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## **i-CONTROL HOLDINGS LIMITED**

### **超智能控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1402)**

## **DISCLOSEABLE TRANSACTION: DISPOSAL OF SUBSIDIARIES**

### **THE DISPOSAL**

On 30 August 2024 (after trading hours), the Company and the Purchaser, an Independent Third Party, entered into the Agreement in relation to the Disposal, pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, the Sale Shares (being the entire issued share capital of the Disposal Companies) and the Sale Loans at the cash consideration of HK\$100,000. Each of the Disposal Companies was a directly wholly-owned subsidiary of the Company immediately before the Completion.

Upon Completion, each of the Disposal Companies has ceased to be a subsidiary of the Company and their financial results, assets and liabilities has ceased to be consolidated into the consolidated financial statements of the Group.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the requirements of notification and announcement but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

### **THE DISPOSAL**

On 30 August 2024 (after trading hours), the Company and the Purchaser, an Independent Third Party, entered into the Agreement in relation to the Disposal. The principal terms of the Agreement are set out below:

#### **Date**

30 August 2024 (after trading hours)

#### **Parties**

- (1) The Company as vendor; and
- (2) Amber Strong International Limited as purchaser.

## **Subject Matter**

Pursuant to the Agreement, the Company agreed to sell, and the Purchaser agreed to purchase the Sale Shares (being the entire issued share capital of the Disposal Companies) and the Sale Loans (being receivables in the aggregate amount of approximately HK\$36.2 million due by the Disposal Companies to the Group (other than the Disposal Companies and their subsidiaries) at the consideration of HK\$100,000. Each of the Disposal Companies was a directly wholly-owned subsidiary of the Company immediately before the Completion.

## **Consideration**

The consideration for the Disposal is HK\$100,000, which was paid by the Purchaser in cash to the Company upon signing of the Agreement. The consideration for the Disposal was determined after arm's length negotiations between the Company and the Purchaser with reference to, among others, (i) the unaudited net liabilities value of the Disposal Companies as at 31 July 2024 of approximately HK\$21.5 million; (ii) the declining and dire financial condition of Beijing National Greenfield and Changzhou Guoyun, in which Perfect Mark and Top Luck held a 85% and 4% equity interest respectively immediately prior to Completion (details of which are set out in the section headed "Reasons for and benefits of the Disposal and use of proceeds"); and (iii) the transaction costs and expenses involved in the Disposal.

## **Completion**

The Completion took place upon the signing of the Agreement, whereupon each of the Disposal Companies has ceased to be a subsidiary of the Company and their financial results, assets and liabilities has ceased to be consolidated into the consolidated financial statements of the Group.

## **Purchaser's undertaking**

The Purchaser has undertaken to the Company that if, on or before the first anniversary of the Completion Date: (i) all or any part of the shareholder's loan advanced to Changzhou Guoyun is repaid; or (ii) any agreement, arrangement or assignment is entered into by any member of the Group with any third party for the sale or transfer of (a) any share capital or equity interest of the Disposal Companies or Changzhou Guoyun or Beijing National Greenfield; or (b) any of the economic interests or assets of the Disposal Companies or Changzhou Guoyun or Beijing National Greenfield; or (iii) any of the Disposal Companies or Changzhou Guoyun or Beijing National Greenfield undergoes any capital reorganisation resulting in a reduction of the share capital; or (iv) any distribution or dividend is received from the Disposal Companies or Changzhou Guoyun or Beijing National Greenfield whether by way of liquidation or otherwise; or (v) any of the Disposal Companies or Changzhou Guoyun or Beijing National Greenfield recovers any assets from any persons, the Purchaser agrees to pay to the Company, within five (5) Business Days upon receipt of any proceeds from any event specified above after deducting all reasonable costs and expenses incurred or to be incurred by the Disposal Companies or Changzhou Guoyun or Beijing National Greenfield including legal expenses, accounts expenses and other expenses which were paid by the Purchaser (the "**Net Proceeds**"), a sum equivalent to 30% of the Net Proceeds. In any event, the applicable percentage ratios (as defined under the Listing Rules) in respect of the Net Proceeds which may be received by the Company (in aggregate with the consideration for the Disposal) are not expected to exceed 25%.

## INFORMATION ON THE PARTIES TO THE AGREEMENT

### The Company

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability, the Shares of which are currently listed on the Main Board (stock code: 1402). The Group is principally engaged in provision of video conferencing and multimedia audiovisual solution and maintenance services and cloud-based information technology and operational technology managed services.

### The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands which is principally engaged in investment holding. To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Purchaser is wholly-owned by an individual named Yao Yucheng, who is experienced in the acquisition of and investments in distressed assets and debts, and both the Purchaser and its ultimate beneficial owner are Independent Third Parties.

### The Disposal Companies

Each of the Disposal Companies is a directly wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability immediately prior to the Completion. They are both principally engaged in investment holding. The main investments held by Top Luck and Perfect Mark as at the date of the Agreement were a 4% equity interest of Changzhou Guoyun and a 85% equity interest of Beijing National Greenfield respectively, both being companies established under the laws of the PRC and principally engaged in the development and construction of IDC (internet data center) and provision of cloud-based information technology and operational technology services respectively. Changzhou Guoyun holds a piece of land in Rulin Town, Jintan District, Changzhou, PRC with an area of approximately 36,259 square meters which was intended to be developed into an IDC (internet data center).

Set out below is the unaudited financial information of Perfect Mark and its subsidiary for the two years ended 31 March 2024:

	<b>For the year ended 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>
Revenue	8,305	15,037
Loss before taxation	10,172	4,077
Loss after taxation	10,172	4,032

As at 31 July 2024, the unaudited net liabilities value of Perfect Mark and its subsidiary was approximately HK\$16.0 million (which included (i) intangible assets, being intellectual property rights owned by Beijing National Greenfield which have little resale value, for which an impairment loss would have to be made if the Disposal was not proceeded with; and (ii) accounts receivables which are long-aging and cast heavy doubt on their recoverability).

Set out below is the unaudited financial information of Top Luck for the two years ended 31 March 2024:

	<b>For the year ended 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>
Revenue	–	–
Loss before taxation	13	837
Loss after taxation	13	837

As at 31 July 2024, the unaudited net liabilities value of Top Luck was approximately HK\$4.5 million.

### **FINANCIAL EFFECTS OF THE DISPOSAL**

Upon Completion, each of the Disposal Companies has ceased to be a subsidiary of the Company and their financial results, assets and liabilities has ceased to be consolidated into the consolidated financial statements of the Group.

Subject to the final audit, it is expected that the Company will record a loss on disposal of approximately HK\$14.6 million from the Disposal based on the book value of the Disposal Companies and the consideration (without taking into account any Net Proceeds which may be received under the Agreement due to the unlikelihood and any impairment loss which shall be made against the Disposal Companies) after deducting the expenses attributable thereto. However, based on the latest assessment made by the Board on the Disposal Companies (whose main assets are the equity interests of Beijing National Greenfield and Changzhou Guoyun) with the information currently available to it, taking into account the inability of the Disposal Companies to repay the Sale Loans, the intangible assets with little resale value and long-aging accounts receivables with low-recoverability of Beijing National Greenfield, and the other factors considered by the Board as disclosed in the section headed “Reasons for and benefits of the Disposal and use of proceeds”, an impairment loss would have to be made in respect of the investments of the Company in the Disposal Companies if the Disposal was not proceeded with. The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to the review and final audit by the auditors of the Company.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

Following the close of the Offers in late July 2024, the Board has conducted a thorough review of the existing business and operations of the Group for the purpose of formulating business plans and strategies for the Group’s long-term business development and seek for new investment opportunities.

Due to the slower-than-expected post-Covid-19 economic recovery in the PRC and the property sector downturn extending beyond initial expectations, as well as the heavily impacted consumer sentiment and declining overall spending and public investment, the cloud-based information technology and operational technology businesses of the Group in the PRC have experienced a downturn in performance with projects suspended and new project launches delayed. Further, competition in the cloud business market has become increasingly fierce in recent years, especially

with the increased data usage due to the rising application of artificial intelligence, Internet-of-Things, and big data analysis. Beijing National Greenfield, being the operating subsidiary of Perfect Mark, has been loss-making for a prolonged period and recorded net liabilities as at 31 July 2024.

As disclosed in the annual results announcement of the Company for the year ended 31 March 2024, Beijing National Greenfield had encountered a decline in performance for the reporting period, with projects suspended and new project launches delayed. There is no end in sight for such project suspension and delays and Beijing National Greenfield no longer has any working capital for its operations and expenses, including salaries or severance payment for its employees. In response, the Group's management has been diligently evaluating project progress and contemplated reducing its business operations or re-evaluating its business development strategies, including but not limited to the liquidation of Beijing National Greenfield. However, taking into account the lack of working capital and the considerable sums involved in liquidation costs and redundancy compensation payable to employees, the Company did not proceed with the liquidation. Further, the assets of Beijing National Greenfield primarily included (i) intangible assets which have little resale value, for which an impairment loss would have to be made if the Disposal was not proceeded with; and (ii) long-aging account receivables with low recoverability. After further assessment, in view of the gloomy prospects of Beijing National Greenfield, the Company has no intention to invest further in Beijing National Greenfield. In view of the foregoing, it is not expected that the investment costs of the Company in Beijing National Greenfield through Perfect Mark and the Sale Loans owed by Perfect Mark to the Group would be recoverable and the Board considers divestment to be the appropriate direction to take.

As for Changzhou Guoyun, in which the Company only has a minor shareholding of 4% and not a controlling stake, the Company has been having difficulties obtaining its financial information. To the best knowledge, information and belief of the Board, Changzhou Guoyun has experienced severe cash flow difficulties due to the deteriorating financial conditions of its major shareholder, which had historically funded the daily operating expenses of Changzhou Guoyun. As a result, to the best knowledge, information and belief of the Board, Changzhou Guoyun had allegedly failed to make certain construction fees to its contractors in an aggregate amount of over RMB250 million, and was subject to a court order freezing its bank accounts totalling RMB18.5 million or seizing its assets of equivalent value, and its major shareholder was also subject to a court order freezing its bank accounts and its equity interests in Changzhou Guoyun.

As at the date of this announcement, Changzhou Guoyun has defaulted in repayment of a shareholder's loan advanced by Top Luck and in view of the ongoing lawsuits and legal risks compounded with Changzhou Guoyun's inability to secure new financing to continue its projects, ultimately hindering its business operations and leaving it unable to meet its debt obligations as they fall due, the liquidation of Changzhou Guoyun has become increasingly likely and the Board considers that it is highly unlikely that any shareholder's loan owed by Changzhou Guoyun would be recovered in full, if at all. In view of the foregoing, in the likely event of the liquidation of Changzhou Guoyun and the sale of its assets to repay its creditors, it is not expected that the investment costs of the Company in Changzhou Guoyun through Top Luck and the Sale Loans owed by Top Luck to the Group would be recoverable.

In view of the foregoing, the Board considers that the future prospects of Beijing National Greenfield and Changzhou Guoyun are extremely dim and are unlikely to make a positive turnaround, and that the Disposal would be more beneficial to the Group as a whole. To cater to the unlikely scenario where the Disposal Companies are able to reap any investment returns in Beijing National Greenfield and Changzhou Guoyun after the Completion, pursuant to the terms of the Agreement, the Purchaser has undertaken to pay to the Company a sum equivalent to 30% of the Net Proceeds, such mechanism is put in place for the benefit of the Company, allowing it to recover a portion of the sums which may be received from the Disposal Companies or the Purchaser as a result of any of the events set out in the above paragraph headed “Purchaser’s undertaking”.

Taking into account the above factors and the mechanism on the sharing of the Net Proceeds to secure possible investment returns on the Disposal Companies for the Group, the Board considers that it would be appropriate for the Group to proceed with the Disposal to downsize the scale of the Group’s cloud services which is a non-core business of the Group and better allocate its resources towards developing other value-added services and products and exploring new business opportunities. The proceeds of HK\$100,000 from the Disposal are intended to be applied for the transaction costs and expenses involved in the Disposal.

Taking into account the above, the Board considers that the Disposal and the terms of the Agreement (including the mechanism on the sharing of the Net Proceeds) are fair and reasonable, on normal commercial terms and in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the requirements of notification and announcement but exempted from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the sale and purchase agreement dated 30 August 2024 entered into between the Company and the Purchaser in relation to the Disposal, pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, the Sale Shares and the Sale Loans
“Beijing National Greenfield”	Beijing National Greenfield Technology Co. Limited* (北京能興國雲信息科技有限公司), a company established under the laws of the PRC
“Board”	the board of Director(s) of the Company

“Business Days”	a day (other than a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours
“Changzhou Guoyun”	Changzhou Guoyun Green Data Technology Co., Limited* (常州國雲綠色數據技術有限公司), a company established under the laws of the PRC
“Company”	i-Control Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1402)
“Completion”	the completion of the Disposal under the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loans
“Disposal Companies”	Perfect Mark and Top Luck collectively
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an independent third party who is not connected with the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified or otherwise supplemented from time to time
“Offeror”	Luxurious Bay Capital Limited, company incorporated in the British Virgin Islands which is beneficially owned as to 50% by Knight Sky Holdings Limited and as to 50% by Newmark Group Limited, both being companies incorporated in the British Virgin Islands
“Offeror Concert Group”	the Offeror and parties acting, or presumed to be acting, in concert with it under the definition of “acting in concert” under the Takeovers Code

“Offers”	the mandatory unconditional cash offer made by Diligent Capital Limited and Red Sun Capital Limited for and on behalf of the Offeror to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror Concert Group) pursuant to Rule 26.1 of the Takeovers Code and the mandatory unconditional cash offer made by Diligent Capital Limited and Red Sun Capital Limited for and on behalf of the Offeror in compliance with Rule 13 of the Takeovers Code to cancel all outstanding share options granted by the Company (other than those already owned and/or agreed to be acquired by the Offeror Concert Group)
“Perfect Mark”	Perfect Mark Investments Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Company immediately before the Completion
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Amber Strong International Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party, being the purchaser to the Agreement
“Sale Loans”	all loan, interest and all other sums owing by the Disposal Companies to the Group (other than the Disposal Companies and their subsidiaries) as at Completion, which amounted to approximately HK\$36.2 million, of which, approximately HK\$18.0 million is owed by Perfect Mark and approximately HK\$18.1 million is owed by Top Luck
“Sale Shares”	the entire issued share capital of each of the Disposal Companies
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Top Luck”	Top Luck Development Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Company immediately before the Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

\* *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

*For the purpose of this announcement, unless otherwise indicated, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of RMB1.00 to HK\$1.1. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.*

By order of the Board  
**i-Control Holdings Limited**  
**Wong King Keung**  
Chairman

Hong Kong, 30 August 2024

*As at the date of this announcement, the executive Directors are Dr. Wong King Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun; and the independent non-executive Directors are Mr. Fong Chi, Mr. Lum Pak Sum and Ms. Wu Hung Yu.*