

24 January 2025

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION;  
(2) PROPOSED CHANGE IN BOARD LOT SIZE;  
(3) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;  
(4) PROPOSED DEBT RESTRUCTURING;  
(5) APPLICATION FOR WHITEWASH WAIVER;  
AND  
(6) NOTICE OF SGM**

**INTRODUCTION**

Reference is made to (i) the announcements of the Company dated 31 March 2023, 3 April 2023, 30 August 2023, 5 September 2023 and 22 March 2024 in relation to, among other matters, delay in publication of the annual results of the Company for the year ended 31 December 2022, delay in publication of the interim results of the Company for the six months ended 30 June 2023, delay in despatch of the annual report for the year ended 31 December 2022, delay in despatch of the interim report for the six months ended 30 June 2023, delay in publication of the annual results of the Company for the year ended 31 December 2023, delay in despatch of the annual report for the year ended 31 December 2023 and suspension of trading of the shares of the Company; (ii) the announcements of the Company dated 19 May 2023 and 7 February 2024 in relation to, among others, the Resumption Guidance; (iii) the announcements of the Company dated 7 July 2023, 9 October 2023, 3 January 2024, 2 April 2024, 2 July 2024 and 25 September 2024 in relation to the quarterly update on progress of resumption; (iv) the announcement of the Company dated 22 March 2024 in relation to statutory demand of the Company; (v) the announcement of the Company dated 10 May 2024 in relation to business updates of the Company; (vi) the announcements of the Company dated 27 May 2024 and 16 September 2024 in relation to the proposed scheme of arrangement; (vii) the announcement of the audited annual results of the Company for the year ended 31 December 2022 dated 9 August 2024; (viii) the announcement of the unaudited interim results of the Company for the six months ended 30 June 2023 dated 9 August 2024; (ix) the announcement of the audited annual

results of the Company for the year ended 31 December 2023 dated 9 August 2024; (x) the positive profit alert announcement of the Company dated 9 August 2024; (xi) the announcement of the Company dated 25 September 2024 in relation to the appointment of independent non-executive Directors and change of composition of Board committees; (xii) the Announcement; (xiii) the announcement of the Company dated 1 November 2024 in relation to fulfilment of Resumption Guidance; (xiv) the announcements of the Company dated 22 November 2024 and 20 December 2024 in relation to delay and further delay in despatch of circular; (xv) the announcement of the Company dated 13 December 2024 in relation to change in board lot size; and (xvi) the announcement of the Company dated 16 January 2025 in relation to, among others, the supplemental agreement in relation to the Subscription.

The purpose of this circular is to provide you with, among other things, details of (i) the Capital Reorganisation; (ii) the Change in Board Lot Size; (iii) the Subscription; (iv) the Debt Restructuring; (v) the Whitewash Waiver; (vi) a letter from the Independent Board Committee to the Independent Shareholders; (vii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (viii) a notice convening the SGM.

## **A. PROPOSED CAPITAL REORGANISATION AND PROPOSED CHANGE IN BOARD LOT SIZE**

### **PROPOSED CAPITAL REORGANISATION**

The Board proposes to implement the Capital Reorganisation in the following manner:

#### ***(a) Share Consolidation***

The Share Consolidation which involves the consolidation of every sixty (60) Existing Shares into one (1) Consolidated Share.

#### ***(b) Increase in Authorised Share Capital***

The Increase in Authorised Share Capital from HK\$2,000,000,000 and US\$1,000 divided into 333,333,333.3 Consolidated Shares and 10,000 ordinary shares of par value of US\$0.1 each to HK\$2,100,000,000 and US\$1,000 divided into 350,000,000 Consolidated Shares and 10,000 ordinary shares of par value of US\$0.1 each by the creation of an additional 16,666,666.6 unissued Consolidated Shares.

In order to accommodate growth of the Group and to provide the Company with greater flexibility to implement the Subscription, the Board proposes the Increase in Authorised Share Capital. The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

***(c) Capital Reduction***

The Capital Reduction which involves (i) cancellation of any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation; and (ii) a reduction of the par value of each issued Consolidated Share from HK\$6.00 to HK\$0.60 by cancelling the paid-up capital of the Company to the extent of HK\$5.40 on each issued Consolidated Share. The credit arising from the Capital Reduction of approximately HK\$233,999,378 will be credited to the Contributed Surplus Account to be applied by the Directors in any manner as permitted under applicable laws and the Bye-laws.

***(d) Share Sub-division***

The Share Sub-division whereby each of the authorised but unissued Consolidated Share of par value of HK\$6.00 will be sub-divided into 10 New Shares of par value of HK\$0.60 each.

***(e) Share Premium Cancellation***

The Share Premium Cancellation whereby the entire amount of HK\$165,043,000 standing to the credit of the Share Premium Account will be cancelled to nil with the credit arising therefrom to be transferred to the Contributed Surplus Account to be applied by the Directors in any manner as permitted under applicable laws and the Bye-laws.

**Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve the Capital Reorganisation;
- (ii) the compliance with the requirements of section 46(2) of the Companies Act to effect the Capital Reorganisation and the Directors being satisfied that on the effective date of the Capital Reorganisation, there are no reasonable grounds for believing that the Company is, or after the effective date of the Capital Reorganisation would be, unable to pay its liabilities as they become due;
- (iii) the compliance with all relevant procedures and requirements under the laws of the Bermuda (where applicable) and the Listing Rules to effect the Capital Reorganisation; and
- (iv) the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked its approval for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

None of the above conditions could be waived. The Capital Reorganisation shall become effective when the conditions mentioned above are fulfilled, further announcement will be made upon the Capital Reorganisation becoming effective. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

### **Effect of the Capital Reorganisation**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$2,000,000,000 and US\$1,000 divided into 20,000,000,000 Existing Shares and 10,000 ordinary shares of par value of US\$0.1 each, of which 2,599,993,088 Existing Shares have been issued and fully paid or credited as fully paid.

Assuming that there will be no other change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation, immediately following the Capital Reorganisation, the Company's authorised share capital will be HK\$2,100,000,000 and US\$1,000 divided into 3,500,000,000 New Shares of HK\$0.60 each and 10,000 ordinary shares of par value of US\$0.1 each, of which 43,333,218 New Shares will be issued as fully paid or credited as fully paid and the aggregate par value of the issued share capital of the Company will be HK\$25,999,930.8.

Based on the 2,599,993,088 Existing Shares in issue as at the Latest Practicable Date, an amount of credit of approximately HK\$399,999,378 will arise as a result of the Capital Reduction and the Share Premium Cancellation. **Shareholders and potential investors of the Company should note that the credit arising in the books from the Capital Reduction and the Share Premium Cancellation will be subject to change depending on the number of Shares in issue immediately prior to the Capital Reduction and the Share Premium Cancellation becoming effective.**

It is proposed that the total credit arising in the accounts of the Company from the Capital Reorganisation will be transferred to the Contributed Surplus Account. The credit in the Contributed Surplus Account will be applied by the Directors in any manner as permitted under the applicable laws and the Bye-laws. Upon the Capital Reorganisation becoming effective, the entire amount standing to the credit of the Contributed Surplus Account (together with the credit arising from the Capital Reorganisation), in the aggregate sum of approximately HK\$399,999,378 will be applied to set off part of the accumulated losses of the Company as at the effective date of the Capital Reorganisation and the Share Premium Cancellation and be applied by the Directors in any other manner as may be permitted under the Bye-laws and all applicable laws of Bermuda. As at 31 December 2023, the accumulated losses of the Company are approximately HK\$696.9 million. After the Capital Reorganisation, the amount standing to the credit of the Contributed Surplus Account will be zero and, based on the accumulated losses of the Company as at 31 December 2023, the amount of accumulated losses of the Company will decrease to approximately HK\$297.9 million.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately after the Capital Reorganisation becoming effective, assuming that there will be no other change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation:

|                          | <b>(i) As at the Latest<br/>Practicable Date</b>   | <b>(ii) Immediately after the<br/>Capital Reorganisation<br/>becoming effective</b>  |
|--------------------------|--|--|
| Par value                | HK\$0.1 per Existing Share and US\$0.1 per ordinary share  | HK\$0.60 per New Share and US\$0.1 per ordinary share  |
| Authorised share capital | HK\$2,000,000,000 divided into 20,000,000,000 Existing Shares and US\$1,000 divided into 10,000 ordinary shares of par value of US\$0.1 each | HK\$2,100,000,000 divided into 3,500,000,000 New Shares and US\$1,000 divided into 10,000 ordinary shares of par value of US\$0.1 each |
| Issued share capital     | HK\$259,999,308.80 divided into 2,599,993,088 Existing Shares  | HK\$25,999,930.8 divided into 43,333,218 New Shares  |

Upon the Capital Reorganisation becoming effective, the New Shares shall rank *pari passu* in all respects with each other.

The Capital Reorganisation will not result in any change in the relative rights of the Shareholders. Other than the expenses to be incurred by the Company in relation to the Capital Reorganisation, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the proportionate interests or rights of the Shareholders as a whole.

#### **Fractional entitlement to Consolidated Shares**

Fractional Consolidated Shares arising from the Capital Reorganisation, if any, will be disregarded and not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained/sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the shares of the Company regardless of the number of share certificates held by such holder.

## **Application for listing of the New Shares**

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares.

Subject to the granting of the listing of, and the permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date 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. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought from any other stock exchange.

## **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in a board lot size of 6,000 Existing Shares. As disclosed in the announcement of the Company dated 13 December 2024, the board lot size for trading of the Existing Shares has been changed from 2,000 Existing Shares to 6,000 Existing Shares with effect from 9:00 a.m. on Wednesday, 8 January 2025 to facilitate the Share Consolidation and the Change in Board Lot Size to ensure that the temporary counter for trading in the New Shares will be in a board lot of 100 New Shares, being an integral multiple or divisor of the original board lot size.

As disclosed in the announcement of the Company dated 16 January 2025, the Board further proposes to change the board lot size for trading on the Stock Exchange from 6,000 Existing Shares to 18,000 New Shares conditional upon the Capital Reorganisation becoming effective.

Based on the closing price of HK\$0.021 per Existing Share (equivalent to the theoretical closing price of HK\$1.26 per New Share) as quoted on the Stock Exchange on the Latest Practicable Date, (i) the value of each existing board lot of 6,000 Existing Shares is HK\$126.00; (ii) the value of each board lot of 6,000 New Shares would be HK\$7,560 assuming the Capital Reorganisation has become effective; and (iii) the estimated value per board lot of 18,000 New Shares would be HK\$22,680 assuming that the Change in Board Lot Size has become effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

#### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots, if any, of the New Shares as a result of the Change in Board Lot Size, the Company has appointed HK Monkey Securities Limited as its agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares during the period from 6 March 2025 to 26 March 2025. Holders of Shares in odd lots who wish to utilise this facility to dispose of or top up their odd lots of the Shares may contact HK Monkey Securities Limited at Units 1903B-4, 19/F, 308 Central Des Voeux, 308-320, Des Voeux Road Central, Sheung Wan, Hong Kong or at telephone number (852) 2805 5566 during office hours (i.e. 9:00 a.m. to 4:30 p.m.) within the above period. Shareholders who would like to match odd lots are recommended to make an appointment in advance by dialling the telephone number of HK Monkey Securities Limited set out above.

Shareholders should note that the matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

#### **Free exchange of share certificates for the New Shares**

Subject to the Capital Reorganisation becoming effective, which is currently expected to be on Thursday, 20 February 2025, being the second Business Day immediately following the date of the SGM, the Shareholders may submit their existing share certificates in yellow colour for the Existing Shares on or after Thursday, 20 February 2025 and until Friday, 28 March 2025 (both days inclusive) to the branch share registrars of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong in exchange for new share certificates in green colour for the New Shares at the expenses of the Company. It is expected that the new share certificates for the New Shares will be available for collection within ten (10) Business Days after submission of the existing share certificates to Union Registrars Limited for exchange. Thereafter, a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to Union Registrars Limited for each share certificate for the New Shares issued or each share certificate for the Existing Shares submitted for cancellation, whichever is higher.

After 4:10 p.m. on Wednesday, 26 March 2025, trading will only be in New Shares which share certificates will be issued in green colour. Share certificates in yellow colour for the Existing Shares will cease to be valid for trading, settlement and registration purpose, but will remain valid and effective as documents of title.



## **Reasons for the Capital Reorganisation and Change in Board Lot Size**

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated in September 2024, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.021, with a board lot size of 6,000 Existing Shares, the Company is trading under HK\$2,000 per board lot.

In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company and to avoid the market price of the Shares approaching the extremities of HK\$0.01 as referred to under Rule 13.64 of the Listing Rules, the Board proposes to implement the Share Consolidation and the Change in Board Lot Size. Based on the closing price of HK\$0.021 per Existing Share (or HK\$1.26 per New Share) as quoted on the Stock Exchange on the Latest Practicable Date, the expected market value of each board lot of 18,000 New Shares, assuming the Capital Reorganisation and the Change in Board Lot Size had become effective, would be HK\$22,680, which is greater than HK\$2,000 and therefore complies with the requirement as set out in the said “Guide on Trading Arrangements for Selected Types of Corporate Actions”.

Pursuant to the laws of Bermuda and the Bye-laws, the Company shall not issue any shares at a price below par value. To provide for more flexibility on fundraising (including the issue of New Shares under the Subscription Agreement and in the future), the Board considers it necessary to implement the Capital Reduction, Share Sub-division and Share Premium Cancellation, which will enable the par value of the Consolidated Shares to be decreased from HK\$6.00 each to HK\$0.60 each.

The credit in the Contributed Surplus Account arising from the Capital Reorganisation will be applied towards setting off the accumulated losses of the Company as at the effective date of the Capital Reorganisation, thereby reducing the accumulated losses of the Company, or be applied by the Directors in any manner as permitted under the applicable laws and the Bye-laws. The Board considers that the offsetting of the accumulated losses of the Company will allow the Company to improve its equity position.

The Board believes the Capital Reorganisation and the Change in Board Lot Size are in the best interests of the Company and the Shareholders as a whole.

The Capital Reorganisation is conditional upon, among other things, the approval of the Shareholders by way of the necessary resolution(s) at the SGM. As none of the Shareholders or their associates would have any interest in the Capital Reorganisation or the Change in Board Lot Size, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Capital Reorganisation and/or the Change in Board Lot Size at the SGM.



As at the Latest Practicable Date, save as disclosed under section headed “B. SUBSCRIPTION OF NEW SHARES” below, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fund raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the Listing Rules as and when appropriate.

## **B. SUBSCRIPTION OF NEW SHARES**

On 15 October 2024, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 389,998,963 New Shares at the total Subscription Price of HK\$233,999,377.8, representing HK\$0.60 per New Share, to the Subscriber. The Subscription is subject to various conditions set out below under the paragraph headed “Conditions precedent to the Subscription”.

A summary of the principal terms of the Subscription Agreement is set out below:

|   |   |  |
|---|---|--|
| Date  | : | 15 October 2024  |
| Parties                                       | : | (1) the Company (as issuer); and<br>(2) the Subscriber (as subscriber) |
| Subscription Price                            | : | HK\$0.60 per New Share   |
| Total consideration for the<br>Subscription   | : | HK\$233,999,377.8  |
| Number of Subscription Shares<br>to be issued | : | 389,998,963 New Shares   |

The Subscriber is a company incorporated in Hong Kong with limited liability and is an investment holding company. The Subscriber is directly legally and beneficially owned as to 50% by Mr. Chen, a non-executive Director, and 50% by Mr. Wong as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Subscriber Concert Parties has interests in any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Assuming there will be no other change in the number of Shares from the Latest Practicable Date until the date of Completion and after the adjustment for the effect of the Capital Reorganisation, the Subscription Shares represent (i) approximately 90% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and prior to the allotment and issue of the Subscription Shares as at the Latest Practicable Date; and (ii) approximately 90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full.

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be granted by the Independent Shareholders at the SGM.

### **Conditions precedent to the Subscription**

Completion of the Subscription is conditional upon the fulfilment (or waiver, where applicable) of the following conditions precedent:

- (a) each of the Creditors having entered into a deed of settlement in accordance with the terms and conditions of the Debt Restructuring;
- (b) all of the required corporate approvals or authorisations having been duly passed at the duly convened SGM in accordance with the Listing Rules, the Takeovers Code and any other applicable law and regulations, and not having been revoked or vitiated:
  - (i) the Capital Reorganisation;
  - (ii) the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Subscription, the Specific Mandate and the allotment and issue of the Subscription Shares; and
  - (iii) the Whitewash Waiver;
- (c) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (d) the listing of and permission to deal in all of the Subscription Shares to be issued to the Subscriber under the Subscription having been granted by the Listing Committee of the Stock Exchange (either unconditionally or subject to conditions) and such permission not having been subsequently revoked or withdrawn;

- (e) the proposal in relation to the Resumption having been submitted to the Stock Exchange and the approval in-principle having been received from the Stock Exchange and such approval not having been subsequently revoked or withdrawn;
- (f) the Resumption Guidance having been fulfilled to the satisfaction of the Stock Exchange;
- (g) the Shares remaining listed on the Main Board of the Stock Exchange;
- (h) the Subscriber having entered into the Placing Agreement;
- (i) the fulfilment of the undertakings by the Company and the Subscriber pursuant to the Subscription Agreement;
- (j) each of the warranties given by the Company to the Subscriber being true and accurate in all material respects when made, and being true and accurate in all materials respects for the period from the date of the Subscription Agreement and ending on the date of Completion; and
- (k) each of the warranties given by the Subscriber to the Company being true and accurate in all material respects when made, and being true and accurate in all materials respects for the period from the date of the Subscription Agreement and ending on the date of Completion.

None of the above conditions may be waived by either party to the Subscription Agreement. In the event that any of the conditions above is not fulfilled on or before the Long Stop Date or such other date as the Company and the Subscriber may agree in writing, the Subscription Agreement will automatically terminate with immediate effect and all obligations of the Company and the Subscriber under the Subscription Agreement shall cease and determine.

As at the Latest Practicable Date, save for the approvals set out in conditions (a), (b), (c), (d), (e) and (f) above, the Company is not aware of other consents or approvals to be obtained on the part of each of the Subscriber and the Company in respect of the Subscription Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, save for conditions (e), (f) and (h) above, none of the conditions above has been fulfilled.

## **The Subscription Price**

The total Subscription Price is HK\$233,999,377.8, representing HK\$0.60 per Subscription Share (assuming the Capital Reorganisation became effective), which represents:

- (i) a discount of approximately 52.38% to the theoretical closing price of HK\$1.26 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.021 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 44.44% to the theoretical closing price of HK\$1.08 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.018 per Existing Share on 31 October 2024, being the last business day on which the Existing Shares were traded on the Stock Exchange prior to the release of the Announcement;
- (iii) a discount of approximately 54.95% to the theoretical average closing price per New Share of HK\$1.332 as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.0222 per Existing Share for the last five trading days as quoted on the Stock Exchange up to and including the Latest Practicable Date;
- (iv) a discount of approximately 59.51% to the theoretical average closing price per New Share of HK\$1.482 as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.0247 per Existing Share for the last 10 trading days as quoted on the Stock Exchange up to and including the Latest Practicable Date; and
- (v) a premium of approximately HK\$8.5 over the theoretical audited consolidated net liabilities attributable to owners of the Company as at 31 December 2023 of approximately HK\$7.9 per New Share as adjusted for the effect of the Capital Reorganisation.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among others, (i) the financial position of the Group with net liabilities and low liquidity for the two years ended 31 December 2022 and 2023 and for the six months ended 30 June 2024; (ii) the recent market conditions; (iii) the prolonged suspension of trading in the Shares on the Stock Exchange since 3 April 2023; and (iv) the fact that the Subscriber is willing to provide the Company with fresh money to proceed with its restructuring plan and continue its operations.

As confirmed by the Subscriber, the total Subscription Price will be funded by the following means and will be satisfied in cash at Completion:

- (i) HK\$116,999,688.9, being 50% of the total Subscription Price will be funded by Mr. Wong's own funds; and
- (ii) HK\$116,999,688.9, being 50% of the total Subscription Price will be funded by a 5-year loan, which is repayable 5 years after the date of drawdown at an interest rate of 14% per annum payable annually on each anniversary of the drawdown date, provided by Mr. Wong<sup>1</sup> to Mr. Chen in the amount of up to HK\$120,000,000, which is secured by a charge over Mr. Chen's holding of 7.03% of preferred stock in a U.S. based private company engaged in the development and manufacturing of solid-state batteries, which according to a valuation conducted by Carta Valuations LLC<sup>2</sup> as at 12 February 2024, the 7.03% is valued at approximately US\$45 million.

*Notes:*

1. *The HK\$120,000,000 loan provided by Mr. Wong to Mr. Chen will be funded by a 5-year loan, which is repayable 5 years after the date of drawdown at an interest rate of 6.5% per annum payable annually on each anniversary of the drawdown date, provided by Eminence Consultancy Services Limited to Mr. Wong, which is secured by a pledge over gold bullion and a personal guarantee. The change of financier from Gaoyu Finance Limited to Eminence Consultancy Services Limited was brought about by the lower interest rate offered by Eminence Consultancy Services Limited. As financiers did not show interest in taking securities over the preferred stock in a U.S. based private company held by Mr. Chen and without prior business relationship with financiers in Hong Kong, the loan provided by Mr. Wong was the best financing option available.*
2. *Carta Valuations LLC is a wholly-owned subsidiary of eShares, Inc. (doing business as Carta, Inc.), a technology company based in San Francisco, California, the U.S., that offers various solutions, including valuation services, to business founders and investors in industries such as finance and human resources.*

Each of Mr. Chen and Mr. Wong confirms that, save for the agreements and arrangements in respect of the loan provided by Mr. Wong to Mr. Chen referred to in paragraph (ii) above, and their customary relationship as fellow shareholders of the Subscriber, there is no relationship, whether formal or informal (past, present and contemplated; financial, business or otherwise), and there is no other arrangements or agreements between Mr. Chen and Mr. Wong in relation to the Capital Reorganisation, the Subscription, the Debt Restructuring, the Placing and the ancillary or related transactions.

### **Completion of the Subscription**

Completion shall take place on any day within 5 Business Days after the date on which the last of the conditions precedent to the Subscription are satisfied by written notice, whichever is earlier, or any other date as agreed between the Company and the Subscriber in writing. No Subscription Shares taken up by the Subscriber will be subject to charge, pledge and/or other encumbrances. The Subscriber has undertaken to the Company that, for a period of six months from the date of the Completion, save for the Placing, it will not, either directly or indirectly, transfer or otherwise dispose of, nor enter into any agreement to transfer, dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Subscription Shares without the prior written consent of the Company.

Upon Completion and completion of the Placing, the Subscriber will become the legal and beneficial owner of no more than 312,432,503 New Shares.

### **Ranking of the Subscription Shares**

The Subscription Shares will rank *pari passu* in all respects with each other and with the New Shares in issue on the date of the allotment and issue of the Subscription Shares in accordance with the Bye-laws.

### **Application for the listing of the Subscription Shares**

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

### **Reasons for the Subscription and Use of Proceeds**

The Group is specialised in the design, development, manufacturing and sales of electronic products and smart wearable devices, providing fashionable, healthy and intelligent products and service experience, enhancing people's ability to work, live and play, and leading social trends. Following the COVID-19 outbreak, business operations of the Group had been substantially suspended and trading in the Shares on the Stock Exchange was suspended since 3 April 2023. Trading in the Shares on the Stock Exchange was resumed on 4 November 2024.

As disclosed in the annual report of the Company for the year ended 31 December 2023, the Company recorded an audited loss attributable to owners of the Company for the year ended 31 December 2023 of approximately HK\$14.2 million, net current liabilities and net liabilities of approximately HK\$340.9 million and HK\$340.9 million respectively as at 31 December 2023. As at 30 November 2024, the total estimated indebtedness owed by the Company under the Debt Restructuring amounted to approximately HK\$215.7 million, which consists of HK\$3.5 million of outstanding professional fees (relates to audit fees, as well as company secretarial fees and other miscellaneous administrative fees etc. owed to

professional party creditors incurred in prior years), HK\$15.6 million in intercompany debts owed to two wholly-owned subsidiaries of the Company, the Shareholder's Loan of approximately HK\$196.4 million owed to Creditor A and approximately HK\$200,000 in loan provided by Creditor A (the "**Creditor A Loan**") in support of the reactivation of the operation of the Group. The Company had ongoing dialogues with the Creditors in the hope to reach a consensual resolution to settle the Debt and although no legal actions have been taken or threatened by the Creditors for defaults of the Debt, the Creditors reserves the right to escalate the matter, including but not limited to demanding immediate repayment of the Debt. The HK\$3.5 million outstanding professional fees will be fully paid using existing internal resources of the Company, and the full amount of the HK\$15.6 million owed to two wholly-owned subsidiaries will be fully waived as part of the internal restructuring to be conducted by the Company, both to be settled or waived (as the case may be) by 14 February 2025, before a deed of settlement in accordance with the terms and conditions of the Debt Restructuring will be entered into with Creditor A. Of the approximately HK\$40 million in receivables from orders successfully delivered in the fourth quarter of 2024, the Company anticipates that approximately HK\$8 million will be collected by end of January 2025 and a further HK\$8 million will be collected shortly after the Chinese New Year holiday in early February, providing sufficient funds to fully settle the outstanding professional fees by 14 February 2025. Following the reassignment of the HK\$40 million of the Shareholder's Loan to Creditor A (please refer to the section headed "**C. PROPOSED DEBT RESTRUCTURING**" below for further details), the Company initiated discussions with Creditor A on the possibility of a standstill from taking any action against the Company in relation to the portion of the Debt owed to her pending completion of the Subscription and the Debt Restructuring. In support of the Subscription and the Debt Restructuring, Creditor A has entered into a standstill agreement with the Company on 29 August 2024 pursuant to which Creditor A has agreed not to take any action against the Company in relation to the Shareholder's Loan and the Creditor A Loan pending completion of the Subscription and the Debt Restructuring. In the event the Subscription and the Debt Restructuring do not proceed, Creditor A reserves the right to demand immediate repayment of the Shareholder's Loan and the Creditor A Loan.

In relation to the borrowing of approximately HK\$1.2 million at the subsidiary level, the Company will resolve through the operational restructuring to be conducted, which is expected to be completed by end of the third quarter of 2025.

The recent recommencement of the business operation of the Company has provided the Company with sufficient working capital to maintain its current scale of operation. The Board however considers the successful completion of the Subscription and Debt Restructuring are also critical to the Company's long-term growth and financial health. The proceeds from the Subscription will relieve the Company of its indebtedness and strengthen the financial position of the Group through implementation of the Debt Restructuring, and thus enable the Company to continue to expand its current business operations. The Company anticipates that its net liability position will, upon completion of the Subscription, implementation of the Debt Restructuring and completion of operational restructuring on non-core subsidiaries (thereby removing the borrowing of approximately



HK\$1.2 million), reverse to a net asset position, providing greater flexibility for external financing options, such as bank facilities and bond issuances. This would significantly enhance the Company's ability to scale operations and pursue growth initiatives. The Subscription also demonstrates the Subscriber's support and commitment to, the Company's business operations, as well as its confidence in its long-term expansion and development. Although the issuance of the Subscription Shares would have a dilution effect on the shareholding of the existing Shareholders, having explored other debt or equity financing alternatives, the Subscription was the only available and feasible financing option under prevailing conditions, including the financial distress position of the Company, the recent recommencement of business operations of the Company, the low trading volume of the Shares following trading resumption on 4 November 2024, and the prevailing weak operating environment for local banks and financial institutions. The Subscription was considered to be beneficial not only to the Creditors but also the Shareholders and the Company as a whole, as without the proceeds from the Subscription, the Company would not be able to formulate the restructuring plan, and hence the implementation of the Debt Restructuring will not be achievable. As such, it is considered that the Subscription is an essential part of the corporate rescue and restructuring plan.

Since the suspension of trading of the Shares on 3 April 2023, the Directors have spent strenuous effort in fulfilling the Resumption Guidance imposed by the Stock Exchange. The Group has taken active steps to address and comply with the Resumption Guidance, including re-commencement of its operation in December 2023 and resumption of sales of lifestyle electronic products under the trademark of "Oregon Scientific" to demonstrate that it has sufficient level of operation in compliance with Rule 13.24 of the Listing Rules. The Group has also successively received new product orders from customers and has developed its online retail platform (<http://oregonscientific.store>) as well as established online shop on various online platforms to enhance market awareness of the "Oregon Scientific" brand and directly advertise, showcase and offer its products to the global market. The confirmed orders of HK\$40 million scheduled for delivery in the fourth quarter of 2024 have been completed and as at the Latest Practicable Date, the Group has secured confirmed orders of approximately HK\$40 million expected to be fulfilled and delivered in the first quarter of 2025, of which approximately HK\$7.22 million have been completed. Additionally, the Company has received confirmed order from customers for orders of approximately HK\$40 million for the second quarter of 2025. The Board believes that the proceeds from the Subscription will relieve the Company of its indebtedness and strengthen the financial position of the Group through implementation of the Debt Restructuring, and thus enable the Company to continue to expand its current business operations, which will in turn enable the Company to continue to demonstrate its compliance with Rule 13.24 of the Listing Rules.

The Company has published its annual results for the year ended 31 December 2022 and 2023 and the interim results for the six months ended 30 June 2023 on 9 August 2024 and following the appointments of each of Mr. Mak Tin Sang, Dr. Lowe Chun Yip and Ms. Chen Weijie as an independent non-executive Director on 25 September 2024, the Company has fulfilled the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Audit Committee requirements under Rule 3.21 of the Listing Rules, the Remuneration Committee requirements under Rule 3.25 of the Listing Rules and the Nomination Committee requirements under Rule 3.27A of the Listing Rules.

The Directors (including members of the Independent Board Committee whose views are expressed and set forth in the letter from the Independent Board Committee contained in this circular having considered the advice from the Independent Financial Adviser, and except Mr. Chen who abstained from voting due to his material interest in the Subscription arising from his ownership in the Subscriber) consider that, taking into account of the above factors, the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on commercial terms, and in the interests of the Company and the Shareholders as a whole.

Given that Mr. Chen, a non-executive Director, is also a director and shareholder of the Subscriber, Mr. Chen has abstained from voting on the Board resolution approving the Subscription Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Subscription Agreement and none of them has abstained from voting on the relevant Board resolution. As at the Latest Practicable Date, no Director hold any Shares, and no Director holding any Shares was or is involved in the negotiation and discussion of the terms and conditions of the Subscription, the Debt Restructuring, the Specific Mandate, the Whitewash Waiver or the Placing. The Company has also made enquiry with Mr. Zhu, who has confirmed that he has no involvement or role played in the Capital Reorganisation, the Subscription, the Debt Restructuring, the Specific Mandate, the Whitewash Waiver, the Placing and the ancillary or related transactions. As confirmed by Mr. Zhu, Mr. Chen and Mr. Wong, (A) there is no relationship between (i) the Subscriber Concert Parties; and (ii) Mr. Zhu or China Huaneng Foundation Construction Investment Ltd. and parties acting in concert with any of them, and they are not parties acting in concert, (B) none of the Subscriber Concert Parties is a nominee of Mr. Zhu nor is accustomed to take instructions from Mr. Zhu in relation to the Capital Reorganisation, the Subscription, the Debt Restructuring, the Whitewash Waiver, the Placing, or acquisition, disposal, voting or other disposition of the securities of the Company; and (C) the Subscription or any acquisition of securities of the Company is not financed directly or indirectly by Mr. Zhu.

Mr. Chen confirms that he was contacted by Creditor A, who briefly shared with him the possible investment opportunity in rescuing the Company from being delisted from the Stock Exchange. After careful consideration, Mr. Chen, through the introduction of Creditor A, met with the Company to learn and discuss further on the possible investment opportunity, which led to the Subscription. Creditor A merely introduced Mr. Chen to the Company and was not involved in any such discussion. Although Mr. Chen had no prior

directorship experience, the Company considered his educational background and experience as an engineer with focus on battery design and manufacturing for electronic devices, his passion in the electronic products and battery sector and his network with experts in the electronic products related industry may be of value to the Company. Furthermore, to provide Mr. Chen with a better insight into the status of the Company and for him to demonstrate his commitment and ability to revive the business of the Company, the Company invited his appointment as a non-executive Director to bring new synergies to the business of the Company with the hope of rescuing it from being delisted. Each of Mr. Chen, Mr. Wong and Creditor A confirms that, save for Creditor A's mere introductory of Mr. Chen to the Company, there is no relationship, whether formal or informal (past, present, and contemplated, financial, business or otherwise), between (i) the Subscriber Concert Parties; and (ii) Creditor A, Mr. He Wei and parties acting in concert with any of them, and there is no arrangements or agreements between the Subscriber Concert Parties and Creditor A, Mr. He Wei and parties acting in concert with any of them in relation to the Capital Reorganisation, the Subscription, the Debt Restructuring, the Specific Mandate, the Whitewash Waiver, the Placing and the ancillary or related transactions. Each of Creditor A, Mr. He Wei and Mr. Chen has also confirmed to the Company that Creditor A, Mr. He Wei and parties acting in concert with any of them and the Subscriber Concert Parties are neither de facto concert parties or presumed to be acting in concert with each other.

The gross proceeds from the Subscription are expected to be HK\$233,999,377.8 in aggregate. After deducting related professional fees and all administrative expenses relating to the Subscription and issuance of the Subscription Shares, the net proceeds of the Subscription will amount to approximately HK\$230 million and proposed to be applied towards: (i) approximately HK\$100 million for the Initial Cash Payment; (ii) approximately HK\$40 million for the settlement of professional fees incurred in relation to the restructuring and the Resumption, comprising mainly of restructuring advisory fees, legal fees and fee incurred by other professional services; (iii) approximately HK\$50 million for general working capital of the Company, including but not limited to (a) increasing marketing campaigns to enhance market awareness of the "Oregon Scientific" brand; (b) strengthening the Group's research and development efforts to develop new and innovative products and expand its product offerings; and (c) addressing the Group's immediate and ad hoc operational needs, including but not limited to the procurement of raw materials, production facilities lease payments, and other general and administrative expenses, to provide the Group with greater flexibility to accept and fulfil a higher volume of orders; and (iv) approximately HK\$40 million for acquisition of new machineries as the initial step towards building or acquiring self-owned factory premises in the future. Following repayment of the HK\$3.5 million outstanding professional fees in full and settlement of the HK\$15.6 million owed to two wholly-owned subsidiaries of the Company which will be fully waived, Creditor A is expected to be the only Creditor subject to the Debt Restructuring.

### **Future intention of the Subscriber regarding the Group**

The Subscriber intends to continue the existing business and the continued employment of the employees of the Group following Completion. The Subscriber also intends to focus on the existing principal business of the Group in the future and explore potential avenues and strategies to achieve growth and expansion in the business operations of the Group. The Subscriber has no intention to introduce any major changes to the existing business and operation of the Group (including any redeployment of the fixed assets of the Group) nor terminate the continued employment of the employees of the Group, other than in the ordinary and usual course of business. The Subscriber intends to nominate new Director(s) to the Board with effect from the time permitted under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made by the Company regarding changes in the Board composition as and when appropriate.

### **C. PROPOSED DEBT RESTRUCTURING**

The Company has been under financial distress and is currently unable to repay certain of its liabilities. As at 30 November 2024, the total estimated indebtedness owed by the Company under the Debt Restructuring amounted to approximately HK\$215.7 million, which consists of HK\$3.5 million of outstanding professional fees (relates to audit fees, as well as company secretarial fees and other miscellaneous administrative fees etc. owed to professional party creditors incurred in prior years), HK\$15.6 million in intercompany debts owed to two wholly-owned subsidiaries of the Company, the Shareholder's Loan of approximately HK\$196.4 million owed to Creditor A and the Creditor A Loan of approximately HK\$200,000.

Under the circumstances, the Company proposed to implement the Debt Restructuring, pursuant to which the Company targets to reach consensus with the Creditors in the following manner:

- (i) the Initial Cash Payment, being partial net proceeds from the Subscription of approximately HK\$100 million, will be distributed to the Creditors holding the Debt proportionately on a *pari passu* basis; and
- (ii) following the Initial Cash Payment, the Company will issue the Bonds in an amount equivalent to 50% of the Remaining Debt to Creditors as full settlement of the Remaining Debt.

The principal terms of the Bonds are set out hereunder:

|                           |   |  |
|---------------------------|---|--|
| Issuer                    | : | The Company  |
| Principal Amount          | : | An amount equivalent to 50% of the Remaining Debt of the Creditors.  |
| Maturity                  | : | The Bonds shall have a maturity of 10 years from the date of issuance.   |
| Coupon rate               | : | The Bonds shall bear interest at a rate of 0% per annum for the initial 3 years, 3% per annum for the following 3 years and 5% per annum for the remaining 4 years.  |
| Repayment                 | : | No repayment in cash or in kind will be made for the first 3 years from the date of issuance. Coupon payments will be made annually on the 4th to the 10th anniversary of the issue date of the Bonds in accordance with the coupon rates. On maturity, the Company shall repay 100% of the principal amount of the Bonds then outstanding, together with accrued and unpaid interest thereon. |
| Transferability           | : | The Bonds shall be freely transferable, subject to the terms and conditions set out in the bond instrument constituting the Bonds.   |
| Status                    | : | The Bonds shall constitute direct, unsubordinated, unconditional and secured obligations of the Company, ranking <i>pari passu</i> and without any preference among themselves.  |
| Governing Law             | : | The Bonds shall be governed by, and construed in accordance with, the laws of Hong Kong.   |
| Guarantees and Securities | : | The Bonds shall be guaranteed and/or secured by (i) a corporate guarantee executed by the Company; (ii) a security agreement over the assets of Oregon Energy; and (iii) a share charge over the entire issued share capital of Oregon Energy executed by the Company, all in favour of the holders of the Bonds.  |

As at 30 November 2024, the total estimated indebtedness owed by the Company to the Creditors amounts to approximately HK\$215.7 million, which consists of, among others, the Shareholder's Loan assigned by Mr. Zhu to Creditor A. As confirmed by Mr. Zhu, Creditor A and Mr. He Wei (whom has no intention to invest in the Shareholder's Loan or in the Company), who had provided funds (not subject to any terms and conditions nor securities) to Creditor A for the acquisition of the Shareholder's Loan, (A) save for the assignee and assignor relationship in relation to the assignment of such Shareholder's Loan, there is no other relationship between (i) Creditor A and Mr. He Wei and parties acting in concert with any of them; and (ii) Mr. Zhu or China Huaneng Foundation Construction Investment Ltd. and parties acting in concert with any of them, and they are not parties acting in concert; (B) neither Creditor A nor Mr. He Wei is a nominee of Mr. Zhu nor is accustomed to take instructions from Mr. Zhu in relation to the acquisition of the Shareholder's Loan, the Debt Restructuring, or acquisition, disposal, voting or other disposition of the securities of the Company; and (C) the acquisition of the Shareholder's Loan or any acquisition of securities of the Company is not financed directly or indirectly by Mr. Zhu. Mr. Zhu also confirmed that save for the consideration received from Creditor A for the assignment of the Shareholder's Loan, no other benefit or compensation will be received by him upon completion of the Debt Restructuring. As informed by Creditor A, an aggregate of HK\$40 million of the Shareholder's Loan was initially assigned to four financial investors, each an Independent Third Party and none of them is a Shareholder. Creditor A subsequently offered for the reassignment of such HK\$40 million of the Shareholder's Loan at a slight premium as follows:

| <b>Name of assignor</b>        | <b>Amount of Shareholder's Loan reassigned to Creditor A</b> | <b>Amount Paid to Creditor A on the initial assignment of the Shareholder's Loan</b> | <b>Amount Paid by Creditor A for the reassignment</b> |
|--------------------------------|--|--|---|
| Mr. Lee Chak Fai <sup>1</sup>  | HK\$15 million   | HK\$1,513,850  | RMB2,000,000  |
| Ms. Li Dan <sup>2</sup>        | HK\$10 million   | HK\$1,100,000  | RMB1,350,000  |
| Ms. Li Xiaoli <sup>3</sup>     | HK\$10 million   | HK\$700,000  | RMB850,000  |
| Mr. Aroon Sae Teo <sup>4</sup> | HK\$5 million  | HK\$400,000  | RMB500,000  |

*Notes:*

1. On 4 February 2024, Creditor A assigned HK\$15 million of the Shareholder's Loan to Mr. Lee Chak Fai for a consideration of HK\$1,513,850, the payment of which was made through Hong Kong Chaopin Trading Co. Ltd. to Creditor A. On 22 August 2024, Mr. Lee Chak Fai reassigned HK\$15 million of the Shareholder's Loan to Creditor A for a consideration of RMB\$2,000,000, the payment of which was made by Creditor A to Mr. Lee Chak Fai.
2. On 3 April 2024, Creditor A assigned HK\$10 million of the Shareholder's Loan to Ms. Li Dan for a consideration of HK\$1,100,000, the payment of which was made through Ms. Jiang WeiWei to Creditor A. On 23 August 2024, Ms. Li Dan reassigned HK\$10 million of the Shareholder's Loan to Creditor A for a consideration of RMB\$1,350,000, the payment of which was made by Creditor A to Ms. Li Dan.

3. *On 3 April 2024, Creditor A assigned HK\$10 million of the Shareholder's Loan to Ms. Li Xiaoli for a consideration of HK\$700,000, the payment of which was made through Ms. Huang Wenhao to Creditor A. On 26 August 2024, Ms. Li Xiaoli reassigned HK\$10 million of the Shareholder's Loan to Creditor A for a consideration of RMB\$850,000, the payment of which was made by Creditor A to Ms. Li Xiaoli.*
4. *On 18 April 2024, Creditor A assigned HK\$5 million of the Shareholder's Loan to Mr. Aroon Sae Teo for a consideration of HK\$400,000, the payment of which was made through Mr. Yang Mingwe to Creditor A. On 26 August 2024, Mr. Aroon Sae Teo reassigned HK\$5 million of the Shareholder's Loan to Creditor A for a consideration of RMB\$500,000, the payment of which was made by Creditor A to Mr. Aroon Sae Teo.*

Following the reassignment, each of Mr. Lee Chak Fai, Ms. Li Dan, Ms. Li Xiaoli and Mr. Aroon Sae Teo has ceased to be a Creditor. As confirmed by Mr. Zhu, Mr. Lee Chak Fai, Ms. Li Dan, Ms. Li Xiaoli and Mr. Aroon Sae Teo, (A) there is no relationship between (i) each of Mr. Lee Chak Fai, Ms. Li Dan, Ms. Li Xiaoli and Mr. Aroon Sae Teo and parties acting in concert with any of them; and (ii) Mr. Zhu or China Huaneng Foundation Construction Investment Ltd. and parties acting in concert with any of them, and they are not parties acting in concert; (B) none of Mr. Lee Chak Fai, Ms. Li Dan, Ms. Li Xiaoli and Mr. Aroon Sae Teo is a nominee of Mr. Zhu nor is accustomed to take instructions from Mr. Zhu in relation to the acquisition of the HK\$40 million of the Shareholder's Loan from Creditor A and the subsequent reassignment of the HK\$40 million of the Shareholder's Loan to Creditor A, or acquisition, disposal, voting or other disposition of the securities of the Company; and (C) the acquisition of HK\$40 million of the Shareholder's Loan from Creditor A or any acquisition of securities of the Company was not financed directly or indirectly by Mr. Zhu.

The Debt Restructuring, which is subject to each of the Creditors having entered into legally binding deed of settlement with the Company, will be conditional on all of the conditions precedent to the Subscription Agreement having been fulfilled. As at the Latest Practicable Date, Creditor A has indicated her intention in support of the Debt Restructuring. Following repayment of the HK\$3.5 million outstanding professional fees in full using existing internal resources of the Company and settlement of the HK\$15.6 million owed to two wholly-owned subsidiaries of the Company which will be fully waived, Creditor A is expected to be the only Creditor subject to the Debt Restructuring. It is therefore anticipated that the Initial Cash Payment of approximately HK\$100 million will be made to Creditor A as partial settlement of the Shareholder's Loan and the Creditor A Loan, following which a Bond in an amount of HK\$48.3 million, being 50% of the remaining balance of the Shareholder's Loan and the Creditor A Loan, will be issued to Creditor A as full settlement of the Shareholder's Loan and the Creditor A Loan.

Upon completion of the Debt Restructuring, the Debt due to the Creditors against the Company and related liabilities of the Company will be compromised, discharged, waived and/or settled in full.

As at the Latest Practicable Date, each of the Creditors is an Independent Third Party and none of the Creditors is a Shareholder.



## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation becomes effective; (iii) immediately after completion of the allotment and issue of the Subscription Shares; and (iv) immediately after completion of the issue of the Subscription Shares and the Placing:

|   | (i) As at the Latest Practicable Date |                      | (ii) Immediately after the Capital Reorganisation became effective |                      | (iii) Immediately after completion of the allotment and issue of the Subscription Shares |                      | (iv) Immediately after completion of the issue of the Subscription Shares and the Placing |                      |
|---|---------------------------------------|----------------------|--|----------------------|--|----------------------|---|----------------------|
|   | <i>Number of Existing Shares</i>      | <i>Approximate %</i> | <i>Number of New Shares</i>  | <i>Approximate %</i> | <i>Number of New Shares</i>  | <i>Approximate %</i> | <i>Number of New Shares</i>   | <i>Approximate %</i> |
|   |                                       |                      |  |                      |  |                      |   |                      |
| Jiangsu Hongtu High Technology Co., Ltd. (Note 1) | 556,898,770                           | 21.4                 | 9,281,646  | 21.4                 | 9,281,646  | 2.1                  | 9,281,646   | 2.1                  |
| The Subscriber Concert Parties (Note 2)           | -                                     | -                    | -  | -                    | 389,998,963  | 90.0                 | 312,432,503   | 72.1                 |
| Placees to the Placing                            | -                                     | -                    | -  | -                    | -  | -                    | 77,566,460  | 17.9                 |
| Other public shareholders                         | 2,043,094,318                         | 78.6                 | 34,051,572   | 78.6                 | 34,051,572   | 7.9                  | 34,051,572  | 7.9                  |
|   | 2,599,993,088                         |                      |  |                      |  |                      |   |                      |
| <b>Total</b>                                      | <b>(Note 3)</b>                       | <b>100.0</b>         | <b>43,333,218</b>  | <b>100.0</b>         | <b>433,332,181</b>   | <b>100.0</b>         | <b>433,332,181</b>  | <b>100.0</b>         |

### Notes:

- Jiangsu Hongtu High Technology Co., Ltd. holds 100% of the equity interests of Jiangsu Hongtu High Technology (Hong Kong) Co. Limited, which in turns holds 100% of the issued share of Hongtu High Technology Int'l Inc., hence Jiangsu Hongtu High Technology Co., Ltd. is deemed to be interested in the 556,898,770 Existing Shares held by Hongtu High Technology Int'l Inc.
- The Subscriber is a company directly owned as to 50% by Mr. Chen, a non-executive Director, and 50% by Mr. Wong, hence each of Mr. Chen and Mr. Wong will be deemed to be interested in the New Shares held by the Subscriber after Completion.
- As at the Latest Practicable Date, the Company has 2,599,993,088 Existing Shares in issue and there are no outstanding options, warrants or any securities that are convertible into Shares or any derivatives in respect of the securities in the Company.

On 28 October 2024, China Huaneng Foundation Construction Investment Ltd. (“**China Huaneng**”) disposed of 753,997,995 Shares (the “**Disposal**”), representing 29% of the total issued share capital of the Company at a total consideration of HK\$12,101,668.91 to six purchasers (the “**Purchasers**”) with each of them holding less than 5% of the issued share capital of the Company following the Disposal. Following the Disposal, each of Mr. Zhu and China Huaneng has ceased to be a Shareholder and will no longer be entitled to attend and vote at the SGM. The Company has made enquiry with Mr. Zhu on the Disposal and who has confirmed that (A) each of the Purchasers is an Independent Third Party and none of them is a Shareholder prior to completion of the Disposal and none of them is a Creditor; (B) there is no

relationship between each of the Purchasers and Mr. Zhu or China Huaneng and parties acting in concert with any of them, and they are not parties acting in concert; and (C) none of the Purchasers is a nominee of Mr. Zhu or China Huaneng nor is accustomed to take instructions from Mr. Zhu or China Huaneng.

As confirmed by Mr. Chen and Mr. Wong, (A) there is no relationship between (i) the Subscriber Concert Parties; and (ii) each of the Purchasers and parties acting in concert with any of them, and they are not parties acting in concert; and (B) (i) none of the Subscriber Concert Parties is a nominee of the Purchasers nor is accustomed to take instructions from the Purchasers; and (ii) none of the Purchasers is a nominee of the Subscriber Concert Parties nor is accustomed to take instructions from and/or funded by the Subscriber Concert Parties, in relation to the Subscription, the Debt Restructuring, the Whitewash Waiver, the Placing, or acquisition, disposal, voting or other disposition of the securities of the Company; and (C) the Subscription or any acquisition of securities of the Company is not financed directly or indirectly by the Purchasers.

#### **LISTING RULES IMPLICATION AND RESTORATION OF PUBLIC FLOAT**

As at the Latest Practicable Date, the Subscriber is a company owned as to 50% by Mr. Chen, a non-executive Director, and 50% by Mr. Wong. Accordingly, the Subscriber is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the transaction contemplated under the Subscription Agreement shall constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. Following the outbreak of COVID-19, operations of the Group had been substantially suspended and the Company was experiencing immense financial difficulty with lack of funds to maintain its daily operation and to revive its business operations. In desperate need of funds to recommence the business operations of the Company and to resume trading of the Shares on the Stock Exchange, the Company had considered other alternative means of fund raising before resolving to the Subscription, including but not limited to loan from Shareholders, self-generated revenue, external debt financing and equity fund raising. As Mr. Zhu was no longer financially capable of providing further funding to the Company and the revenue generated from the recommencement of the business operation of the Company had been applied for settlement of the costs and expenses associated with leasing the production facilities to produce the products, purchasing raw materials and labour costs etc to ensure that delivery of the forthcoming orders can be met, the Company had approached a range of banks, money lenders and financial institutions for possible debt financing and securities brokerages for possible equity fund raising. Due to the financial distress position of the Company and the business operation of the Group had only just recommenced, coupled with the prolonged suspension of the trading in the Shares on the Stock Exchange and the weak operating environment for local banks and financial

institutions, these institutions have expressed great hesitancy in providing financing or participating in fundraising activities where there is potentially a higher level of risks involved and with grave uncertainties. Having regard to the above, all financial institutions approached by the Company have either declined to provide debt financing to the Company or participate in fundraising activities of the Company. The Company had exhausted all possible financing options but to no success. In the absence of alternative funding solutions, undertaking the Subscription and the Debt Restructuring, the terms of which were agreed upon prior to Resumption, are the only available option to rescue the Company. In view of the liquidity and heavily indebted financial position of the Group as well as the prolonged suspension of the trading in the Shares on the Stock Exchange, the closing price of the Shares on 31 March 2023, being the last full trading day prior to the suspension of trading in the Shares on the Stock Exchange, does not reasonably reflect the existing condition of the Company and the financial position of the Company and there are practical difficulties to issue the Subscription Shares without a substantial discount. The Subscription will provide funds to partially settle the Debt against the Company under the Debt Restructuring and to continue the Group's business operations. Accordingly, the Company is of the view that the above factors could be considered as exceptional circumstances under Rule 7.27B.

The Subscription will also result in the public float of the Shares falling below the requirements under Rule 8.08(1) of the Listing Rules. In general, the Stock Exchange would not grant the listing of, and permission to deal in new Shares where the issue of such new Shares would cause or facilitate a breach of requirement(s) under the Listing Rules. The Subscriber originally entered into a placing agreement with Gaoyu Securities Limited on 15 October 2024 to conduct the Placing. In view of the lower placing fee offered by Metaverse Securities Limited and it having already secured sufficient interest from potential placees, the Subscriber had accordingly terminated the placing agreement with Gaoyu Securities Limited and entered into the Placing Agreement with Metaverse Securities Limited to undertake the Placing, where a placing commission of 1% on the aggregate placing price placed pursuant to the Placing will be borne by the Subscriber, to ensure that a sufficient public float exists for the Shares upon Completion, failing which the Subscription Agreement will not become unconditional and the Subscription will not proceed. Completion of the Placing is conditional on all the conditions under the Subscription Agreement having been fulfilled and completion of the Placing and the Subscription will take place simultaneously to restore the minimum public float as required under the Listing Rules.

Accordingly, the Directors (including members of the Independent Board Committee whose views are expressed and set forth in the letter from the Independent Board Committee contained in this circular having considered the advice from the Independent Financial Adviser, and except Mr. Chen who abstained from voting due to his material interest in the Subscription arising from his ownership in the Subscriber) consider that the issue of the Subscription Shares involving a theoretical dilution effect of approximately 40% is justified.

## IMPLICATIONS UNDER THE TAKEOVERS CODE

### Whitewash Waiver

As at the Latest Practicable Date, none of the Subscriber Concert Parties has interests in any Shares.

Immediately after completion of the Capital Reorganisation and the Subscription but prior to completion of the Placing, the Subscriber Concert Parties will be interested in 389,998,963 New Shares, representing approximately 90.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full.

Pursuant to Rule 26.1 of the Takeovers Code, the acquisition of 30% or more of the voting rights in the Company by the Subscriber as a result of the Subscription would trigger an obligation on the Subscriber to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber Concert Parties), unless the Whitewash Waiver is granted by the Executive.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (a) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (b) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Subscription and the underlying transactions, in which (i) the Subscriber Concert Parties, (ii) the Shareholders who are also Creditors, their ultimate beneficial owners, their respective associates and parties acting in concert with any of them, and (iii) the Shareholders who are interested in or involved in the Subscription and the transactions contemplated thereunder including the Specific Mandate, the Debt Restructuring, the Whitewash Waiver, and/or the Placing will abstain from voting on the relevant resolution(s). No existing Shareholder has a material interest in the Subscription, the Specific Mandate, the Debt Restructuring, the Whitewash Waiver, and/or the Placing and therefore no Shareholder is required to abstain from voting on any resolution(s) to be proposed at the SGM. The Executive has indicated that it would, subject to approval by the Independent Shareholders at the SGM by way of poll, grant the Whitewash Waiver. As it is a condition precedent to Completion in the Subscription Agreement that the Whitewash Waiver is granted by the Executive, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive and approved by the Independent Shareholders at the SGM.

**If the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, the Subscriber Concert Parties will hold more than 50% of the voting rights of the Company, and they may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.**

Paragraph 3 of Schedule VI of the Takeovers Code provides that the Executive will normally not grant a whitewash waiver if there occurs any disqualifying transaction for such waiver. Disqualifying transactions include, among others, a situation where the person seeking a whitewash waiver or any person acting in concert with it has acquired voting rights in a company in the six months immediately prior to the announcement of the proposal but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of such company in relation to the proposal. The Company has received a confirmation from the Subscriber, Mr. Chen and Mr. Wong confirming that the Subscriber Concert Parties have not dealt in the Shares during the six-month period prior to the date of the Announcement and including and up to the Latest Practicable Date, and will not acquire or dispose of voting rights in the period between the Latest Practicable Date and the completion of the Subscription.

As at the Latest Practicable Date, the Company does not believe that the Subscription (including the allotment and issue of the Subscription Shares) would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription (including the allotment and issue of the Subscription Shares), the Debt Restructuring and the Placing does not comply with other applicable rules and regulations.

**The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.**

## **INFORMATION OF THE GROUP**

The Group is principally engaged in the design, development, manufacturing and sales of electronic products and smart wearable devices, providing fashionable, healthy and intelligent products and service experience, enhancing people's ability to work, live and play, and leading social trends.

## **INFORMATION OF THE SUBSCRIBER**

The Subscriber is a company incorporated in Hong Kong on 9 May 2024 with limited liability and is principally engaged in investment holding. On 7 August 2024, Mr. Wong acquired 50% of the issued share capital of the Subscriber from Mr. Chen. As at the Latest Practicable Date, the Subscriber is directly legally and beneficially owned as to 50% by Mr. Chen, who is also the sole director of the Subscriber and a non-executive Director, and 50% by Mr. Wong, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules.

Mr. Chen was appointed as a non-executive Director on 1 February 2024. He received Bachelor of Science in Chemistry from St. Edward's University, United States of America in 2023 and has since been working as an engineer with focus on battery design and manufacturing for electronic devices. Power supply is a vital component that dictates the design and production of electronic products and Mr. Chen intends to share his knowledge and experience in this area

in furtherance of the Company's expansion of its business operations. Since his appointment to the Board, Mr. Chen has provided constructive ideas on the designs and range of electronic products produced by the Group, as well as on expanding the sales channel to online stores to widen the market share of the Company in the electronic products related industry. The Group has since doubled its products portfolio and will continue to further broaden its products range to accommodate the growing demands in electronic products from customers. He also possesses a successful track record of investments in the electronic products related industry, including a strategic investment in a U.S.-based private company engaged in the development and manufacturing of solid-state batteries, which are new generation of batteries that has higher energy density, faster charging speed, higher level of heat resistance, lower risk of catching fire, longer durability, lower weight and are smaller in size, and are increasingly being used in electronic devices and motor vehicles, in 2019 and has built a robust network with experts in the industry, which he intends to, subject to assessment and approval by the Board in accordance with the terms of reference and internal policies of the Company, invite university professors, researchers, and engineers who possess valuable insights and knowledge in the electronic products related industry to make contributions to the Company through appointment as senior managements or Directors and bring their expertise into the Group to further enhance the future development of the business of the Group.

Mr. Wong has over 8 years of experience in capital markets advisory at various investment banks, specialising in initial public offerings and capital fund raising for companies in Hong Kong. He is a managing director of ZMF Asset Management Limited since September 2023 and had been previously working in several corporate finance advisory companies. Mr. Wong gained extensive experience in restructuring and special situation investment during his tenure at the structured finance department of Zhongtai International Capital Limited. He played a key role in the restructuring of U-Right International Holdings Limited (now known as Japan Kyosei Group Company Limited (stock code: 00627), which involved a very substantial acquisition and reverse takeover. Mr. Wong also acted as personal advisor to the investors in the restructuring efforts of First Mobile Group Holdings Limited (now known as Jiande International Holdings Limited (stock code: 00865), which also involved a very substantial acquisition and reverse takeover. His expertise extended to managing various non-performing loan and asset portfolio transactions, as well as overseeing recovery actions for both Zhongtai and ZMF Asset Management Limited. Mr. Wong obtained a bachelor degree in accounting and finance from Lancaster University in the United Kingdom in 2013 and a master degree in management from University College London in the United Kingdom in 2015. Mr. Wong is an independent non-executive director of (i) Ganglong China Property Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6968), since December 2023, and (ii) Pa Shun International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 574), since May 2024.



Any proposed appointment of new Directors will be made on a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code and in accordance with the Listing Rules. Further announcement in relation to the appointment of Directors will be made by the Company as and when appropriate in compliance with the Listing Rules and the Takeovers Code.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

Save for the entering into of the Subscription Agreement, the Company had not conducted any equity fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.

## **INDEPENDENT BOARD COMMITTEE AND THE APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising a non-executive Director, namely Ms. Ng Kwok Ying Isabella and the independent non-executive Directors, namely Mr. Xu Jinwen, Mr. Mak Tin Sang, Dr. Lowe Chun Yip and Ms. Chen Weijie, in compliance with Rule 2.8 of the Takeovers Code has been formed to advise the Independent Shareholders on the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder and as to voting. Mr. Chen, a non-executive Director, is also the sole director and a shareholder of the Subscriber and is therefore considered to be interested in the Subscription and/or the Whitewash Waiver. Therefore, Mr. Chen does not form part of the Independent Board Committee.

None of the members of the Independent Board Committee has any interest or involvement in the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder. The Company has appointed the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Shareholders in accordance with the requirements under the Listing Rules and the Takeovers Code on such matters.

## **GENERAL**

The SGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, (i) the Capital Reorganisation; (ii) the Change in Board Lot Size; (iii) the Subscription and the transactions contemplated thereunder; (iv) the Specific Mandate; and (v) the Whitewash Waiver.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber Concert Parties; (ii) the Shareholders who are also Creditors, their ultimate beneficial owners, their respective associates and parties acting in concert with any of them; and (iii) the Shareholders who are interested in or involved in the Subscription and the transactions contemplated thereunder, including the Specific Mandate, the Debt Restructuring, the Whitewash Waiver, and/or the Placing will be required to and will abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder at the SGM. No Shareholder has any interest in the



Subscription and the transactions contemplated thereunder, including the Specific Mandate, the Debt Restructuring, the Whitewash Waiver, and/or the Placing, hence no Shareholder will be required to abstain from voting on any resolution(s) to be proposed at the SGM.

A notice convening the SGM to be held at Unit 2413A, 24/F, Lippo Centre Tower One, Queensway 89, Admiralty, Hong Kong on Tuesday, 18 February 2025 at 11:30 a.m. is set out on pages SGM-1 to SGM-5 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrars of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event no later than Sunday, 16 February 2025 at 11:30 a.m. (Hong Kong time). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment or postponement thereof should you so desire and in such event, the form of proxy shall be deemed to be revoked.

#### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining Shareholders' entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 13 February 2025 to Tuesday, 18 February 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the SGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the branch share registrar of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 12 February 2025.

#### **RECOMMENDATION**

The Directors (including members of the Independent Board Committee whose views are expressed and set forth in the letter from the Independent Board Committee contained in this circular having considered the advice from the Independent Financial Adviser, and except Mr. Chen who abstained from voting due to his material interest in the Subscription arising from his ownership in the Subscriber) consider that the terms of (i) the Capital Reorganisation; (ii) the Change in Board Lot Size; (iii) the Subscription; (iv) the Specific Mandate; (v) the Debt Restructuring; (vi) the Whitewash Waiver, and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FURTHER INFORMATION**

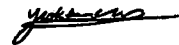
Your attention is also drawn to the letter from the Independent Board Committee set out on pages 42 to 43 of this circular which contains its advice to the Independent Shareholders as to voting at the SGM in relation to the Subscription, the Specific Mandate, and the Whitewash Waiver, and the letter from the Independent Financial Adviser set out on pages 44 to 73 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to whether the Subscription, the Specific Mandate, and the Whitewash Waiver are fair and reasonable.

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

## **WARNINGS**

**As the Subscription and the Debt Restructuring are conditional upon the satisfaction of certain conditions precedent, the Capital Reorganisation, the Subscription and/or the Debt Restructuring may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares and consult their professional advisers when in doubt.**

By order of the Board  
**IDT International Limited**



**Cheung Yuk Ki**  
*Director*

\* *for identification purposes only*