noted that it mainly comprised bond payables, bank and other borrowings, margin account payable, lease liabilities and convertible bonds in the total amount of approximately RMB252 million. We also noted that the Outstanding Indebtedness comprised (i) bonds and accrued interests of the Company of approximately RMB114.5 million; (ii) bank borrowings of and accrued interests of subsidiaries of the Company of approximately RMB46.2 million generally with the Company as guarantor; (iii) short term loan and accrued interests of the Company of approximately RMB18.2 million; (iv) the Convertible Bonds and accrued interests of the Company of approximately RMB2.6 million; and (v) accruals, other professional fees relating to the Group’s restructuring, legal costs etc. of approximately RMB26.8 million.

LETTER FROM SORRENTO CAPITAL

The Company intends to apply the net proceeds from the Rights Issue towards (i) repayment and discharge of the Outstanding Indebtedness; and (ii) the general working capital of the Group including but not limited to staff cost, rental expenses, legal and professional fees, other office overhead and general corporate purposes of the Group (for the remaining portion of net proceeds, if any). In the event that there is an under-subscription of the Rights Issue, the net proceeds from the Rights Issue will first be applied for repayment of the Outstanding Indebtedness, and any surplus which remains thereafter will be used for general working capital of the Group.

As set out in the Letter from the Board, the Company is considering and evaluating the existing operation and business of the Group with a view to restructure and/or streamline the same so as to further improve the financial position of the Group. As at the Latest Practicable Date, this plan is under negotiation. As disclosed in the announcement of the Company dated 19 September 2023, the Company and its legal team are contacting the Company's creditors and/or their legal advisers for debt capitalisation. The aim of the Company is, in addition to the Rights Issue, to effectuate debt capitalisation to swap the Outstanding Indebtedness or such relevant part thereof into new Shares to be issued and allotted by the Company therefor so as to reduce the amount of the Outstanding Indebtedness as much as possible. However, as at the Latest Practicable Date no agreement has been reached between the Company and its creditors in respect of debt capitalisation. Given the Uncertainty related to Going Concern as mentioned above, the size of the Outstanding Indebtedness and results of liaison between the Company and its creditors are not guaranteed, we concur with the Company that there is the imminent need of capital for settlement and discharge of the Outstanding Indebtedness to avoid the Company being wound up.

As regards the intended use of net proceeds from the Rights Issue towards general working capital of the Group, we noted from the 2023 AR that the total staff costs were approximately RMB77.45 million and RMB95.52 million for the year ended 31 March 2022 and 2023 respectively and the total staff costs per month was approximately RMB7.96 million in the year ended 31 March 2023. Therefore, it is reasonable to allocate any remaining net proceeds from the Rights Issue to replenish the Group's general working capital.

Since the Rights Issue will give all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company without diluting their corresponding shareholdings, we concur with the view of the Company that it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to conduct the Rights Issue to support the capital need of the Group and the intended use of proceeds are reasonable and commercially justifiable.

3. Alternative financing methods

As stated in the Letter from the Board, apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. As disclosed in the announcement of the Company dated 19 September 2023, in order to improve the liquidity of the Group and to finance the debt restructuring related expenses, the Company has been considering to conduct fund raising exercise by way of rights issue and/or placing of new Shares to raise funds in the region of HK\$180 million to HK\$200 million. As disclosed in the announcement of the Company dated 12 September 2023, a placing agreement was entered into by the Company and a placing agent in order to raise the gross proceeds of approximately HK\$11.9 million which was intended to be used for debt restructuring related expenses and general working capital of the Group. However, on 20 October 2023, the Board announced that the placing (the “**Previous Placing 2**”) did not complete and the placing agreement lapsed. As advised by the Company the lapse of the placing was mainly due to no placees was identified by the placing agent. In addition, in view of the Petition, the Company can hardly obtain any new loans or borrowings from any banks or other financial institutions. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the Nil-paid Rights in the market. The Rights Issue will also give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider that the Rights Issue will enable the Group to strengthen its capital structure without incurring additional debt financing cost and enhance its financial position, and that the Rights Issue is more attractive in view of the current market condition. The Directors are also of the opinion that the Rights Issue will allow all the Qualifying Shareholders the equal opportunity to subscribe for their respective pro rata provisional entitlement of the Rights Shares and hence avoiding dilution in their shareholding interests in the Company.

We also noted that the Company has also tried to conduct a placing of new Shares under general mandate (the “**Previous Placing 1**”) but it was eventually terminated on 19 April 2023. As advised by the Company, the termination of the Previous Placing was mainly due to no placees was identified by the placing agent. Furthermore, due to the Petition and the alleged cross-default of the non-convertible bonds together with the loss-making financial performance of the Group, we concur with the Company that it would not be feasible to raise debt financing unless the Group can show significant improvement in its trading and financial positions and the terms of the Underwriting Agreement are fair and reasonable and the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

LETTER FROM SORRENTO CAPITAL

4. Principal terms of the Rights Issue

4.1 Issue statistics

- Basis of the Rights Issue : Three (3) Rights Shares for every one (1) existing Share in issue and held at the close of business on the Record Date
- Number of Shares in issue as at the Latest Practicable Date : 708,466,773 Shares
- Maximum number of Rights Shares to be issued : (i) Up to 2,125,400,319 Rights Shares (assuming no conversion of the Convertible Bonds and none of the exercisable Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- (ii) Up to 2,313,613,998 Rights Shares (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- Aggregate nominal value of the Rights Shares : (i) Up to HK\$21,254,003.19 (assuming no conversion of the Convertible Bonds and none of the exercisable Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
- (ii) Up to HK\$23,136,139.98 (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)

LETTER FROM SORRENTO CAPITAL

- Subscription price : HK\$0.11 per Rights Share
- Enlarged number of Shares in issue upon completion of the Rights Issue :
- (i) Up to 2,833,867,092 Shares (assuming no conversion of the Convertible Bonds and none of the exercisable Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
 - (ii) Up to 3,084,818,664 Shares (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)

The Company adopted the Share Option Scheme on 6 December 2017 pursuant to which the total number of Shares in respect of which the Share Options may be granted under the Share Option Scheme shall not exceed 175,070,524 Shares. As at the Latest Practicable Date, 62,577,893 Share Options remain outstanding, of which 60,937,893 are exercisable which entitle the holders thereof to subscribe for an aggregate of 60,937,893 new Shares. Besides, there are outstanding Convertible Bonds in an aggregate principal amount of HK\$2,772,000 which are convertible into 1,800,000 conversion Shares at a conversion price of HK\$1.54 each as at the Latest Practicable Date. Save as disclosed above, as at the Latest Practicable Date, the Company had no other outstanding derivatives, options, warrants or securities in issue which confer any rights to subscribe for, convert or exchange into Shares.

Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscription for the Untaken Shares, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for subscription therefor on best effort basis whilst using its best endeavours to ensure that (i) each of the subscribers of the Untaken Shares procured by the Underwriter shall be an Independent Third Party of and not connected with the Company, any of the Directors or chief executive or substantial shareholders of the Company or their respective associates; (ii) the Public Float Requirement be complied with by the Company upon completion of the Rights Issue; and (iii) the Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% (or such percentage which will trigger any MGO Obligation under the Takeovers Code) or more of the voting rights of the Company immediately after the Rights Issue.

LETTER FROM SORRENTO CAPITAL

Without prejudice to the generality of the Underwriting Agreement, all applications for Rights Shares whether under the PAL(s) or the EAF(s), or by transferees of Nil-paid Rights, or by subscribers procured by the Underwriter will be made on the basis that the applications are to be scaled-down by the Company to a level which (a) does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it, and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. Any subscription monies for the Scale-down PAL Shares or the Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares and the Scale-down EAF Shares will be made available for subscription by other Qualifying Shareholders through the EAF(s).

In addition, under and/or pursuant to the Scaling-down, any application for Rights Shares, whether under the PAL(s) or the EAF(s), shall be subject to the scale-down mechanisms of the Rights Issue as determined by the Company to levels which do not trigger any MGO Obligation or non-compliance of Public Float Requirement.

4.2 Subscription Price

In order to access the fairness and reasonableness of the Subscription Price, we set out the following informative analysis for illustrative purpose only.

Historical price movement analysis

As set out in the Letter from the Board, the Subscription Price of HK\$0.11 per Rights Share, which will be payable in full upon application, represents:

- (i) a discount of approximately 12.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 25.17% to the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 25.68% to the average of the closing price of approximately HK\$0.148 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 25.17% to the average of the closing price of approximately HK\$0.147 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 7.56% to the theoretical ex-rights price of approximately HK\$0.119 per Share based on the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on the Last Trading Day;

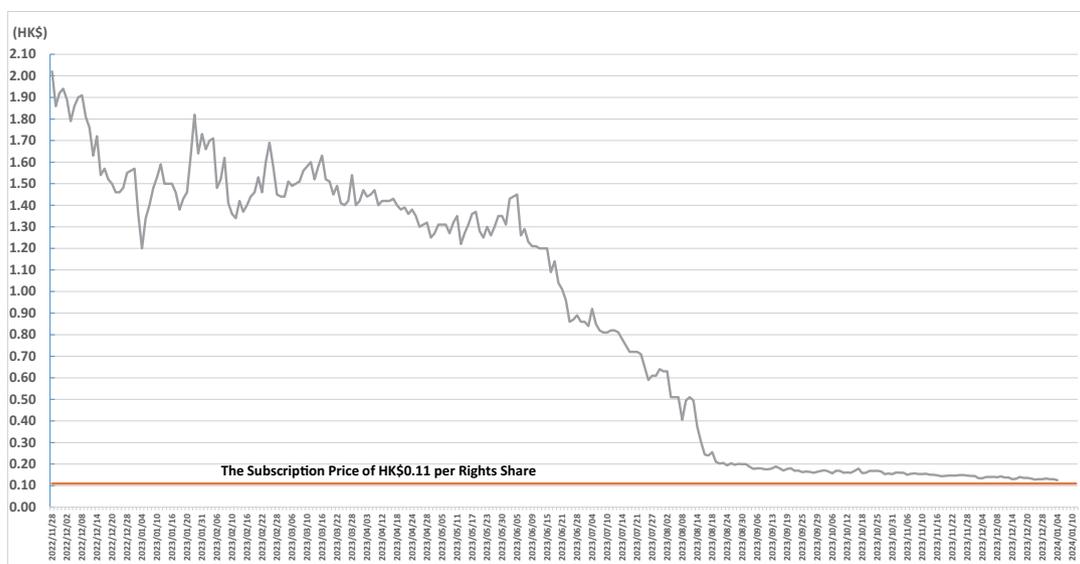
LETTER FROM SORRENTO CAPITAL

- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 19.26%, represented by the theoretical diluted price of approximately HK\$0.120 per Share to the benchmarked price of HK\$0.148 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.147 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of this announcement of approximately HK\$0.148 per Share);
- (vii) a discount of approximately 87.49% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.879 (based on the latest published audited consolidated net asset value attributable to Shareholders of approximately RMB513,857,000 (equivalent to approximately HK\$586,876,080 based on the exchange rate of RMB1 to HK\$1.1421) and 667,318,773 Shares in issue as at 31 March 2023); and
- (viii) a discount of approximately 83.61% to the unaudited consolidated net asset value attributable to Shareholders per Share (the “**NAV per Share**”) of approximately HK\$0.671 (based on the latest published unaudited consolidated net asset value attributable to Shareholders of approximately RMB436,185,000 (equivalent to approximately HK\$475,354,413 based on the exchange rate of RMB1 to HK\$1.0898) and 708,466,773 Shares in issue as at 30 September 2023).

According to the Letter from the Board, the Subscription Price was determined after arm’s length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Letter from the Board.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price of the Shares during the period from 28 November 2022, being 12 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “**Price Review Period**”). We consider that a period of 12 months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price.

LETTER FROM SORRENTO CAPITAL



Source: The Stock Exchange

Although the Subscription Price appears to be at a substantial discount to the NAV per Share of approximately HK\$0.671 per Share as at 30 September 2023, we consider that the NAV per Share is not meaningful benchmarks to assess the Subscription Price as (i) the Shares have been traded at discount to the then net asset value per Share (calculated based on the published 2023 AR and 2023 IR) in the open market since late June 2023 (i.e. almost half of the Price Review Period); (ii) the total assets of the Group as at 31 March 2023 and 30 September 2023 comprised substantially (i.e. over 70%) trade and other receivables; and (iii) the Subscription Price was determined with reference to, among others, the market price of the Shares under the prevailing market conditions, the financial position of the Group and the funding need of the Group. Given the recent market price of the Shares have already reflected the expectation of the investors to the Company such as financial results, corporate actions and recent development of the Company and the recent stock market sentiment, we consider that recent market price of the Shares to be relevant for our assessment to the fairness and reasonableness of the Subscription Price.

As illustrated in the above chart, the closing prices of the Shares decreased from HK\$2.02 per Share on 28 November 2022 (i.e the beginning of the Price Review Period) to HK\$0.134 per Share on 4 December 2023 showing a general downward trend. During this period, the Company announced (i) the lapse of a discloseable transaction in relation to the acquisition of companies on 30 November 2022; (ii) the entering into of a strategic cooperation agreement with an Independent Third Party on 30 November 2022; (iii) its unaudited financial results for the six months ended 30 September 2022 on 30 November 2022; (iv) the entering into of a letter of intent in relation to investment on 2 December 2022; (v) the entering into of a memorandum of understanding for possible subscription and the Previous Placing 1 on 7 March 2023; (vi) the disposal of 20,000,000 Shares by Shine Well on 9 March 2023; (vii) the placing of the

LETTER FROM SORRENTO CAPITAL

Convertible Bonds under general mandate on 28 March 2023, 3 April 2023 and 2 May 2023; (viii) the termination of the Previous Placing 1 on 19 April 2023; (ix) the subscription and further investment in a target company on 29 May 2023 and 2 June 2023; (x) a profit warning for the financial results of the year ended 31 March 2023 on 15 June 2023; (xi) the placing of new Shares under general mandate on 19 June 2023, 3 July 2023 and 5 July 2023; (xii) its audited financial results for the year ended 31 March 2023 on 30 June 2023; (xiii) the inside information of the Petition on 27 July 2023 and subsequent update on 31 August 2023, 27 September 2023, 18 October 2023, 1 November 2023, 3 November 2023 and 29 November 2023; (xiv) the Previous Placing 2 on 12 September 2023 and 26 September 2023; (xv) the lapse of the Previous Placing 2 on 20 October 2023; (xvi) the forced sale of the Shares by Shine Well and/or Mr. Lai during black-out period since 1 November 2023; and (xvii) the Rights Issue on 27 November 2023 and 28 November 2023.

Since the publication of the Announcement, the closing prices of the Shares have continued to decrease and reached HK\$0.125 per Share as at the Latest Practicable Date. During the period, the Company announced its unaudited financial results for the six months ended 30 September 2023 on 30 November 2023 and update on the Petition on 4 December 2023.

In the Price Review Period, the highest closing price of the Shares was HK\$2.02 per Share on 28 November 2022 and the lowest closing price of the Shares was HK\$0.125 per Share on 4 January 2024 (i.e. the Latest Practicable Date) respectively. The Subscription Price represents a discount of approximately 12.00% to the lowest closing price of the Shares and a discount of approximately 94.55% to the highest closing price of the Shares in the Price Review Period respectively.

We consider that the closing prices and general decreasing price trend of the Shares during the Price Review Period should have reflected market evaluation on the recent financial performance/position and development of the Group. Hence, we consider it is fair and reasonable for the Company to determine the Subscription Price with reference the prevailing market prices, particularly the more recent closing prices, of the Shares and a discount (which will be analysed below) to enhance the attractiveness of the Rights Issue given the diverging performance between the Share price and the general stock market.

LETTER FROM SORRENTO CAPITAL

Historical trading volume and liquidity analysis

We have also reviewed the historical trading volume of the Shares during the Price Review Period. The number of trading days, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Price Review Period are shown in the table below.

Month/period	Number of trading days	Average daily trading volume	% of average daily trading volume to the total number of Shares in issue (Note 1)	% of average daily trading volume to the total number of Shares in the public hands (Note 2)
2022				
November (Note 3)	3	1,134,000	0.1699	0.2252
December	20	1,400,600	0.2099	0.2773
2023				
January	18	2,823,667	0.4231	0.5583
February	20	4,693,400	0.7033	0.9280
March	23	4,401,217	0.6595	0.8371
April	17	1,246,471	0.1868	0.2371
May	21	4,872,381	0.7301	0.9268
June	21	4,668,286	0.6666	0.8355
July	20	2,189,000	0.3090	0.3855
August	23	4,495,565	0.6345	0.7485
September	19	1,292,842	0.1825	0.2113
October	20	910,300	0.1285	0.1473
November	22	1,761,103	0.2486	0.2806
December	19	3,493,684	0.4931	0.5284
2024				
January (Note 4)	3	84,667	0.0120	0.0128

Source: The Stock Exchange

Notes:

1. Calculated based on the total number of the Shares in issue at the end of month/period.

LETTER FROM SORRENTO CAPITAL

2. Calculated based on the total number of the Shares in public hands at the end of month/period according to the public information on the Stock Exchange.
3. Represents number of trading days and trading volume for the period from 28 November 2022 to 30 November 2022, both days inclusive.
4. Represents number of trading days and trading volume for the period from 2 January 2024 to the Latest Practicable Date, both days inclusive.

As demonstrated in the table above, during the Price Review Period, the average daily trading volume of the Shares by month/period were in the range of approximately 0.0120% to 0.7301% as to the total number of issued Shares and approximately 0.0128% to 0.9280% as to the total number of Shares held in public hands respectively. The above statistics revealed that the liquidity of the Shares was relatively low in the open market. On this basis and the closing price of the Shares generally showed a decreasing trend during the Price Review Period, we concur with the Directors that the discount to the Share price would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company. For this reason, we are of the view that the discount to the Share price as represented by the Subscription Price is justifiable.

Rights Issue comparable analysis

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have identified an exhaustive list of 34 rights issue transactions announced by other companies listed on the Stock Exchange for the period from six months immediately prior to the Last Trading Day (the “**Comparable Review Period**”) and up to the Latest Practicable Date. Except Oriental Securities International Holdings (stock code: 8001) the rights issue of which has been terminated or lapsed, the other 33 rights issue transactions (the “**Comparables**”) are included in our analysis. Shareholders should note that the subject companies in the Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company. Although the circumstances surrounding the Comparable may be different from those relating to the Company, we consider that the Comparable Review Period is adequate and fair and reasonable to capture the prevailing market conditions in relation to rights issue transactions which the Comparables, for illustrative purpose only, serve as a general reference for prevailing market practices in relation to rights issue transactions conducted by the companies listed in the Stock Exchange.

LETTER FROM SORRENTO CAPITAL

Announcement date	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of the subscription price over/to the average share price for the five previous consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the subscription price over/to the theoretical ex-right share price (%)	Underwriting/ placing commission, as the case may be application (%)	Excess application Yes/No	Fully underwritten Yes/No	Maximum dilution effect (%)	Cumulative theoretical dilution impact (Note 2)
3 October 2023	Universe Printshop Holdings Limited	8448	3 for 2	(14.81)	(8.00)	1.50 for placing commission	N	Y	60.00	(11.06)
3 November 2023	Rego Interactive Co., Ltd	2422	1 for 2	(49.37)	(16.46)	Nil for Underwriting fee (as underwriter is a connected person)		N	33.33	(16.46)
17 November 2023	Da Yu Financial Holdings Limited	1073	1 for 1	11.11	4.90	N/A	Y	N	50.00	0.00
17 November 2023	Huabang Technology Holdings Limited	3638	1 for 2	(24.05)	(17.43)	2.00	N	N	33.33	(8.02)
20 November 2023	Cool Link (Holdings) Limited	8491	3 for 1	(28.70)	(9.50)	1.50	Y	N	75.00	(22.10)
21 November 2023	Gameone Holdings Limited	8282	1 for 2	6.80	4.50	3.00	Y	Y	33.33	0.00
24 November 2023	Lapco Holdings Limited	8472	3 for 1	(30.23)	(9.77)	2.50	N	N	75.00	(22.67)
1 December 2023	China Financial Leasing Group Limited	2312	1 for 1	(32.60)	(19.50)	1.00	Y	Y	50.00	(16.30)
5 December 2023	Finsoft Financial Investment Holdings Limited	8018	3 for 1	(28.16)	(8.92)	3.50	N	N	75.00	(21.12)
8 December 2023	Imperium Financial Group Limited	8029	1 for 2	(11.11)	(7.61)	2.00	N	N	33.33	(3.70)
14 December 2023	Major Holdings Limited	1389	2 for 3	(53.10)	N/A	3.00 for placing commission	N	Y	40.00	(21.24)
						Nil for Underwriting fee (as underwriter is a connected person)				
28 December 2023	Sun Kong Holdings Limited	8631	2 for 1	(34.78)	(15.49)	1.00	N	N	66.67	(23.49)
28 December 2023	Huasheng International Holding Limited	1323	1 for 2	(12.20)	(8.73)	3.00	N	N	33.33	(3.82)
28 December 2023	Elife Holdings Limited	233	1 for 5	3.53	2.92	2.50	Y	N	16.67	0.00
			Min	(57.98)	(47.92)	0.35			16.67	(23.49)
			Max	11.11	4.90	7.07			83.33	0.00
			Median	(24.05)	(9.64)	2.00			44.44	(11.10)
			Mean	(22.58)	(11.98)	2.23			48.48	(11.25)
	The Company		3 for 1	(25.17)	(7.56)	2.00	Y	N	75.00	(19.26)

LETTER FROM SORRENTO CAPITAL

Source: The Stock Exchange

Notes:

1. The potential maximum dilution effect of each rights issue is calculated as number of rights shares issued or to be issued under the basis of entitlement divided by the total number of shares as enlarged by the rights issue according to their respective basis of entitlements and assuming all rights shares have been/will be allotted and issued times 100%.
2. Being the cumulative (where applicable) theoretical dilution impact (as defined under Rule 7.27B of the Listing Rules or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange) as disclosed in the relevant announcements.
3. This company is excluded from analysis as the rights issue of which was terminated.

We noted from the above table that almost all of the Comparables had set the subscription price of their rights issue at a discount to the prevailing market price of the relevant shares before the relevant announcements in respect of the rights issue were made except four Comparables, being Tasty Concepts Holding Limited (stock code: 8096), Da Yu Financial Holdings Limited (stock code: 1073), Gameone Holdings Limited (stock code: 8282) and Elife Holdings Limited (stock code: 223). Therefore we consider it is a normal market practice for listed companies to set the subscription price of rights issue at a discount to the prevailing market price of the relevant shares so as to encourage the shareholders' participation.

The discount/premium represented by the subscription prices to/over the closing price of shares of the Comparables on their respective last trading days ranges from a discount of approximately 57.98% to a premium of approximately 11.11% with mean and median discount of approximately 22.58% and 24.05% respectively. The discount of approximately 25.17% of the Subscription Price over the closing price of the Shares on the Last Trading Day is comparable to the said mean and median of the Comparables.

The subscription prices of the Comparables represent a range from a discount of approximately 47.92% to a premium of approximately 4.90% relative to their respective theoretical ex-rights prices (which is calculated based on the recent market price of share, subscription price and entitlement per share) as disclosed in relevant announcements. The discount of approximately 7.56% of the Subscription Price to the theoretical ex-rights prices of the Shares on the Last Trading Day is within the range of the Comparables and below the mean and median.

LETTER FROM SORRENTO CAPITAL

Based on (i) the above analysis on the Subscription Price with reference to the Comparables; (ii) the liquidity in trading of the Shares was thin during the Price Review Period; (iii) it is common for the listed companies in Hong Kong to set the subscription price of rights issue at a discount to the market price of the listed shares in order to enhance the attractiveness of the rights issue transactions; (iv) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares; and (v) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market, we consider that the Subscription Price is on normal commercial term and fair and reasonable so far as the Independent Shareholders are concerned.

4.3 Application for Excess Rights Shares

As stated in the Letter from the Board, the Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of EAF, and the Excess Rights Shares represent (i) any Nil-paid Rights provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of Nil-paid Rights prior to the Latest Time for Acceptance; (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold; and (iii) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any). We have reviewed the Comparables, and noted that 12 out of 33 Comparables offer excess application to their shareholders. Furthermore, 24 out of 33 Comparables were not fully underwritten (either by underwriting or placement on best effort basis), among which six of them offer excess application to their shareholders. As such, we consider that the non-fully underwritten Rights Issue allowing application for excess Rights Shares is not uncommon in the market.

The allocation of the Excess Rights Shares (if any) will be on a fair and equitable basis on the following principles:

- (i) any Excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the Excess Rights Shares applied for;
- (ii) reference will only be made to the number of Excess Rights Shares being applied for but no reference will be made to the Rights Shares comprised in applications by the PALs or the existing number of Shares held by Qualifying Shareholders;

LETTER FROM SORRENTO CAPITAL

- (iii) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of Nil-paid Rights under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for Excess Rights Shares in full application; and
- (iv) no preference will be given to topping up odd lots to whole board lots.

In light that (i) the Rights Issue has already given the opportunity to all Qualifying Shareholders to maintain their proportionate interests in the Company should they so wish by applying for the Rights Shares in full and acquire additional nil-paid Rights Shares in the market; (ii) allocation of the Excess Rights Shares (if any) will be on a fair and equitable basis; and (iii) the Scale-down of subscription under the EAF to avoid the triggering of MGO Obligation and non-compliance of Public Float Requirement, we consider the availability of application for the Excess Rights Shares is fair and reasonable.

5. Underwriting commission

Pursuant to the Underwriting Agreement, the Company shall pay the Underwriter an underwriting commission (the “**Underwriting Commission**”) of 2.0% of the aggregate Subscription Price in respect of such number of the Rights Shares actually procured by the Underwriter for subscription pursuant to the Underwriting Agreement. As advised by the Company, the terms of the Underwriting Agreement (including the Underwriting Commission) were determined after arm’s length negotiation between the Company and the Underwriter by reference to the market practice.

As illustrated in table above, the underwriting/placing commission rate of the Comparables ranged from 0.35% to 7.07% (except those underwritten by connected persons). The Underwriting Commission falls within the range of the underwriting/placing commission rate of the Comparables and comparable to the mean and median. Accordingly, we consider that the Underwriting Commission is fair and reasonable.

We have also reviewed other major terms of the Underwriting Agreement, including but not limited to the conditions and termination clause of the Underwriting Agreement (details of which are set out in the Letter from the Board) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

6. Impact of the Petition on the Rights Issue

References are made to the Petition Announcements. On 24 July 2023, the Petition was presented by the Petitioner to the High Court for the winding-up of the Company under the provision of the Companies (WUMP) Ordinance. As stated in the announcement of the Company dated 31 August 2023, the Petitioner's revised alleged claim was HK\$5,503,616, which represent net amount of the outstanding principal of the bonds issued by the Company and the interest. In addition, it has come to the attention of the Company that a few alleged creditors of the Company have filed Notice of Intention to Appear on the Petition (the "**Alleged Creditors**"). While the Company has already instructed legal advisers to defense the Petition and to seek further information on the Alleged Creditors, the Company is also trying to negotiate with relevant parties.

As disclosed in the announcement of the Company dated 18 October 2023, the Company has instructed its legal team to apply for a validation order from the High Court and at the hearing thereof on 3 November 2023, the High Court granted the validation order to the effect that any transfer of the Company's fully paid up Shares on or after 24 July 2023, being the date of the Petition, shall not be void by virtue of the Petition under Section 182 of the Companies (WUMP) Ordinance. As disclosed in the announcement of the Company dated 4 December 2023, the hearing of the Petition has been further adjourned to Monday, 29 January 2024. According to the Letter from the Board, further validation order regarding the issuance and transfer of the Rights Shares and/or the Nil-paid Rights and the use or utilisation of the net proceeds of the Rights Issue has been made and the grant of which by the High Court under section 182 of the Companies (WUMP) Ordinance will be part of the conditions precedent to the Rights Issue in order to minimise the impact of the Petition on the Rights Issue.

7. Dilution effect of the Rights Issue on shareholding interests

All 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 proportionate 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 and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. As at the Latest Practicable Date, the existing public Shareholders (other than the Underwriter and Value Convergence Holdings Limited) held approximately 85.70% of the total issued share capital of the Company. Upon completion of the Rights Issue (assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders), the shareholding of such public Shareholders will be diluted to a maximum of approximately 21.43% (assuming no conversion of the Convertible Bonds and no exercise of the exercisable Share Options on or before the Record Date).

LETTER FROM SORRENTO CAPITAL

As set out in table above, the maximum dilution of the Comparables ranged from approximately 16.67% to approximately 83.33%. For the Non-Qualifying Shareholders and 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 75.00%, which falls within the range of the Comparables. As set out in the Letter from the Board, the theoretical dilution impact is approximately 19.26% and we also noted that cumulative (where applicable) theoretical dilution impact of the Comparables range from nil to approximately 23.49% with 12 out of 33 Comparables showing dilution impact over 15%. Hence, we consider that it is reasonable for the Rights Issue with such cumulative theoretical dilution impact.

In all cases of rights issue, the dilution on the shareholding of those qualifying shareholders who do not take up in full their provisional allotments under the rights issue is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise since the higher offering ratio of new shares to existing shares is, the greater the dilution on the shareholding would be.

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 Independent Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) shareholding dilution is inherent in rights issue in general; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in paragraph headed "8. Financial effects" below, 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, is justifiable.

8. Financial effects

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 be upon completion of the Rights Issue.

8.1 Net tangible assets

According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, had the Rights Issue been completed in full on 30 September 2023, the consolidated net tangible assets of the Group attributable to the Shareholders would have increased from an unaudited one of approximately RMB387.4 million to an unaudited pro forma adjusted one of approximately RMB594.9 million immediately after the completion of the Rights Issue.

8.2 Bank balances

Upon completion of the Rights Issue in full and before the utilization of net proceeds as intended by the Company, the bank balances of the Company is expected to increase by an amount equivalent to the net proceeds from the Rights Issue, which is estimated to be approximately HK\$247.5 million (assuming full conversion of the Convertible Bonds and all exercisable Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue) or approximately HK\$227 million (assuming full subscription under the Rights Issue, no conversion of the outstanding Convertible Bonds and no exercise of the exercisable Share Options and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date).

8.3 Gearing & Liquidity

The gearing ratio of the Company (calculated by dividing total borrowings (including bank and other borrowings and bonds payables) by total equity) was approximately 39.5% as at 31 March 2023 and approximately 50.3% as at 30 September 2023 respectively. Subject to the acceptance of the Rights Issue by the Shareholders and the results of the underwriting of the Underwritten Shares, a maximum of approximately HK\$227 million of the net proceeds from the Rights Issue is intended to be used to repay and discharge the Outstanding Indebtedness, the debt of the Company is expected to decrease as a result of the Rights Issue assuming the Rights Issue will be completed in full and the entire net proceeds will be applied as intended and no additional borrowings. Based on the above analysis, we are of the view that the Rights Issue would have a positive effect on the Group's net tangible assets, cash position and gearing. Nevertheless, as the Underwritten Shares are underwritten on best-effort basis, there is no guarantee that the Company would raise sufficient capital to settle and discharge the Outstanding Indebtedness in full and the Company will be released from the Petition and/or any claims made or to be made by the creditors of the Group (e.g. the Alleged Creditors).

As set out in the Circular, the Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including other internal resources, and the estimated net proceeds from the Rights Issue assuming full subscription, the Group will not have sufficient working capital for at least the next twelve months from the date of the Circular. The major factor leading to the insufficiency of working capital is that certain trade payables and bank and other borrowings of the Group will fall due within the next twelve months from the date of the Circular while the future operating cash inflow of the Group is insufficient to match the repayment schedule of borrowings and relevant interest payment and trade payables.

LETTER FROM SORRENTO CAPITAL

To address the working capital sufficiency issue, the Directors will devote its best effort to (i) negotiate to effectuate debt capitalisation to swap the Outstanding Indebtedness or such relevant part thereof into new Shares to be issued and allotted by the Company therefor so as to reduce the amount of the Outstanding Indebtedness as much as possible; and (ii) accelerate the demand and collection of the outstanding trade receivables of the Group. Taking into account the successful implementation of all the measures mentioned above, the Directors are of the view that the Group would have sufficient working capital for at least the next twelve months from the date of the Circular.

Furthermore, as set out in the Letter from the Board, in order to further enhance the Group's liquidity and financial position, the Group will (i) actively negotiate with the banks for extension/renewal of bank and other borrowings; (ii) contact the Company's creditors and/or their legal advisers for debt capitalisation; (iii) accelerate the demand and collection of the outstanding trade receivables of the Group; (iv) consider and evaluate the existing operation and business of the Group with a view to restructure and/or streamline the same; and (v) continue to seek external sources of funding including but not limited to by ways of placing of new shares/convertible bonds. For details, please refer to the Letter from the Board.

Although the Rights Issue is expected to have a positive effect on the Group's net tangible assets, cash position and gearing, the liquidity and financial position of the Group still depend on the success of various plans and measures as mentioned above which are subject to uncertainty on their timing and results.

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the opinion that the terms of the Rights Issue (including the Subscription Price and the potential dilution effect) are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the relevant resolution(s) proposed at the EGM thereby approving the Rights Issue. However, we do not envisage our role as to opine on, and our opinion herein does not in any manner address to or imply, whether Qualifying Shareholders should or should not accept the Rights Shares.

Yours faithfully,
For and on behalf of
Sorrento Capital Limited
Wesker Poon
Managing Director

Note: Mr. Wesker Poon is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than ten years of experience in corporate finance and investment banking. Mr. Poon has participated in and completed various advisory transactions (including fundraising activities of listed companies in Hong Kong).

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended 31 March 2021, 2022 and 2023 were disclosed in the annual reports of the Company for the years ended 31 March 2021 (pages 110 to 207), 2022 (pages 134 to 231) and 2023 (pages 151 to 254) and the interim report for the six months ended 30 September 2023 (pages 16 to 40) respectively. The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ibotech.hk). Please refer to the hyperlinks as stated below:

- Annual report for the year ended 31 March 2021
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0729/2021072901413.pdf>
- Annual report for the year ended 31 March 2022
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072801394.pdf>
- Annual report for the year ended 31 March 2023
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0728/2023072801485.pdf>
- Interim report for the six months ended 30 September 2023
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1227/2023122701066.pdf>

2. INDEBTEDNESS OF THE GROUP

Bank and other borrowings

At the close of business on 30 November 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had bank and other borrowings with an aggregate carrying amount of approximately RMB124 million, details of which are set out as follows:

	As at 30 November 2023 <i>Approximately RMB'000</i>
Secured bank borrowings	50,000
Unsecured bank borrowings	43,000
Unsecured other borrowings	24,000
Secured margin account payable	<u>7,000</u>
	<u><u>124,000</u></u>

At the close of business on 30 November 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, as security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of approximately RMB20,520,000, trade receivables with carrying amount of approximately RMB126 million and the Group's equity interest in Shenzhen IBO Communication Company limited* (深圳市艾伯通信有限公司) have been pledged to the banks.

At the close of business on 30 November 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group's listed securities with an aggregate carrying amount of approximately RMB34 million were pledged by the Group to secure margin account payables.

Lease liabilities

The Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date, and uses the incremental borrowing rate in calculating the present value of lease payments. At the close of business on 30 November 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had lease liabilities amounting to approximately RMB6 million.

Bonds payables

At the close of business on 30 November 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had bonds payables amounting to approximately RMB119 million.

Convertible Bonds

At the close of business on 30 November 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had Convertible Bonds amounting to approximately RMB3 million.

Disclaimers

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at the close of business on 30 November 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

* For identification purposes only

3. WORKING CAPITAL STATEMENT

As disclosed in the interim report of the Company for the six months ended 30 September 2023, the Group had current liabilities and net current assets of approximately RMB1,136.5 million and RMB214.6 million while its bank balances and cash amounted to approximately RMB0.8 million. On 24 July 2023, a winding-up petition (the “**Petition**”) was filed by a bondholder (the “**Petitioner**”) with the High Court for the winding-up of the Company under the provision of the Companies (WUMP) Ordinance. Details of the Petition are set out in the section headed “**WINDING-UP PETITION**”. In view of the Petition, the holders of the remaining non-convertible bonds (with the aggregate principal amount of approximately HK\$113.6 million with the maturity dates from April 2022 to August 2024) issued by the Company allege that the Petition triggers a cross-default of the Company on the non-convertible bonds held by them. The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including other internal resources, and the estimated net proceeds from the Rights Issue assuming full subscription, the Group will not have sufficient working capital for at least the next twelve months from the date of this circular.

The major factor leading to the insufficiency of working capital is that certain trade payables and bank and other borrowings of the Group will fall due within the next twelve months from the date of this circular while the future operating cash inflow of the Group is insufficient to match the repayment schedule of borrowings and relevant interest payment and trade payables.

To address the working capital sufficiency issue, the Directors will (i) devote its best effort to negotiate to effectuate debt capitalisation to swap the Outstanding Indebtedness or such relevant part thereof into new Shares to be issued and allotted by the Company therefor so as to reduce the amount of the Outstanding Indebtedness as much as possible; and (ii) devote its best effort to accelerate the demand and collection of the outstanding trade receivables of the Group.

Taking into account the successful implementation of all the measures mentioned above, the Directors are of the view that the Group would have sufficient working capital for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed above and in the Petition Announcements, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023, 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.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a National High and New Technology Enterprise (國家高新技術企業) that focuses on providing 5G communication equipment and private network solutions, Information Technology Application Innovation (“ITAI”) Information Technology (“IT”) terminal products and industry solutions, internet of things (“IoT”) products and solutions, as well as industrial digital solutions in the PRC. Classified by form of product/service, the business of the Group can be divided into four types, namely (i) intelligent terminal products sales; (ii) system integration; (iii) software development; and (iv) system maintenance services. The customers of the Group are from both the public and private sectors in the PRC, such as the PRC governmental authorities, large-scale state-owned enterprises and private enterprises.

The Group has suffered multiple setbacks, such as the sluggish external business environment and the Petition. However, the management has formulated various strategic initiatives, aiming to overcome these challenges. To optimise the operation and forge ahead with perseverance and resilience, the Group will adopt a raft of measures for business restructuring, such as termination of underperformed businesses and allocation of resources to those with bright prospects, for improving operational efficiency and profitability.

The electronic cigarette market will be one of the Group’s core focuses in the future. With the continuous tightening of global smoking control policies, the acceptance of electronic atomisation terminals is constantly increasing. At the same time, the industry is benefiting from the maturing product technology and the increasing investment by industry giants, new types of tobacco products represented by electronic atomisation terminals, will have unlimited growth potential in the future. The Group plans to formally tape into the airflow sensing chip market in the PRC by investing in Hangzhou Yixin Microtech Co., Ltd.* (杭州一芯微科技有限公司) (“**Hangzhou Yixin**”) and Shandong Xingang Electronic Science and Technology Co., Ltd.* (山東新港電子科技有限公司) with an aim to proactively capture the market opportunities arising from the rapid development of the electronic cigarette market. By leveraging on the significant growth potential of Hangzhou Yixin and Shandong Xingang Electronic Science and Technology Co., Ltd.* (山東新港電子科技有限公司) in their respective business areas, the Group expects to concentrate resources to address the strong demand of electronic cigarette market in the PRC, thereby contributing steady revenue to the Group.

* For identification purposes only

Despite the headwinds, the Group believes that business will be back on track subsequent to the conclusion of the Petition and business reorganisation. On 28 November 2023, the Company entered into an underwriting agreement with VC Brokerage Limited for a rights issue on the basis of three (3) rights shares for every one (1) existing share at the proposed subscription price of HK\$0.11 per rights share. The estimated net proceeds from the Rights Issue will be not more than approximately HK\$247.5 million and the Company will apply the proceeds for repayment of outstanding debts and general working capital of the Group. The Company is considering and evaluating the existing operation and business of the Group with a view to restructure and/or streamline the same so as to further improve the financial position of the Group. As at the Latest Practicable Date, this plan is under negotiation. In addition, upon initial negotiations, the Group's determination to reorganize its business has received strong support from its shareholders. The Group remains optimistic about its future business development. At the same time, it will continue to take prudent measures to further develop its existing business while strengthening its foundation so as to maintain its profitability and market competitiveness.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's net tangible assets concerned.

**A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE
ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the "Unaudited Pro Forma Financial Information") has been prepared by the directors of the Company ("Directors") in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 30 September 2023.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 September 2023, as extracted from the published interim report of the Group for the six months ended 30 September 2023, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and based on the judgements, estimates and assumptions of the Directors, and because of the hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at the date to which it is made up or at any future date.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 RMB'000 (Note 1)	Estimated net proceeds from the Rights Issue RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company as at 30 September 2023 RMB (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company after completion of the Rights Issue RMB (Note 4)
Based on 2,125,400,319 Rights Issue Shares to be issued at a Subscription Price of HK\$0.11 per Rights Issue Share		<u>387,420</u>	<u>207,466</u>	<u>594,886</u>	<u>0.547</u>	<u>0.210</u>

Based on 2,125,400,319 Rights
Issue Shares to be issued at a
Subscription Price of HK\$0.11
per Rights Issue Share

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 of RMB387,420,000 is based on the unaudited consolidated net assets attributable to owners of RMB436,185,000 excluding intangible assets and goodwill of approximately RMB28,733,000 and RMB20,032,000 respectively as shown on the unaudited consolidated statement of financial position of the Group as at 30 September 2023 as extracted from the published unaudited interim report of the Company for the six months ended 30 September 2023.
2. The estimated net proceeds from the Rights Issue are based on 2,125,400,319 Rights Issue Shares to be issued at the Subscription Price of HK\$0.11 each per Rights Issue Share, after deduction of the related expenses including the underwriting commission, financial advisory fee, printing, translation, registration, legal, accounting, levy, and documentation charges. The estimated net proceeds are approximately HK\$227,134,000 (equivalent to approximately RMB207,466,000).
3. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 September 2023 before the completion of the Rights Issue was RMB0.547, which was based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 of RMB387,420,000 as set out in the note 1 above, divided by 708,466,773 shares in issue as at 30 September 2023.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 30 September 2023 immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue of approximately RMB594,886,000, divided by 2,833,867,092 Shares which comprises:
 - (i) 708,466,773 Shares in issue as at 30 September 2023; and
 - (ii) 2,125,400,319 Rights Shares to be issued, without taking into account any shares which may be issued pursuant to the convertible bonds, share option scheme or general mandate, or any shares which may be repurchased pursuant to the general mandate.
5. No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 September 2023.

**B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP****INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of IBO Technology Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of IBO Technology Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted net tangible assets of the Group attributable to the owner of the Company as at 30 September 2023 and notes as set out in Appendix II to the circular issued by the Company dated 5 January 2024 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of three (3) Rights Issue Share for every one (1) Existing Shares held on the Record Date at the Subscription Price of HK\$0.11 per Rights Issue Share (the “**Rights Issue**”) on the Group’s net tangible assets as at 30 September 2023 as if the Rights Issue had taken place at 30 September 2023. As part of this process, information about the Group’s unaudited consolidated net tangible assets of the Group attributable to the owners of the Company has been extracted by the Directors from the Group’s unaudited consolidated statement of financial position as at 30 September 2023, on which an interim report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 (“**AG 7**”) “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**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 behavior.

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 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the 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 have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the 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 the Circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been 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 transaction, and to obtain sufficient appropriate evidence about whether:

- the related 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 accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the 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 on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Chow Yiu Wah, Joseph
Practising Certificate Number: P04686
Hong Kong, 5 January 2024

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued and fully paid share capital of the Company (a) as at the Latest Practicable Date; (b) immediately following the completion of the Increase in Authorised Share Capital; (c) immediately following the completion of the Increase in Authorised Share Capital and after completion of the Rights Issue (assuming full subscription under the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue); and (d) immediately following the completion of the Increase in Authorised Share Capital and after completion of the Rights Issue (assuming new Shares are allotted and issued on or before the Record Date upon full exercise/conversion of all the exercisable Share Options/Convertible Bonds and full subscription under the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue) are set out as follows:

(a) As at the Latest Practicable Date:

<i>Authorised:</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares of HK\$0.01 each	<u>10,000,000</u>
<i>Issued and fully paid up:</i>	
<u>708,466,773</u> Shares of HK\$0.01 each	<u>7,084,667.73</u>

(b) Immediately following the completion of the Increase in Authorised Share Capital:

<i>Authorised:</i>	<i>HK\$</i>
1,000,000,000 Shares of HK\$0.01 each	10,000,000
<u>9,000,000,000</u> Shares of HK\$0.01 each	<u>90,000,000</u>
<u>10,000,000,000</u>	<u>100,000,000</u>
<i>Issued and fully paid up:</i>	
<u>708,466,773</u> Shares of HK\$0.01 each	<u>7,084,667.73</u>

- (c) **Immediately following the completion of the Increase in Authorised Share Capital and after completion of the Rights Issue (assuming full subscription under the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue):**

<i>Authorised:</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued and fully paid up:</i>	
708,466,773 Shares of HK\$0.01 each	7,084,667.73
<u>2,125,400,319</u> Rights Shares to be allotted and issued	<u>21,254,003.19</u>
<u>2,833,867,092</u> Total	<u>28,338,670.92</u>

- (d) **Immediately following the completion of the Increase in Authorised Share Capital and after completion of the Rights Issue (assuming new Shares are allotted and issued on or before the Record Date upon full exercise/conversion of all the exercisable Share Options/Convertible Bonds and full subscription under the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue):**

<i>Authorised:</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued and fully paid up:</i>	
708,466,773 Shares of HK\$0.01 each	7,084,667.73
1,800,000 Shares to be allotted and issued upon full conversion of the Convertible Bonds	18,000.00
60,937,893 Shares to be allotted and issued upon full exercise of all the exercisable Share Options	609,378.93
<u>2,313,613,998</u> Rights Shares to be allotted and issued	<u>23,136,139.98</u>
<u>3,084,818,664</u> Total	<u>30,848,186.64</u>

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares will, when allotted, issued and fully paid, rank *pari passu* in all respects with the Shares then in issue, including the right to receive future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares in their fully-paid form.

Neither part of the share capital nor 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. Save as disclosed below, the Company has no other outstanding convertible securities, options or warrants, which confer any right to subscribe for or convert or exchange into the Shares.

As at the Latest Practicable Date, there are (i) outstanding Convertible Bonds in the principal amount of HK\$2,772,000 which are convertible into 1,800,000 new Shares; and (ii) 62,577,893 outstanding Share Options, of which 60,937,893 Share Options are exercisable which entitle the holders thereof to subscribe for an aggregate of 60,937,893 new Shares under the Share Option Scheme, details of which are set out below:

Name of category of participant	Date of grant	Vesting period	Exercisable period	Exercise price per Share (HK\$)	Number of outstanding Share Options
Executive Director Mr. Liang	16 July 2021	vested immediately on the date of grant	16 July 2021-15 July 2024	3.652	1,647,789
Mr. Liang	16 July 2021	16 July 2021-15 July 2022	16 July 2022-15 July 2024	3.652	1,647,789
Mr. Liang	16 July 2021	16 July 2021-15 July 2023	16 July 2023-15 July 2024	3.652	2,197,053
Consulting firm Chatwin Capital Services Limited	16 July 2021	vested immediately on the date of grant	16 July 2021-15 July 2024	3.652	1,647,789
Chatwin Capital Services Limited	16 July 2021	16 July 2021-15 July 2022	16 July 2022-15 July 2024	3.652	1,647,789
Chatwin Capital Services Limited	16 July 2021	16 July 2021-15 July 2023	16 July 2023-15 July 2024	3.652	2,197,053
Employees	16 July 2021	vested immediately on the date of grant	16 July 2021-15 July 2024	3.652	6,147,789
Employees	16 July 2021	16 July 2021-15 July 2022	16 July 2022-15 July 2024	3.652	6,147,789
Employees	16 July 2021	16 July 2021-15 July 2023	16 July 2023-15 July 2024	3.652	8,197,053
Employees	20 August 2021	20 August 2021-19 August 2022	20 August 2022-19 August 2025	3.354	1,230,000

Name of category of participant	Date of grant	Vesting period	Exercisable period	Exercise price per Share (HK\$)	Number of outstanding Share Options
Employees	20 August 2021	20 August 2021-19 August 2023	20 August 2023-19 August 2025	3.354	1,230,000
Employees	20 August 2021	20 August 2021-19 August 2024	20 August 2024-19 August 2025	3.354	1,640,000
Employees	28 October 2022	vested immediately on the date of grant	28 October 2022-27 October 2024	2.2	27,000,000
					62,577,893

As at the Latest Practicable Date, the total remaining number of Shares that can be granted under the scheme mandate of the Share Option Scheme is 1,052,314 Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Directors/ chief executive	Capacity/Nature of interests	Number of Shares held/ interested in	Underlying Shares (under equity derivatives of the Company)	Percentage of shareholding/ interests (Note 1)
Mr. Lai	Interest of controlled corporation and beneficial owner	43,360,000 (Note 2)	–	6.12%
Mr. Liang	Beneficial owner	–	5,492,631 (Note 4)	0.78%
Mr. Zhong (Note 3)	Beneficial owner	3,980,000	–	0.56%

Notes:

- The percentage of shareholding is calculated based on 708,466,773 Shares in issue as at the Latest Practicable Date.

2. Out of the 43,360,000 Shares, 430,000 Shares are wholly and beneficially owned by Mr. Lai, and the remaining 42,930,000 Shares are wholly and beneficially owned by Shine Well. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai.
3. Mr. Zhong is a co-chief executive officer of the Company.
4. These represent share options granted to Mr. Liang under the Share Option Scheme. Details of the share options granted and outstanding as at the Latest Practicable Date were:

Name of grantees	Date of grant of share options	Outstanding as at Latest Practicable Date	Vesting period of share options	Exercisable period of shares options	Exercise price per Share HK\$
Mr. Liang	16 July 2021	1,647,789	Vested immediately on the date of grant	16 July 2021 to 15 July 2024	3.652
Mr. Liang	16 July 2021	1,647,789	16 July 2021 to 15 July 2022	16 July 2022 to 15 July 2024	3.652
Mr. Liang	16 July 2021	2,197,053	16 July 2021 to 15 July 2023	16 July 2023 to 15 July 2024	3.652

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had, or was deemed to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position 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.

(b) Other persons

As at the Latest Practicable Date, as far as known to the Directors or chief executives of the Company, the following persons (other than Directors or chief executives of the Company) had the interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/ interested in	Percentage of shareholding (Note 1)
Mr. Xiong Shaoming (熊少明) ("Mr. Xiong")	Beneficial owner and interests of controlled corporation	62,712,000 (Note 2)	8.85%
Ms. Han Xiao (韓笑) ("Ms. Han") (Note 3)	Interests of spouse	62,712,000	8.85%
Value Convergence Holdings Limited (Note 4)	Beneficial owner and interests of controlled corporation	53,982,000 (Note 5)	7.62%
Ms. Ho Fung Lin ("Ms. Ho") (Note 6)	Interests of spouse	43,360,000	6.12%
Shine Well (Note 6)	Beneficial owner	42,930,000	6.06%

Notes:

- The percentage of shareholding is calculated based on 708,466,773 Shares in issue as at the Latest Practicable Date.
- Out of the 62,712,000 Shares, 52,712,000 Shares are wholly and beneficially owned by Mr. Xiong, and the remaining 10,000,000 Shares are wholly and beneficially owned by Andy Xiong Holding Limited, a company incorporated in the British Virgin Islands with limited liability. As the issued share capital of Andy Xiong Holding Limited is wholly and beneficially owned by Mr. Xiong, Mr. Xiong is deemed to be interested in the Shares held by Andy Xiong Holding Limited for the purpose of the SFO.
- Ms. Han is the spouse of Mr. Xiong and is therefore deemed to be interested in the Shares in which Mr. Xiong is interested for the purpose of the SFO.
- Value Convergence Holdings Limited is a company incorporated in Hong Kong with limited liability and listed on the Main Board (Stock code: 0821).

5. Out of the 53,982,000 Shares, 53,560,000 Shares are wholly and beneficially owned by Value Convergence Holdings Limited, and the remaining 422,000 Shares are wholly and beneficially owned by VC Brokerage Limited. VC Brokerage Limited is a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by VC Financial Group Limited (a company incorporated in the British Virgin Islands with limited liability), while VC Financial Group Limited is wholly and beneficially owned by Value Convergence Holdings Limited. Value Convergence Holdings Limited is therefore deemed to be interested in the Shares held by VC Brokerage Limited for the purpose of the SFO.
6. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai. Mr. Lai is therefore deemed to be interested in the Shares held by Shine Well pursuant to the SFO. Ms. Ho is the spouse of Mr. Lai, and thus she is deemed to be interested in the Shares in which Mr. Lai is interested for the purpose of the SFO.

Save as disclosed above, and as at the Latest Practicable Date, the Directors were not aware of any persons (other than the Directors and chief executives of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS

(a) Competing interests

As at the Latest Practicable Date, none of the Directors or the controlling Shareholder and their respective close associates had any interests 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.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

(c) **Interests in contracts or arrangements**

As at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

(d) **Service contracts**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

5. LITIGATION

Save as disclosed in the section headed “Letter from the Board – WINDING-UP PETITION” in this circular and in the Petition Announcements, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

Save for the following, there were no material contracts (not being contract(s) entered into in the ordinary course of business) which had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the fifth supplemental subscription agreement to the subscription agreement dated 17 February 2019 (the “**Connected Subscription Agreement**”) in relation to the subscription of a total of 100,000,000 new Shares by Shine Well pursuant to the Connected Subscription Agreement dated 30 December 2021 entered into between the Company and Shine Well, pursuant to which the Company and Shine Well mutually agreed to further extend the completion of the second stage subscription to 31 January 2022;
- (b) the sixth supplemental subscription agreement to the Connected Subscription Agreement dated 31 January 2022 entered into between the Company and Shine Well in relation to the further extension of the completion of the second stage subscription to 31 March 2022;

- (c) the conditional placing agreement dated 3 March 2022 (the “**2022 Placing Agreement**”) entered into between the Company and the placing agent in relation to the placing of up to 72,000,000 Shares at the placing price of HK\$3.00 per placing share to selected investors on the terms and subject to the conditions set out in the 2022 Placing Agreement;
- (d) the termination agreement dated 25 March 2022 entered into between the Company and the placing agent in respect of terminating the 2022 Placing Agreement and the relevant placing;
- (e) the seventh supplemental subscription agreement to the Connected Subscription Agreement dated 31 March 2022 entered into between the Company and Shine Well in relation to the further extension of the completion of the second stage subscription to 30 April 2022;
- (f) the sale and purchase agreement dated 21 April 2022 (the “**Time Lead Sale and Purchase Agreement**”) entered into among Successful Joy, Skill Time Developments Limited, Time Lead Enterprises Limited, SDXC Top Technology (Shenzhen) Corporation Limited* (深圳市時代信創新技術有限公司), SDXC Top Technology (Hainan) Corporation Limited* (海南時代信創新技術有限公司), Mr. Liao Zhengji (廖政輯), Mr. Wu Jiachang (吳嘉昌) and Ms. Wu Yixuan (吳怡萱)(collectively, the “**Time Lead Parties**”) in respect of the acquisition of 16.67% of issued share capital of Time Lead Enterprises Limited at the aggregate of a consideration and performance bonuses of up to RMB100,000,000 pursuant to the Time Lead Sale and Purchase Agreement;
- (g) the supplemental agreement to the Time Lead Sale and Purchase Agreement dated 17 May 2022 (the “**First Time Lead Supplemental Agreement**”) entered into among the Time Lead Parties in relation to the amendments of certain terms and conditions as set out in the Time Lead Sale and Purchase Agreement;
- (h) the second supplemental agreement to the Time Lead Sale and Purchase Agreement (as revised and supplemented by the First Time Lead Supplemental Agreement) dated 30 September 2022 (the “**Second Time Lead Supplemental Agreement**”) entered into among the Time Lead Parties in relation to the amendments of certain terms and conditions as set out in the Time Lead Sale and Purchase Agreement (as revised and supplemented by the First Time Lead Supplemental Agreement);
- (i) the initial project investment agreement dated 30 September 2022 and the supplemental project investment agreement dated 30 September 2022 entered into among IBO Holdings, IBO IT Application Innovation and Fucheng District People’s Government in relation to the agreement of the details of the co-operation of the IBO Technology Intelligent Manufacturing Industrial Park Project* (艾伯科技智能製造產業園項目);

* For identification purposes only

- (j) the joint venture investment agreement dated 30 September 2022 (the “**JV Investment Agreement**”) entered into among IBO Holdings, IBO IT Application Innovation and Sichuan Fuchuang Development Group Limited* (四川涪創發展集團有限公司)(“**Fuchuang Development**”) in relation to the arrangements for the establishment of a project company to be incorporated in Fucheng District;
- (k) the supplemental agreement to the JV Investment Agreement dated 19 October 2022 entered into among IBO Holdings, IBO IT Application Innovation, Fuchuang Development, Mianyang IBO Intelligence Company Limited* (綿陽艾伯智能有限公司)(“**IBO Intelligence**”) and Mianyang Zhigu Enterprise Incubation Management Co., Ltd.* (綿陽智谷企業孵化管理有限公司)(“**Mianyang Zhigu**”), pursuant to which the parties thereto agreed to amend the terms of the JV Investment Agreement;
- (l) the third supplemental agreement to the Time Lead Sale and Purchase Agreement (as revised and supplemented by the First Time Lead Supplemental Agreement and the Second Time Lead Supplemental Agreement) dated 31 October 2022 (the “**Third Time Lead Supplemental Agreement**”) entered into among the Time Lead Parties, pursuant to which, among others, the definition of the long stop date is amended as 30 December 2022;
- (m) the conditional placing agreement dated 7 March 2023 (the “**2023 First Placing Agreement**”) entered into between the Company and the placing agent in relation to the placing, on a best effort basis, of up to 53,332,000 Shares at the placing price of HK\$1.50 per placing share pursuant to the terms of the 2023 First Placing Agreement (the “**2023 First Placing**”);
- (n) the addendum to the 2023 First Placing Agreement dated 16 March 2023 (the “**First Addendum**”) entered into between the Company and the placing agent in relation to the extension of the placing period and the closing date of the 2023 First Placing;
- (o) the conditional placing agreement dated 28 March 2023 (the “**CB Placing Agreement**”) entered into between the Company and the placing agent in relation to the placing of convertible bonds in the aggregate principal amount of up to HK\$92,400,000 at the initial conversion price of HK\$1.54 per conversion share on a best effort basis by the placing agent pursuant to the CB Placing Agreement (the “**CB Placing**”);

* For identification purposes only

- (p) the further addendum to the 2023 First Placing Agreement (as revised and supplemented by the First Addendum) dated 31 March 2023 (the “**Further Addendum**”) entered into between the Company and the placing agent in relation to the further extension of the placing period and the closing date of the 2023 First Placing;
- (q) the termination agreement dated 19 April 2023 entered into between the Company and the placing agent in relation to the termination of the 2023 First Placing Agreement (as revised and supplemented by the First Addendum and the Further Addendum) and the 2023 First Placing;
- (r) the conditional placing agreement dated 19 June 2023 (the “**2023 Second Placing Agreement**”) entered into between the Company and the placing agent in relation to the placing, on a best effort basis, of up to 30,000,000 Shares at the placing price of HK\$1.14 per Share pursuant to the terms of the 2023 Second Placing Agreement;
- (s) the supplemental placing agreement to the 2023 Second Placing Agreement dated 3 July 2023 entered into between the Company and the placing agent, pursuant to which (i) the Company and the placing agent agreed that the number of placing shares to be placed out by the placing agent be reduced from 30,000,000 Shares to 8,148,000 Shares; and (ii) the deadline of the completion of the 2023 Second Placing Agreement was extended to no later than 10 July 2023;
- (t) the conditional placing agreement dated 12 September 2023 (the “**2023 Third Placing Agreement**”) entered into between the Company and the placing agent in relation to the placing, on a best effort basis, of up to 85,000,000 Shares at the placing price of HK\$0.1442 per Share pursuant to the terms of the 2023 Third Placing Agreement;
- (u) the supplemental placing agreement to the 2023 Third Placing Agreement dated 26 September 2023 entered into between the Company and the placing agent, pursuant to which the deadline of completion of the 2023 Third Placing Agreement was extended to no later than 20 October 2023; and
- (v) the Underwriting Agreement.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
KTC Partners CPA Limited	Certified Public Accountants
Sorrento Capital	a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of KTC Partners CPA Limited and Sorrento Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

Each of KTC Partners CPA Limited and Sorrento Capital confirmed that as at the Latest Practicable Date:

- a) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- b) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2023, being the date to which the latest published audited accounts of the Company were made up.

8. EXPENSES

The expenses in relation to the Rights Issue (including the underwriting commission, financial advisory fee, printing, translation, registration, legal, accounting, levy, and documentation charges) payable by the Company are estimated to be approximately HK\$7 million, subject to the final subscription.

9. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Room 1623, 16th Floor, Argyle Centre Phase 1, 688 Nathan Road, Mong Kok, Kowloon, Hong Kong
Authorised representatives	Mr. Li Yang Mr. Zhang Yaoliang
Company secretary	Mr. Pang Chun Yip (<i>Member of HKICPA</i>)
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal banks	China Construction Bank Corporation Floor 1, Yinli Plaza, 1005 Hongling Zhong Road, Futian District, Shenzhen, Guangdong Province, the PRC Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

Legal adviser to the Company as to the Rights Issue	WT Law Offices Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road Central, Central, Hong Kong
Legal adviser to the Company as to Cayman Islands Law	Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Auditor	KTC Partners CPA Limited 1305-07, 13/F New East Ocean Centre 9 Science Museum Road Tsim Sha Tsui East Kowloon, Hong Kong
Financial adviser to the Company	VC Capital Limited 7/F, Centre Point 181-185 Gloucester Road Wanchai, Hong Kong
Independent Financial Adviser	Sorrento Capital Limited Rm 1208, 12/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong
Underwriter	VC Brokerage Limited 6/F, Centre Point 181-185 Gloucester Road Wanchai, Hong Kong

10. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Profiles of the Directors and senior management

Executive Directors

Mr. Lai Tse Ming (黎子明先生) (“**Mr. Lai**”), aged 60, is the founder of the Group, the chairman of the Board and the nomination committee of the Company (the “**Nomination Committee**”), an executive Director and the director of the Investment Decision-making Committee. Mr. Lai is the father of Mr. Lai Kam Man, who is a member of the senior management of the Company, the assistant to the chairman of the Board, and the deputy general manager of the Corporate Development Department. He is responsible for the overall strategic planning and corporate policies, as well as overseeing the operations of the Group. Mr. Lai is the chairman of Abacus International Group Company Limited. He is also a director of each of the Company’s subsidiaries (excluding IBO Shenzhen Digital Limited* (深圳市艾伯數字有限公司), each member of Weitu Group, IBO Intelligent (Shenzhen) Limited* (艾伯智能(深圳)有限公司), IBO Shenzhen Industrial Limited* (深圳市艾伯實業有限公司), IBO Shenzhen Information Technology Limited* (深圳市艾伯信息科技有限公司), Shenzhen IBO Communication Company Limited* (深圳市艾伯通信有限公司), Inner Mongolia Haoniue E-commerce Digital Technology Co., Ltd.* (內蒙古好牛易購數字科技有限公司), IBO Shenzhen Electronics Limited* (深圳市艾伯電子有限公司) and Shenzhen IBO Holdings Company Limited* (深圳市艾伯控股有限公司)). Mr. Lai has approximately 23 years of experience in the industry of information technology. Before founding the Group, Mr. Lai has also been the founder and chairman of Gee Fung Group Company Limited (principally engaged in general trade) since 1995. Mr. Lai received a diploma in special zone economics (特區經濟學) from Jinan University (暨南大學) in 1988.

Mr. Liang Jun (梁軍先生) (“**Mr. Liang**”), aged 56, is the deputy chairman and an executive Director. He is primarily responsible for the matters relating to corporate strategy and overall development of the Group. He joined the Group in June 2020. He has over 30 years of experience in business development in the PRC. Prior to joining the Group, his major work experience included acting as an executive director and the chairman of Asia Energy Logistics Group Limited (formerly known as China Sciences Conservational Power Limited (Stock code: 351), a company listed on the Main Board of the Stock Exchange), from June 2006 to February 2020 and from April 2007 to January 2010 respectively. He obtained a Bachelor’s Degree in Telecommunication Engineering from Tongji University.

* For identification purposes only

Mr. Li Yang (李陽先生) (“**Mr. Li**”), aged 51, is the deputy chairman and an executive Director. He is mainly responsible for corporate strategies and general management. Mr. Li joined the Group in March 2023. He obtained a diploma from Shenzhen University in 1992 and a Master of Business Administration from Shenzhen Economic and Management Institute in 2000. Mr. Li also completed a Master’s degree programme in 2001 at the Graduate School of Chinese Academy of Social Sciences, majoring in World Economics. Mr. Li has over 20 years of experience in investment activities and business management. He has held directorships in several companies listed on the Stock Exchange and a public company listed on the stock market of the PRC. Mr. Li is currently an executive director, the chairman of the board of the directors, the chairman of the nomination committee, the chairman of the corporate governance committee, a member of the remuneration committee and an authorised representative of Virtual Mind Holding Company Limited (Stock code: 1520.HK) since January 2022. Mr. Li is also currently an independent non-executive director, a member of the audit committee, remuneration committee and nomination committee of HG Semiconductor Limited (Stock code: 6908.HK) since April 2022. From September 2014 to June 2018, Mr. Li acted as the deputy chairman and an executive director of China Best Group Holding Limited (Stock code: 370.HK). From June 2015 to September 2016, he acted as the chairman and a director of Guanghe Landscape Culture Communication Co., Ltd., Shanxi* (山西廣和山水文化傳播股份有限公司), shares of which are listed on the Shanghai Stock Exchange (Stock code: 600234.SS). From February 2017 to December 2018, he also served as an independent non-executive director of Sino Haijing Holdings Limited (Stock code: 1106.HK), the listing of which was cancelled on 2 November 2021 under Rule 6.01A of the Listing Rules. From November 2018 to December 2020, he acted as the deputy chairman and an executive director of Leyou Technologies Holdings Limited (Stock code: 1089.HK). Such company was privatized by way of a scheme of arrangement under the Companies Law of its place of incorporation and its listing was withdrawn on 24 December 2020. From August 2020 to February 2021, he also acted as an executive director of CT Environmental Group Limited (Stock code: 1363.HK), the listing of which was cancelled on 10 September 2021 under Rule 6.01A of the Listing Rules. For further information of the above companies, please refer to their respective public disclosures. Mr. Li has held various senior management positions in a number of capital investment and entity enterprises, and has extensive industry experience in internet, information technology and other businesses.

* For identification purposes only

Mr. Zhang Yaoliang (張耀亮先生) (“**Mr. Zhang**”), aged 40, is an executive Director. He is mainly responsible for the reorganization of the Group’s business. He graduated from Changchun Taxation College with a bachelor’s degree in finance in July 2005. Mr. Zhang is currently and has been the vice president and general manager of the finance and investment and financing department of Shenzhen BGI Marine Sci & Tech Co., Ltd.* (深圳華大海洋科技有限公司) since November 2017. From July 2005 to August 2007, Mr. Zhang served as the tax specialist of Great Wall International System Technology (Shenzhen) Company Limited* (長城國際系統科技(深圳)有限公司). From September 2007 to September 2008, Mr. Zhang served as a senior tax consultant of Shenzhen BDO Dahua Tax Ltd* (深圳市德豪大華稅務師事務所). From March 2009 to March 2011, Mr. Zhang served as the tax supervisor of Bo’er Yatai (Shenzhen) Metal Rongqi Company Limited* (波爾亞太(深圳)金屬容器有限公司). From April 2011 to July 2015, Mr. Zhang served as the finance manager of the headquarters of BGI Genomics (華大基因總部) and the assistant to the group chief financial officer. From August 2015 to October 2017, Mr. Zhang served as the chief financial officer of BGI Genomics Agriculture Co., Ltd.* (深圳華大基因農業有限公司). Mr. Zhang has engaged in financial taxation field for 18 years, from basic financial taxation to comprehensive financial taxation, investment and financing management, from financial position to corporate operation and management, and has accumulated extensive experience in financial accounting, financial analysis, corporate risk control and capital operation.

Independent non-executive Directors

Mr. Hung Muk Ming (洪木明先生) (“**Mr. Hung**”), aged 58, is the independent non-executive Director and the chairman of the audit committee of the Board (the “**Audit Committee**”). He was appointed as an independent non-executive Director on 6 December 2017. Mr. Hung has extensive experience in auditing, finance and accounting. Since February 2017, Mr. Hung has been a director of Hua Guan New Materials Company Limited* (華冠新型材料股份有限公司), a subsidiary of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), and is a company engaging in steel production. From February 2005 to February 2017, Mr. Hung was the group financial controller of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. Hung was the group financial controller of Hoi Meng Group* (開明集團). From July 2001 to September 2002, Mr. Hung worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. Hung was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. Hung was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. Hung is currently an independent non-executive director and chairman of the audit committee of Silver Grant International Holdings Group Limited (formerly known as Silver Grant International Industries Limited (Stock code: 171)), a company listed on the Stock Exchange, and an independent non-executive director and chairman of the remuneration committee of CA Cultural Technology Group Limited (formerly known as China Animation Characters Company Limited (Stock code:

* For identification purposes only

1566)), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. Hung was the independent non-executive director and chairman of the audit committee of E&P Global Holdings Limited (formerly known as Rontex International Holdings Ltd.) (Stock code: 1142), a company listed on the Stock Exchange. From June 2014 to September 2021, Mr. Hung was an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Limited (Stock code: 1450), a company listed on the Stock Exchange. From December 2008 to December 2022, Mr. Hung was an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange. Mr. Hung received a bachelor's degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. Hung obtained a master's degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. Hung has been a Certified Tax Adviser from July 2010 to March 2020, a member of the Taxation Institute of Hong Kong from June 2010 to March 2020, a fellow member of the Hong Kong Institute of Directors from November 2009 to July 2020, an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly known as Institute of Chartered Secretaries & Administrators) since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants since November 1994.

Mr. Jin Zi (金子先生) (“**Mr. Jin**”), aged 40, is the independent non-executive Director and the chairman of the remuneration committee of the Board (the “**Remuneration Committee**”). He obtained a Bachelor of Science Honors degree in E-Commerce from the University of Nottingham in June 2004 and a Master of Science in Analysis, Design and Management of Information System from the London School of Economics in January 2006. Mr. Jin is the co-founder of Coronation Capital Limited in October 2020 and is currently the responsible officer of Coronation Capital Limited since December 2021. From September 2006 to August 2007, Mr. Jin was an analyst at the Royal Bank of Scotland (Formerly ABN Amro Bank). From September 2007 to August 2010, Mr. Jin provided trading support in Commerzbank AG. From September 2010 to January 2020, Mr. Jin acted as the executive director of J.P. Morgan Chase Bank, Private Banking. Mr. Jin has extensive experience in asset management, global asset allocation, investment advisory and research on global macro and investment strategies.

Mr. Luk Hong Man, Hammond (陸侃民先生) (“**Mr. Luk**”), aged 42, is the independent non-executive Director. He is a member of the Chartered Professional Accountants of Canada. Mr. Luk is also a fellow member of the Hong Kong Institute of Directors and the Association of Chartered Certified Accountants respectively. Mr. Luk has a bachelor of laws from the University of London and a bachelor of commerce from the University of Alberta. Mr. Luk is currently an executive director of Ding Yi Feng Holdings Group International Limited (formerly known as China Investment Fund Company Limited) (stock code: 00612. HK) (the “Ding Yi Feng”) since July 2011. Mr. Luk is also currently the chairman of the environmental, social and governance committee, the chief executive officer, the financial controller, a member of the nomination committee and the risk management committee and an authorized representative of Ding Yi Feng. Mr. Luk has over 20 years of experience in management accounting, financial control, internal audit and compliance with different companies in Canada and Hong Kong. Mr. Luk has gained experience in investment management and corporate governance in Ding Yi Feng. From September 2009 to August 2011, Mr. Luk acted as an executive director and the compliance officer of Media Asia Group Holdings Limited (formerly known as Rojam Entertainment Holdings Limited) (stock code: 8075.HK) the listing of which was cancelled on 21 March 2023 under Rule 6.01A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). He was also an executive officer in charge of the accounting and finance department in Cherish Sunshine International Limited (formerly known as China Public Procurement Limited) (stock code: 1094.HK).

Senior Management

Mr. Zhong Zhi Xiong (鍾志雄) (“**Mr. Zhong**”), aged 51, is a co-chief executive officer of the Company since July 2023. Mr. Zhong graduated from Wuhan Yejin University of Science and Technology in June 1996 with a bachelor’s degree in Industrial and Civil Architecture. Mr. Zhong has more than 10 years of core senior management experience in real estate development enterprises and has extensive experience in overall management of real estate development enterprises. From June 1996 to April 2018, Mr. Zhong was engaged in technology and management in the construction and real estate development industry, including serving as the vice president of Shenzhen Hanking Group, the construction general manager in the Shenzhen Headquarters of Alibaba Group* (阿里巴巴集團深圳總部大廈), and the general manager of the real estate business department of Luoniushan Co., Ltd. Mr. Zhong has been the general manager of Shenzhen CCMIC Electronics Co., Ltd. since April 2018, and has been involved in the fields of pre-filled atomised electronic cigarettes, pre-filled HNB electronic cigarettes, semiconductor/integrated circuits in the electronic cigarette industry, automotive supplies, office supplies, e-commerce and other industries 0-1 or equity investment, A shares and secondary market in Hong Kong and the United States.

* For identification purposes only

Mr. Gao Weilong (高偉龍先生) (“**Mr. Gao**”), aged 52, is a co-chief executive officer, deputy chairman, the deputy director of the Investment Decision-making Committee and the director of the Performance Review Committee. He is responsible for the overall management of the Group. He joined the Group in March 2006. Mr. Gao has approximately 31 years of experience in engineering and management. Prior to joining the Group, his primary working experience included: an engineer and subsequently promoted to chief design engineer of China Southern Airlines Power Machinery Company* (中國南方航空動力機械公司)(principally engaged in the manufacturing of aircraft engines, as well as the research and development and manufacturing of motorcycles) from August 1992 to December 2001; a senior engineer of Minghua Environmental Automobile Company Limited* (明華環保汽車有限公司)(principally engaged in the research and design of the gasoline-electric hybrid vehicles and the components thereof) from January 2002 to May 2002; a managing engineer of TCL King Electronics (Shenzhen) Company Limited* (TCL王牌電子(深圳)有限公司)(principally engaged in the research and development, manufacturing and sales of electronic products) from August 2002 to April 2003; a performance management supervisor of Shenzhen Southern CIMC Containers Manufacture Company Limited (深圳南方中集集裝箱製造有限公司)(a subsidiary of China International Marine Containers (Group) Company Limited, a company listed on the Stock Exchange (Stock code: 2039) and the Shenzhen Stock Exchange (Stock code: 000039), and principally engaged in the manufacturing of containers) from January 2004 to February 2006. Mr. Gao received a bachelor’s degree in automotive engineering in tractor (汽車工程系汽車拖拉機) from Chongqing University (重慶大學) in July 1992, a master’s degree in engineering in power mechanical engineering from Wuhan Automotive Polytechnic University (武漢汽車工業大學)(now known as Wuhan University of Technology (武漢理工大學)) in March 2000 and a Master of Business Administration (工商管理) from Peking University (北京大學) in June 2004.

Mr. Peng Jinzhi (彭金志先生) (“**Mr. Peng**”), aged 60, is the deputy financial controller and the deputy general manager of the Financial Management Department of the Group and is responsible for the overall management of the financial matters of IBO Information (Shenzhen) Limited. Mr. Peng joined the Group in April 2002. Prior to joining the Group, his primary working experience included: an accountant of Jiangxi Department Store Textile Company* (江西省百貨紡織品公司)(principally engaged in the sales of general merchandise, textiles, cultural products, metal hardware, chemicals and furniture) from March 1983 to September 1994; a general manager of the finance department of Xiamen Yincheng Company Limited* (廈門銀城股份有限公司)(principally engaged in brewing of beer, production of natural mineral water, drinks, canned foods and glassware, and wholesale and retail of beer, foods, drinks and cigarettes (retail only)) from September 1995 to October 1998; a deputy general manager and finance manager of Shandong Zouping Chaoyi Packaging Color Printing Limited* (山東鄒平超藝包裝彩色印刷有限公司)(principally engaged in processing and sales of packaging, prints, plastic films, cartons and household paper) from November 1998 to November 2001. Mr. Peng graduated from Jiangxi Institute of Finance* (江西財經學院)(now known as Jiangxi University of Finance and Economics (江西財經大學)) with a diploma in accounting (會計) in June 1991. Mr. Peng has been a member of the Chinese Institute of Certified Public Accountants and a certified tax agent since November 2003 and January 2005 respectively.

* For identification purposes only

Mr. Pang Chun Yip (彭俊業先生) (“**Mr. Pang**”), aged 43, is the chief financial officer and company secretary and is responsible for the overall management of the accounting, financial compliance and secretarial matters of the Group. Mr. Pang joined the Group in May 2017. Mr. Pang has approximately 18 years of experience in accounting. Before joining the Group, from January 2005 to October 2006, he worked at Wong Kwok Tai & Co. as an audit trainee and was subsequently promoted to an audit semi-senior. During the period of March 2007 to August 2008, Mr. Pang was a semi-senior auditor at Y. L. Ngan & Company Certified Public Accountants. During the period of October 2008 to January 2015, he worked as an assistant accountant in Hanison Construction Company Limited. In January 2015, Mr. Pang joined Wang Kei Yip Development Limited and acted as a senior accountant until August 2015. From September 2015 to November 2016, Mr. Pang worked at China Overseas (Hong Kong) Limited as an accountant. Mr. Pang was a senior accountant in Big Success Accounting Services Limited from November 2016 to February 2018. Mr. Pang graduated from The Chinese University of Hong Kong with a bachelor’s degree in business administration in December 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2011.

Mr. Lai Kam Man (黎錦文先生) (“**Mr. KM Lai**”), aged 35, is the assistant to the chairman of the Board, the deputy general manager of the Corporate Development Department and is responsible for the overall management of project development of the Group. Mr. KM Lai is the son of Mr. Lai. He joined the Group in August 2013. Mr. KM Lai graduated from Jinan University (暨南大學) with a bachelor’s degree in international economics and trading (國際經濟與貿易) in July 2013.

Mr. Gan Xianqing (甘顯清先生) (“**Mr. Gan**”), aged 39, is the assistant to the chairman of the Board, the office director and the general manager of the Corporate Development Department of the Group and is responsible for the overall management of the procedural, quality and performance matters of the Group. He is also a director of IBO Information (Shenzhen) Limited* (艾伯資訊(深圳)有限公司), Shenzhen Weitu Technology Development Co., Ltd.* (深圳市偉圖科技開發有限公司) and Shenzhen Yunwei Network Co., Ltd.* (深圳市運維網絡有限公司), the supervisor of IBO Shenzhen Digital Limited* (深圳市艾伯數字有限公司) and Shenzhen IBO Holdings Company Limited* (深圳市艾伯控股有限公司), and the general manager of IBO Shenzhen Information Technology Limited* (深圳市艾伯信息科技有限公司). Mr. Gan joined the Group in July 2008 as a secretary of the chairman. He graduated from South China Agricultural University (華南農業大學) with a bachelor’s degree in management in marketing (市場營銷) in July 2008.

* For identification purposes only

Mr. Wang Changhan (王昌漢先生)(“**Mr. Wang**”), aged 61, is the vice president of IBO Information (Shenzhen) Limited and is responsible for the overall management of the operational maintenance in system information service technology of the Group. Mr. Wang joined the Group in June 2004. Prior to joining the Group, Mr. Wang was an accountant of Yangchun Supply and Marketing Cooperatives* (陽春市供銷社)(principally engaged in the wholesale, retail and processing of agricultural products) from August 1981 to March 1984. Since April 1984, Mr. Wang worked for different branches of Industrial and Commercial Bank of China. Mr. Wang joined the Yangchun Branch of Industrial and Commercial Bank as an accountant in the business department in May 1984, and his last position in the Yangchun Branch was a manager in the credit business department. Mr. Wang was promoted to a vice president of the Jiangcheng Branch in Yangjiang City in 1988 and was further promoted to a branch president of the Yangxi Branch in 1998. Mr. Wang graduated from Party School of the Guangdong Provincial Committee* (中共廣東省委黨校) with a bachelor’s degree in economics management (經濟管理) in December 2002.

Mr. Zhu Fujian (朱福建先生)(“**Mr. Zhu**”), aged 47, is the sales director of the Group and the president of IBO Information (Shenzhen) Limited and is responsible for the overall management of the sales matters of the Group. He is also the general manager of IBO Information (Shenzhen) Limited. Mr. Zhu joined the Group in July 2003. Prior to joining the Group, his primary working experience included: a technician of Guizhou Shuangyang Aircraft Factory* (貴州雙陽飛機廠)(principally engaged in the development, manufacturing, sales and services of electronic products, and the development, provision of technological advice and technical services of computer software) since August 1999; a software engineer of Shenzhen Weixin Intelligence Technology Company Limited* (深圳市威信智能技術有限公司)(principally engaged in the technology development of intelligent monitoring products and computer application system) from December 2001 to October 2002; a software engineer of Shenzhen Xifeng Group Institute* (深圳市西風集團研究院)(principally engaged in the research and development of network technology, network software, digital TV broadcasting technology and optical communication technology) from November 2002 to June 2003. Mr. Zhu graduated from Shenyang Aviation Industry School* (瀋陽航空工業學院)(now known as Shenyang Aerospace University (瀋陽航空航天大學)) with a bachelor’s degree in aircraft manufacturing engineering (飛行器製造工程) in July 1999 and Lanzhou Jiaotong University (蘭州交通大學) with a master’s degree in transportation engineering (交通運輸工程領域) in June 2011.

* For identification purposes only

Mr. Zhao Yunhui (趙雲輝先生) (“**Mr. Zhao**”), aged 54, is the project implementation director of the Group and the vice president of IBO Information (Shenzhen) Limited and is responsible for the overall management of the project implementation matters of the Group. Mr. Zhao joined the Group in March 2005. Prior to joining the Group, his primary working experience included: the general manager of Daqing Tianda Hongfang Group Automation Branch* (大慶天大宏方集團自動化分公司)(principally engaged in the automation engineering construction as well as the research, development and production of devices for instruments and meters) from March 1997 to February 2003; and the manager of major project department of Shenzhen Fu An Security Systems Limited* (深圳市賦安安全系統有限公司)(principally engaged in the research and development, manufacturing and sales of fire-fighting products and software) from March 2003 to February 2005. Mr. Zhao graduated from Harbin University of Science and Technology (哈爾濱科學技術大學) with a bachelor’s degree in engineering in precision instrument (精密儀器) in July 1992.

Mr. Ke Chengwei (柯程煒先生) (“**Mr. Ke**”), aged 50, is the vice president of the Group and is responsible for the overall management of the Group. He is also the chairman and general manager of Weitu Technology and Yunwei Network, a supervisor of Hunan Yingding and a director of each of Bright Leap Limited and Rise Mark Corporation Limited, all of which are the subsidiaries of the Company. He joined the Group after the Group completed the acquisition of 51.7321% ownership interests in Bright Leap Limited in January 2019. He was a computer room supervisor of Shenzhen Construction Group* (深圳市建設集團)(principally engaged in real estate development, construction general contracting, property operation and management) from 1994 to 1996 and served as the head of the research and development department in Shenzhen Yadu Graphic Software Co., Ltd.* (深圳市雅都圖形軟體有限公司)(principally engaged in the development, production and sales of computer software products and electronic automation products) from 1996 to 2004. Mr. Ke founded Weitu Technology (principally engaged in the technological development of computer software and hardware) in March 2004 and had been its executive director until January 2019. Since January 2019, he has served as the chairman of Weitu Technology. He founded Yunwei Network (principally engaged in the technological development of computer software and network) in March 2016 and had been its executive director until January 2019. Since January 2019, he has served as the chairman of Yunwei Network. He has served as a supervisor of Hunan Yingding (principally engaged in the research and development of network technology and software development) since September 2016, and the chairman of Jiangxi Fangyu Yunwei Network Technology Co., Ltd.* (江西方宇運維網絡科技有限公司)(principally engaged in the technology development, services, consulting and transfer in the field of IoT) from January 2019 to March 2021. Mr. Ke graduated from the Computer Department of Southeast University in 1994.

* For identification purposes only

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ibotech.hk) for 14 days from the date of this circular:

- (a) the annual reports of the Company for the years ended 31 March 2021, 2022 and 2023 respectively;
- (b) the interim report of the Company for the six months ended 30 September 2023;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 48 to 49 of this circular;
- (d) the letter of advice from Sorrento Capital Limited, the text of which is set out on pages IFA-1 to IFA-29 of this circular;
- (e) the accountants' report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- (f) the material contracts disclosed in the paragraph headed "**6. MATERIAL CONTRACTS**" in this Appendix to this circular; and
- (g) the written consents of the experts referred to in the paragraph headed "**7. EXPERTS AND CONSENTS**" in this Appendix.

12. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities.
- (c) The business address of all Directors and authorised representatives of the Company is Room 1623, 16th Floor, Argyle Centre Phase 1, 688 Nathan Road, Mong Kok, Kowloon, Hong Kong.
- (d) In case of any inconsistency between the English and Chinese versions of this circular, the English version will prevail.

NOTICE OF EXTRAORDINARY GENERAL MEETING



IBO TECHNOLOGY COMPANY LIMITED

艾伯科技股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2708)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of IBO Technology Company Limited (the “**Company**”) will be held at 7th Floor, Centre Point, 181-185 Gloucester Road, Wanchai, Hong Kong on Tuesday, 23 January 2024 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments or modifications, the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the authorised share capital of the Company be increased from HK\$10,000,000 divided into 1,000,000,000 ordinary shares of par value of HK\$0.01 each (the “**Shares**”) to HK\$100,000,000 divided into 10,000,000,000 Shares by creating an additional 9,000,000,000 unissued Shares in the share capital of the Company (the “**Increase in Authorised Share Capital**”);
- (b) immediately following the Increase in Authorised Share Capital, the authorised share capital of the Company be changed from HK\$10,000,000 divided into 1,000,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares; and
- (c) the directors of the Company (the “**Directors**”) be and are hereby authorised to execute all such documents, instruments and agreements and to do all such acts or things they consider necessary, desirable or expedient to give effect to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT** subject to and conditional upon the passing of the resolution numbered 1, and the fulfilment of the conditions as set out in the section headed “Letter from the Board – THE UNDERWRITING AGREEMENT – Conditions precedent of the Rights Issue” in the circular of the Company dated 5 January 2024 (the “**Circular**”):
- (a) the allotment and issue of up to 2,313,613,998 rights shares (the “**Rights Shares**”) in the share capital of the Company pursuant to an offer by way of rights issue (the “**Rights Issue**”) to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.11 per Rights Share on the basis of three (3) Rights Shares for every one (1) existing Share held by the Shareholders whose names appeared on the register of members of the Company on Friday, 2 February 2024 (the “**Record Date**”) as described in further details in the Circular and on and subject to such terms and conditions as may be determined by the Directors, be and is hereby approved, confirmed and ratified;
 - (b) the underwriting agreement in respect of the Rights Issue dated 28 November 2023 and entered into between the Company and VC Brokerage Limited (the “**Underwriting Agreement**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
 - (d) the Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement.”

By order of the board of Directors
IBO Technology Company Limited
Lai Tse Ming
Chairman and Executive Director

Hong Kong, 5 January 2024

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his or her or its proxy to attend and vote instead of him or her or it. A Shareholder may appoint a proxy in respect of only part of his or her or its holding of Shares. A proxy need not be a Shareholder.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
3. The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the instrument proposes to vote, and failing which the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
6. The register of members of the Company will be closed from 17 January 2024 to 23 January 2024, both days inclusive, during which period no transfer of Shares will be effected in order to determine the entitlement to attend and vote at the EGM. All transfers of Shares, accompanied by the relevant Share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 16 January 2024 for such purpose.
7. As at the date of this notice, the executive Directors are Mr. Lai Tse Ming, Mr. Liang Jun, Mr. Li Yang and Mr. Zhang Yaoliang; and the independent non-executive Directors are Mr. Hung Muk Ming, Mr. Jin Zi and Mr. Luk Hong Man, Hammond.