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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in IDT International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company and is being provided to you solely for the purpose of considering the resolutions to be voted upon at the SGM of the Company to be held on Tuesday, 18 February 2025 at 11:30 a.m..

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### IDT INTERNATIONAL LIMITED

萬威國際有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

- (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**

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



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Terms in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 11 to 41 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 73 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 42 to 43 of this circular.

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 registrar of the Company in Hong Kong, Union Registrars Limited, 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 48 hours before the time appointed for holding the SGM (i.e. Sunday, 16 February 2025 at 11:30 a.m. (Hong Kong time)) or any adjournment or postponement thereof. 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.

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code, and “party(ies) acting in concert”, “person(s) acting in concert” and “concert party(ies)” should be construed accordingly
“Announcement”	the announcement of the Company dated 1 November 2024 (as supplemented by a clarification announcement of the Company dated 6 November 2024) in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size, the Subscription, the Debt Restructuring, and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bonds”	the bonds to be issued by the Company to the Creditors in an amount equivalent to 50% of the Remaining Debt as full settlement of the Remaining Debts with maturity of 10 years from the date of issuance
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Bye-laws”	the bye-laws of the Company (as amended from time to time)
“Capital Reduction”	the proposed (i) cancellation of any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation; and (ii) reduction of the par value of each issued Consolidated Share from HK\$6.00 to HK\$0.60 through the cancellation of the paid up capital of the Company to the extent of HK\$5.40 on each of the issued Consolidated Shares
“Capital Reorganisation”	the proposed capital reorganisation of the Company’s share capital involving (a) the Share Consolidation; (b) the Increase in Authorised Share Capital; (c) the Capital Reduction; (d) the Share Sub-division; and (e) the Share Premium Cancellation

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## DEFINITIONS

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“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in the board lot size for trading on the Stock Exchange from 6,000 Existing Shares to 18,000 New Shares
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Company”	IDT International Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 167)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of par value of HK\$6.00 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction becoming effective
“Contributed Surplus Account”	the contributed surplus account of the Company within the meaning of the Companies Act
“Creditor(s)”	any person who holds an amount of Debt against the Company
“Creditor A”	Ms. Fu Min, an investor who has acquired the Shareholder’s Loan from Mr. Zhu
“Debt”	approximately HK\$215.7 million, being the total estimated indebtedness owed by the Company as at 30 November 2024 under the Debt Restructuring

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## DEFINITIONS

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“Debt Restructuring”	the proposed debt restructuring by the Company to reach consensus with the Creditors on a haircut on the amount of debts held by the Creditors against the Company in order to settle and reduce the debts and liabilities of the Company, details of which are set out in the section headed “C. PROPOSED DEBT RESTRUCTURING” in this circular
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of his delegate(s)
“Existing Shares”	ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company 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
“Independent Board Committee”	an independent committee of the Board established which comprises all the non-executive Directors (excluding Mr. Chen due to his material interest in the Subscription arising from his ownership in the Subscriber) and independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, who has no direct or indirect interest in the Subscription, the Specific Mandate, the Debt Restructuring, the Whitewash Waiver or the Placing

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## DEFINITIONS

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“Independent Financial Adviser”	Lego Corporate Finance Limited, the independent financial adviser of the Company appointed to advise the Independent Shareholders in respect of whether the Subscription and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are, or are not, fair and reasonable and how to vote at the SGM, and a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	Shareholder(s), other than (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
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who are third parties independent of the Company and its connected persons, the Subscriber Concert Parties
“Initial Cash Payment”	a total amount of HK\$100 million from the net proceeds of the Subscription allocated for payment to the Creditors holding the Debt
“Latest Practicable Date”	21 January 2025, being the latest practicable date prior to the despatch of this circular for ascertaining certain information referred to in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	14 March 2025 (or such other time and date as may be agreed between the Company and the Subscriber in writing)
“Mr. Chen”	Mr. Tiger Charles Chen, a director of the Subscriber and who directly legally and beneficially owns 50% of the issued share capital of the Subscriber, and a non-executive Director

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## DEFINITIONS

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“Mr. Wong”	Mr. Wong Tung Yuen, who directly legally and beneficially owns 50% of the issued share capital of the Subscriber
“Mr. Zhu”	Mr. Zhu Yongning, a former Director and former substantial Shareholder
“New Share(s)”	the ordinary share(s) of par value of HK\$0.60 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Oregon Energy”	Oregon Energy Technology Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company, which as at 30 June 2024, had a net asset value of approximately HK\$5.8 million
“Placing”	the placing by the Subscriber of at least 77,566,460 New Shares at the same price as the Subscription Price to not less than six placees who are Independent Third Parties and not Shareholders to restore the minimum public float as required under the Listing Rules to ensure that there is sufficient public float upon Completion
“Placing Agreement”	a placing agreement dated 2 January 2025 entered into between the Subscriber and Metaverse Securities Limited in relation to the Placing
“Relevant Period”	the period commencing six months prior to 1 November 2024, being the date of the Announcement, and ending on the Latest Practicable Date
“Remaining Debt”	being the outstanding amount of Debt after settlement of the Initial Cash Payment
“Resumption”	the resumption of trading in the Shares on the Main Board of the Stock Exchange
“Resumption Guidance”	the resumption guidance set out in the letters issued by the Stock Exchange on 15 May 2023 and 5 February 2024 (and any other additional resumption guidance(s) as the Stock Exchange may impose from time to time)
“SFC”	the Securities and Futures Commission of Hong Kong

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on 18 February 2025 at 11:30 a.m. for the purpose of considering and, if thought fit, approving, among others, the Capital Reorganisation, the Change in Board Lot Size, the Subscription, the Specific Mandate, and the Whitewash Waiver
“Share(s)”	Existing Share(s) and/or New Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every sixty (60) issued and unissued Existing Shares into one (1) Consolidated Share
“Share Premium Account”	the share premium account of the Company
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing to the credit of the Share Premium Account to nil
“Share Sub-division”	the proposed sub-division of each of the authorised but unissued Consolidated Shares into 10 New Shares
“Shareholder(s)”	holder(s) of the issued Share(s)
“Shareholder’s Loan”	a shareholder’s loan in the amount of approximately HK\$196.4 million, which is repayable on demand, originally provided by Mr. Zhu to the Company, the entire amount of which was subsequently assigned by Mr. Zhu to Creditor A on 25 January 2024 at a consideration of HK\$20 million
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the SGM for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Tiger Energy Technology Company Limited, a company incorporated in Hong Kong with limited liability and which is directly legally and beneficially owned as to 50% by Mr. Chen and 50% by Mr. Wong
“Subscriber Concert Parties”	the Subscriber, Mr. Chen, Mr. Wong and parties acting or presumed to be acting in concert with any one of them



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## DEFINITIONS

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“Subscription”	the conditional allotment and issue of the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 15 October 2024 (as supplemented and amended by a supplemental agreement dated 16 January 2025) entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	the issue price of HK\$0.60 per New Share
“Subscription Share(s)”	the 389,998,963 New Shares to be allotted and issued under the Subscription
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations on the part of the Subscriber to make a mandatory general offer for all the issued Shares and other securities (if any) of the Company, except those already owned or agreed to be acquired by the Subscriber Concert Parties, which would otherwise arise as a result of the completion of the Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

*Note: the dot notation denotes repeating decimals.*

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## EXPECTED TIMETABLE

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*The expected timetable for implementation of the Capital Reorganisation, the Change in Board Lot Size, the Subscription, the Placing and the Debt Restructuring is set out below:*

<b>Event</b>	<b>Time and Date</b>
Date of despatch of circular with notice and form of proxy of the SGM. ....	Friday, 24 January 2025
Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the SGM. ....	4:00 p.m. on Wednesday, 12 February 2025
Closure of register of members for the purpose of ascertaining the Shareholder's eligibility to attend and vote at the SGM .....	Thursday, 13 February 2025 to Tuesday, 18 February 2025 (both days inclusive)
Latest time for lodging the form of proxy for the SGM .....	11:30 a.m. on Sunday, 16 February 2025
Record date for determining Shareholders' eligibility to attend and vote at the SGM .....	Tuesday, 18 February 2025
Date and time of the SGM .....	11:30 a.m. on Tuesday, 18 February 2025
Publication of announcement on results of the SGM .....	Tuesday, 18 February 2025
Register of members of the Company re-opens .....	Wednesday, 19 February 2025

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## EXPECTED TIMETABLE

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*The following events are conditional on (i) the results of the SGM; and (ii) the fulfilment of the conditions for the implementation of the Capital Reorganisation.*

<b>Event</b>	<b>Time and Date</b>
Effective date of the Capital Reorganisation. . . . .	Thursday, 20 February 2025
First day for free exchange of existing share certificates of the Existing Shares for new share certificates of the New Shares . . . . .	Thursday, 20 February 2025
Commencement of dealing in the New Shares . . . . .	9:00 a.m. on Thursday, 20 February 2025
Original counter for trading in the Existing Shares in board lots of 6,000 Existing Shares (in the form of existing share certificates) temporarily closes. . . . .	9:00 a.m. on Thursday, 20 February 2025
Temporary counter for trading in the New Shares in board lots of 100 New Shares (in the form of existing share certificates) opens. . . . .	9:00 a.m. on Thursday, 20 February 2025
Original counter for trading in the New Shares in board lots of 18,000 New Shares (in the form of new share certificates for the New Shares) re-opens . . . . .	9:00 a.m. on Thursday, 6 March 2025
Parallel trading in the Existing Shares and the New Shares (in the form of both existing share certificates and new share certificates) commences . . . . .	9:00 a.m. on Thursday, 6 March 2025
Designated broker starts to stand in the market to provide matching services for the sale and purchase of the odd lots of the New Shares . . . . .	9:00 a.m. on Thursday, 6 March 2025
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of the odd lots of the New Shares . . . . .	4:00 p.m. on Wednesday, 26 March 2025

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## EXPECTED TIMETABLE

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Event	Time and Date
Temporary counter for trading in the New Shares in board lots of 100 New Shares (in the form of existing share certificates) closes . . . . .	4:10 p.m. on Wednesday, 26 March 2025
Parallel trading in the Existing Shares and the New Shares (in the form of both existing share certificates and new share certificates) ends . . . . .	4:10 p.m. on Wednesday, 26 March 2025
Last day for free exchange of existing share certificates for new share certificates for the New Shares . . . . .	Friday, 28 March 2025

*The following events are conditional on (i) the results of the SGM; (ii) the fulfilment of the conditions for the implementation of the Subscription; and (iii) completion of the Placing.*

Event	Time and Date
Completion of the Subscription and the Placing and issuance of the Subscription Shares and despatch of certificates for the Subscription Shares to the Subscriber. . . . .	A date to be fixed after the fulfilment of the conditions precedent, which is tentatively expected to be on Thursday, 27 February 2025

*All times and dates specified in the timetable above refer to Hong Kong times and dates.*

*The timetable is tentative only. Any subsequent change to the expected timetable will be announced by the Company as and when appropriate.*

*Note: Further announcement(s) will be made by the Company to inform the Shareholders of the timetable of the trading arrangement in respect of the Shares as and when appropriate.*

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LETTER FROM THE BOARD

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**IDT INTERNATIONAL LIMITED**

**萬威國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

*Executive Director:*

Ms. Cheung Yuk Ki

*Non-executive Directors:*

Ms. Ng Kwok Ying Isabella

Mr. Tiger Charles Chen

*Independent Non-executive Directors:*

Mr. Xu Jinwen

Ms. Chen Weijie

Mr. Mak Tin Sang

Dr. Lowe Chun Yip

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal Place of Business*

*in Hong Kong:*

Unit 612, 6/F

Bank of America Tower

12 Harcourt Road

Central, Hong Kong

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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### *(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;

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## LETTER FROM THE BOARD

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- (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



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## LETTER FROM THE BOARD

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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 Practicable Date</b>	<b>(ii) Immediately after the Capital Reorganisation 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

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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 (2) the Subscriber (as subscriber)
Subscription Price	:	HK\$0.60 per New Share
Total consideration for the Subscription	:	HK\$233,999,377.8
Number of Subscription Shares 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 900% 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.

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## LETTER FROM THE BOARD

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### 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;

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## LETTER FROM THE BOARD

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- (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;



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## LETTER FROM THE BOARD

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- (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*

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## LETTER FROM THE BOARD

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*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.

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## LETTER FROM THE BOARD

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### 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

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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“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,

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## LETTER FROM THE BOARD

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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



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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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- (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.



## LETTER FROM THE BOARD

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:

Name of assignor	Amount of Shareholder's Loan reassigned to Creditor A	Amount Paid to Creditor A on the initial assignment of the Shareholder's Loan	Amount Paid by Creditor A for the reassignment
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:*

- 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.
- 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.

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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.

## LETTER FROM THE BOARD

### 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

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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

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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.

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## LETTER FROM THE BOARD

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### 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.**



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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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.



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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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*



**IDT INTERNATIONAL LIMITED**

**萬威國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

24 January 2025

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;  
AND  
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 24 January 2025 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether the terms of the Subscription and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser as set out on pages 44 to 73 of the Circular; and (ii) the letter from the Board as set out on pages 11 to 41 of the Circular and the additional information set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we are of the opinion that the Subscription and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are on normal commercial terms, in the interests of the Company and the Independent Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
Independent Board Committee of  
**IDT International Limited**

**Ms. Ng Kwok Ying Isabella**  
*Non-executive Director*

**Mr. Xu Jinwen**  
*Independent non-executive  
Director*

**Mr. Mak Tin Sang**  
*Independent non-executive  
Director*

**Dr. Lowe Chun Yip**  
*Independent non-executive  
Director*

**Ms. Chen Weijie**  
*Independent non-executive  
Director*

\* *for identification purposes only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, for the purpose of incorporation into the Circular.*



24 January 2025

*To: The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**(1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;  
AND  
(2) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to, among others, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 24 January 2025 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as those defined in the Circular.

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.

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 900% 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and issued pursuant to the Specific Mandate to be granted by the Independent Shareholders at the SGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

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.

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 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Board has established the Independent Board Committee comprising all non-executive Directors and independent non-executive directors who has no direct or indirect interest in the Subscription, the Specific Mandate and the Whitewash Waiver, namely, Ms. Ng Kwok Ying Isabella, Mr. Xu Jinwen, Ms. Chen Weijie, Mr. Mak Tin Sang and Dr. Lowe Chun Yip to advise the Independent Shareholders as to whether the terms of (i) the Subscription Agreement; (ii) the Specific Mandate; and (iii) the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote, taking into account our recommendation. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

### OUR INDEPENDENCE

Apart from the normal professional fees for our services to the Company in connection with (i) the Subscription Agreement; (ii) the Specific Mandate; and (iii) the Whitewash Waiver and the transactions contemplated thereunder, no other arrangement exists whereby we will receive any fees and/or benefits from the Group or the Subscriber. We have not acted, within the past two years, as an independent financial adviser or a financial adviser to the Company or the Subscriber. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Group and the Subscriber and their respective controlling shareholders, controlled companies and/or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. We are independent under the Takeovers Code and the Listing Rules to act as the independent financial adviser to the Independent Board Committee in connection with (i) the Subscription Agreement; (ii) the Specific Mandate; and (iii) the Whitewash Waiver and the transactions contemplated thereunder.

### BASIS OF OUR ADVICE

In arriving at our recommendation, we have reviewed, *inter alia*, the Subscription Agreement, the Announcement, the annual reports of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and 31 December 2023 (the “**2023 Annual Report**”), and the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”). We have relied on the statements, information and representations contained or referred to in the Circular and the information provided and representations made to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information and representations contained or referred to in the Circular and all information provided and representations made by the Directors and the Management for which they are solely responsible, are true and accurate at the time they were provided and made and as at the Latest Practicable Date. Independent Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date of the SGM. We



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the Management. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld; nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, incorrect or misleading. We have not carried out any independent verification of the information provided and representations made to us by the Directors and the Management, nor have we conducted any form of in-depth independent investigation into the business and affairs of the Group.

This letter is issued for the purpose of advising the Independent Board Committee regarding the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In giving our recommendations to the Independent Board Committee, we have taken into account the following principal factors and reasons:

#### **1. Background information of the Group**

The Group is principally engaged in the design, development, manufacture, sales and marketing of various electronic products and smart wearable devices. The Group's products are sold to its customers globally. As disclosed in the 2024 Interim Report, the Group's revenue was derived from the PRC, Asia Pacific (excluding the PRC) and the United States of America, accounting for approximately 93.4%, 4.6% and 2.0% of the Group's total revenue for the six months ended 30 June 2024, respectively.

As disclosed in the 2022 Annual Report, due to the effect of the COVID-19 pandemic, the Group decided to discontinue production at its factory in Shenzhen with effect from 5 March 2022 and the tenancy of factory was terminated on 31 May 2022. The Group's operations had been substantially suspended following the close of factory.

Trading of the Shares was suspended since 3 April 2023 pending fulfilment of the Resumption Guidance. With reference to the announcement of the Company dated 1 November 2024 in relation to the fulfilment of resumption guidance and resumption of trading, as all the Resumption Guidance have been fulfilled, trading of the Shares has been resumed on 4 November 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.1 Financial information of the Group

Set out below is a summary of the financial information of the Group for each of the three financial years ended 31 December 2023 as extracted from the 2022 Annual Report and the 2023 Annual Report, and for each of the six months ended 30 June 2023 and 2024 as extracted from 2024 Interim Report, respectively.

**Table 1: Financial highlights of the Group**

	<b>For the six months</b>		<b>For the year ended</b>		
	<b>ended 30 June</b>		<b>31 December</b>		
	<b>2024</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	51,084	–	1,221	2,218	17,144
Gross profit/(loss)	17,436	–	97	(3,030)	1,858
Profit/(loss) for the year/period attributable to owners of the Company	5,619	(6,807)	(14,158)	(21,750)	(84,234)
	<b>As at</b>		<b>As at 31 December</b>		
	<b>30 June</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>2024</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)		(audited)	(audited)	(audited)
Non-current assets	1,579	–	–	–	11,045
Current assets	52,795	1,820	3,293	70,221	
– Bank balances and cash	587	599	430	49,484	
Current liabilities	388,511	342,736	330,856	322,502	
Non-current liabilities	654	–	–	64,342	
Net current liabilities	(335,716)	(340,916)	(327,563)	(252,281)	
Net liabilities	(334,791)	(340,916)	(327,563)	(305,578)	

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the year ended 31 December 2022*

For the year ended 31 December 2022, revenue of the Group decreased substantially by approximately 87.1% to approximately HK\$2.2 million from that of approximately HK\$17.1 million as recorded for the year ended 31 December 2021, which was chiefly attributed to the suspension of the Group's operation due to the close of its Shenzhen factory which represented the Group's total output per year.

For the year ended 31 December 2022, the Group recorded loss attributable to owners of the Company of approximately HK\$21.8 million, which has narrowed by approximately 74.1% from that of approximately HK\$84.2 million as recorded for the year ended 31 December 2021. With reference to the 2022 Annual Report, we note that such reduction in loss was primarily resulted from the combined effect of (i) the increase in other income from approximately HK\$6.6 million to approximately HK\$18.8 million which was mainly derived from the gain on early termination of leases ("**Early Termination of Lease**") in respect of the Group's factory and office spaces in the PRC; (ii) the significant decrease in research expenses and distribution and selling expenses from approximately HK\$19.2 million to approximately HK\$1.6 million in aggregate; and (iii) the decrease in general administrative expenses as the Company was undergoing its downsizing process, which outweighed the effect of gross loss recorded for the year ended 31 December 2022 as opposed to the gross profit for the previous year which was resulted from inventory write-down in 2022. As the Group had not made any lease payments to the landlord since August 2021, the Group received several notices from the district court in the PRC stating that the landlord of the Shenzhen factory has initiated legal action against several subsidiaries of the Group by claiming the allegedly due and unpaid balance of rental fees. Following the judgement issued by the PRC district court, the Group and the landlord entered into an agreement with respect to the Early Termination of Lease on 31 May 2022 on (i) forfeiting the rental deposit of approximately RMB3,079,000 by the Group; (ii) further settlement to the landlord by the Group of approximately RMB11,593,000 payable within 15 days of agreement; and (iii) the landlord agreed to take up those rental income receivables up to 31 May 2022, which is recorded as finance lease receivables and investment properties under the sub-leasing arrangement of the Group's right-of-use assets. Accordingly, following the recognition with respect to investment properties, finance lease receivables and right-of-use assets of approximately HK\$378,000, HK\$5,156,000 and HK\$3,423,000 respectively and the relevant exchange difference, the Group recorded a gain on Early Termination of Lease of approximately HK\$18.7 million.

As at 31 December 2022, the Group recorded net current liabilities and net liabilities of approximately HK\$327.6 million and approximately HK\$327.6 million, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the year ended 31 December 2023*

For the year ended 31 December 2023, revenue of the Group further decreased by approximately 45.5% to approximately HK\$1.2 million from that of approximately HK\$2.2 million as recorded for the year ended 31 December 2022, which was due to the suspension of the Group's operation since 2022 and the adverse market conditions, according to the 2023 Annual Report.

For the year ended 31 December 2023, the Group recorded loss attributable to owners of the Company of approximately HK\$14.2 million, which was reduced by approximately 34.9% from that of approximately HK\$21.8 million as recorded for the year ended 31 December 2022. With reference to the 2023 Annual Report, we note that such decrease in loss in 2023 was principally resulted from the net effects of (i) the turnaround from gross loss to gross profit due to the absence of write-off of inventories in 2023 following the Early Termination of Lease and the suspension of the Group's operation, coupled with the obsolescence and diminishing marketability arising from changes in market condition, the Group had decided to write off the remaining inventories in 2022 such that there was no inventories held by the Group as at 31 December 2022 and 2023; (ii) the significant decrease in research costs and distribution and selling expenses from approximately HK\$1.6 million to approximately HK\$0.2 million in aggregate; (iii) the decrease in general administrative expenses from approximately HK\$21.9 million to approximately HK\$10.6 million as the Company completed its downsizing process; and (iv) the absence of other income derived from the gain on early termination of leases of approximately HK\$18.7 million which was recognised in the previous year.

As at 31 December 2023, the Group recorded net current liabilities and net liabilities of approximately HK\$340.9 million and approximately HK\$340.9 million, respectively.

*For the six months ended 30 June 2024*

For the six months ended 30 June 2024, the Group recorded revenue of approximately HK\$51.1 million while no revenue was recorded for the previous corresponding period, as a result of the resumption of the Group's business operation since December 2023.

For the six months ended 30 June 2024, the Group recorded a profit for the period attributable to owners of the Company of approximately HK\$5.6 million against the loss for the period attributable to owners of the Company of approximately HK\$6.8 million for the previous corresponding period. Such turnaround was mainly due to the resumption of operation as mentioned above,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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thereby resulting in a gross profit of approximately HK\$17.4 million for the six months ended 30 June 2024 as compared to nil for the previous corresponding period.

As at 30 June 2024, the Group recorded net current liabilities and net liabilities of approximately HK\$335.7 million and approximately HK\$334.8 million, respectively. The current assets of the Group amounted to approximately HK\$52.8 million as at 30 June 2024 from approximately HK\$1.8 million as at 31 December 2023, which was resulted from the significant increase of trade and other receivables from approximately HK\$1.2 million as at 31 December 2023 to approximately HK\$51.1 million as at 30 June 2024 following resumption of the Group's business operation since December 2023.

### *Disclaimer of opinion by auditors*

As noticed from the 2022 Annual Report and the 2023 Annual Report, the auditors of the Company issued a disclaimer of opinion for the consolidated financial statements of the Group for the years ended 31 December 2022 and 2023. According to the disclaimer of opinion for the year ended 31 December 2023, the auditors were concerned with the material uncertainties in relation to the Group that may cast significant doubt on the Group's ability to continue as a going concern, including (i) the Group reported a loss attributable to the owners of the Company of approximately HK\$14,158,000 for the year ended 31 December 2023 and recorded net current liabilities and net liabilities of approximately HK\$340,916,000 and HK\$340,916,000, respectively as at 31 December 2023; (ii) the Group is subject to a number of legal proceedings and is yet to settle majority of such legal proceedings due to lack of sufficient funds; and (iii) the Group's bank balances and cash maintained at a low level of approximately HK\$599,000 as at 31 December 2023. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively, and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group. In short, if the Group were to be unable to demonstrate that it can meet its financial obligations when they become due (for instance, in the circumstances of the failure to complete the Subscription and the Debt Restructuring), the balance sheets of the Group is expected to be materially and adversely adjusted and impacted.

### ***1.2 Outlook of the Group***

The Group has been engaging in the sales of lifestyle electronic products under the trademark of "Oregon Scientific" for over 20 years, specialising in the design, development, manufacturing and sales of electronic products and smart wearable

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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devices and providing fashionable, healthy and intelligent products and service experience enhancing people's ability to work, live and play and leading social trends. While the outbreak of the COVID-19 pandemic has detrimentally affected the global supply chain and disrupted the business operation of the Company including the cease of factory operation in Shenzhen which was the only factory operated by the Group at the material time, the economic recovery and reopening of markets have allowed the Group to gradually restore its operations to normal trajectory and progression. Based on the 2023 Annual Report, it is noted that since December 2023, the Group has actively reestablished contacts and negotiations with potential customers and suppliers to recommence its business. Following the Company's evaluation of its sales channel, the Group has gradually resumed the sales of electronic products under the trademark of "Oregon Scientific" and has initiated and commenced operation of a number of new online retail platforms, with the aim to enhance market awareness of the "Oregon Scientific" brand as well as to advertise, showcase and distribute its products across a global spectrum of potential customers. As disclosed in the Letter from the Board, 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. In assessing the prospect of the Group, we have primarily considered the general outlook of the consumer electronic industry which the Group is primarily engaged in.

Considering that the Group's revenue is principally derived in the PRC, we have primarily focused our research on the market outlook of consumer electronic industry in the PRC. According to the news article published by Xinhua News Agency, being a leading authoritative news sources in the PRC, based on the data available from the Ministry of Industry and Information Technology of the PRC, the main operating indicators of the consumer electronics industry showed significant improvement in the first half of 2024 when compared to 2023, with production of key products steadily increased and domestic market gradually recovered. According to the data from National Bureau of Statistics, in the first half of 2024, China continued to solidify its position as the world's largest producer of consumer electronics products, with the production of mobile phones reached 752 million units, showing a year-on-year increase of 9.7%. According to ASKCI (中商情報網) (<http://www.askci.com>), an independent market research and consulting company with over 10 years of experience in industry analysis and consulting services which provides industry analysis, market segment research and consulting services to enterprises, the market size of consumer electronic industry in the PRC amounted to 1,864.9 billion yuan in 2022, showing a compound annual growth rate of 2.97% in the past five years and the market size is forecasted to grow to 1,977.2 billion yuan in 2024. Further, with reference to the 中國消費電子和家電行業趨勢報告 (2024) (China Consumer Electronics and Home Appliance Industry Report\*) published by Ernst & Young, China serves as a key manufacturing hub and exporter for consumer electronics and home appliances,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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accounting for over 22% of the global market share in sales. In particular, consumers in the PRC have a strong inclination towards online purchases of consumer electronics and home appliance products, with the national online retail sales in the PRC reaching 13.8 trillion yuan in 2022, among which 29.1% of consumer electronic sales and 57.8% of home appliance sales were achieved through online channels.

On a global basis, with reference to the statistics and insights available from Statista (<http://www.statista.com/>), a renowned online platform established in 2007 in Germany specialised in data collection and visualisation which offers statistics and reports on over 80,000 topics from 22,500 sources in 170 industries and has operations in 13 locations worldwide and employs around 1,100 professionals, it is reported that the revenue generated in the worldwide consumer electronics market amounted to US\$987 billion in 2022, showing a minor contraction of 4.4% from the previous year primarily due to the market saturation of smartphones and a rebound in demand for computing devices, amid the economic slowdown and surging inflation rates which contributed to decreased consumer spending. It is projected that the market will experience a compound annual growth rate of 2.9% from 2024 to 2029. Further, it is predicted that by 2024, online sales will account for 33.5% of the total revenue in the market and will continue to increase its shares in the market going forward.

Accordingly, driven by the gradual recovery of the global economy and potential demand for technological advancement, it is anticipated that the consumer electronic industry will grow steadily in the coming years. Overall, we are of the view that the outlook of the Group's electronic products business is generally positive.

### *Resumption of the Group's business operation*

We note that the Group has been principally engaged in the design, development, manufacturing, marketing and distribution of lifestyle electronic products under the brand "Oregon Scientific" for at least the past ten years. Following the COVID-19 outbreak, the business operations of the Group had been substantially suspended. In particular, the production of the Group's leased factory in Shenzhen was suspended from 5 March 2022 and the tenancy of factory was terminated on 31 May 2022. Since December 2023, the Group has actively reestablished contacts and negotiations with potential customers and suppliers to recommence its business. Following the Company's evaluation of its sales channel, the Group has gradually resumed the sales of electronic products under the trademark of "Oregon Scientific" and has initiated and commenced operation of various new online retail platforms. The production process of the Group is supervised by the production director who has been with the Company before the business suspension. As a result of the collaborated efforts devoted by the Management in resuming the existing business of the Group, as disclosed in the 2024 Interim Report, the Company recorded revenue and profit of approximately HK\$51.1 million and HK\$5.6 million, respectively, for the six



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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months ended 30 June 2024. Further, as advised by the Management, confirmed orders of HK\$76 million and HK\$40 million scheduled for delivery in the third and fourth quarters of 2024 respectively have been completed and the Company has received confirmed orders from customers of approximately HK\$40 million for the first quarter of 2025.

According to the announcement of the Company dated 1 November 2024, the Company is of the view that its compliance with Rule 13.24 of the Listing Rules is satisfied. As all the Resumption Guidance have been fulfilled, trading of the Shares was resumed on 4 November 2024, which evidenced that the Stock Exchange concurred with the Company that the business of the Group at the time of the trading resumption has substance and/or was viable and sustainable. In view of the above, we have no reason to doubt the viability and sustainability of the Group's business.

Considering the prolonged net liability and limited internal cash of the Group, as well as the difficulties faced by the Group in obtaining external financing with favourable terms as discussed below, the Group does not have sufficient financial resources and may be restricted to further develop and expand its business. In view of the positive outlook of the consumer electronics industry that the Group is principally engaged in, we are of the opinion that upon the successful implementation of the Subscription and accordingly the Debt Restructuring which will alleviate the financial distress of the Group and strengthen its financial position thereby allowing the Group to deploy financial resources to expand and grow its business, the Group will be better positioned to ride on the potential growth of the consumer electronics market in the foreseeable future. Accordingly, we concur with the Directors' view that the implementation of the Subscription and Debt Restructuring are critical to the Company's long-term growth and financial health.

### **2. Background of the Subscriber**

As disclosed in the Letter from the Board, 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.

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. As disclosed in the Letter from the Board, since his appointment to the Board,



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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.

### *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

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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.

### **3. Reasons for and benefits of the Subscription and use of proceeds**

As discussed in the above section headed “1. Background information of the Group”, despite the turnaround from loss to profit for the six months ended 30 June 2024, it is noted that the Group has been consecutively loss-making for the previous years and periods and recorded net current liabilities and net liabilities of approximately HK\$340.9 million and HK\$340.9 million, respectively as at 31 December 2023, and approximately HK\$335.7 million and HK\$334.8 million, respectively as at 30 June 2024. With reference to the 2023 Annual Report and 2024 Interim Report, the bank balance and cash of the Group only amounted to approximately HK\$0.6 million and HK\$0.6 million as at 31 December 2023 and 30 June 2024 which were far less than the total borrowings of the Group of approximately HK\$255.9 million and HK\$256.2 million as at 31 December 2023 and 30 June 2024, respectively. The gearing ratio of the Group, computed by dividing the total borrowings by total assets, was at an extremely high level of approximately 14,216.7% as at 31 December 2023. Following the Group’s resumption of operation since December 2023, the total assets of the Group has significantly increased which primarily comprised of trade receivables, resulting in a reduction in gearing ratio to approximately 471.3% as at 30 June 2024 which was still at a high level. In view of the severe financial condition of the Group, the Subscription would therefore provide an opportunity for the Group to partially settle the Debt of HK\$215.7 million under the Debt Restructuring. As disclosed in the Letter from the Board, 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. However, the Company 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. Further, with reference to the Company’s announcement dated 19 May 2023, we

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note that one of the resumption guidance for the Resumption is to demonstrate compliance with Rule 13.24 of the Listing Rules, under which the Group shall carry out a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of its securities. Given that the proceeds from the Subscription would enable the Company to (i) settle part of its indebtedness due to the Creditors under the Debt Restructuring; (ii) satisfy the professional fees incurred in relation to the restructuring and the Resumption which comprised mainly of restructuring advisory fees, legal fees and fee incurred by other professional services; and (iii) facilitate the Group's business operation and development, we understand that the Subscription and the Debt Restructuring form integral parts of the resumption plan of the Company to facilitate the Resumption.

### *Debt Restructuring*

As mentioned above, the Company has been under financial distress and is currently unable to repay certain of its liabilities. As disclosed in the Letter from the Board, 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 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. The Company proposed to implement the Debt Restructuring pursuant to which the Company targets to reach consensus with the Creditors in the manner that (i) the Initial Cash Payment, being part of the 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 Bonds will be issued by the Company in an amount equivalent to 50% of the Remaining Debt to the Creditors as full settlement of the Remaining Debt.

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

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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.

### *Use of proceeds*

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 is proposed to be applied towards: (i) approximately HK\$100 million for the Initial Cash Payment as discussed above; (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.

### *Standstill agreement*

With reference to the Letter from the Board, if the Subscription Agreement is voted down or if any of the conditions precedent to the Subscription 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 terminate with immediate effect. As a result, the Subscription and the Debt Restructuring will not be implemented such that no proceeds will be raised by the Company. In the absence of

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funds, the Debt which mainly comprised of the Shareholder's Loan owing by the Company to Creditor A shall remain unsettled.

As disclosed in the Letter from the Board, Creditor A has entered into a standstill agreement with the Company 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. Accordingly, should the Company fail to honor such outstanding liabilities, Creditor A shall have the right to file a winding-up petition against the Company, which may lead to the potential appointment of provisional liquidator by the court to take over the assets of the Company. In such event, based on the existing indebtedness of the Group, it is expected that the available assets of the Company will be distributed in the priority of settlement of liquidation expenses, followed by payment to secured creditors, preferential creditors and/or unsecured creditors (including Creditor A) of the Company, and lastly to the Shareholders. The Shareholders will only receive distribution if there are remaining assets after all debts have been paid. In light of the net liabilities position of the Group, the residue value to the Shareholders in such circumstances is inevitably minimal, if not none.

### *Financing alternatives*

We understand from the Company that alternative fund-raising methods including additional external debt financing and other equity fundraising methods have been considered, while the Company is of the view that, the Subscription is currently the most feasible option for the Company. As learnt from the Management, the Company has approached a number of financial institutions and securities brokerages to explore the possibility of conducting fundraising through placing of new shares and open offer. However, due to the financial distress position of the Company and the business operation of the Group has only just recommenced, as well as the prolonged suspension of trading of the Shares and the weak operating environment for local banks and financial institutions, all financial institutions approached by the Company have expressed great hesitant in providing financing or participating in fundraising activities in view of the potentially higher level of risks involved in such fundraising exercise with grave uncertainties. To this end, the Company considered that any other equity financing exercises for the Group are not likely attainable at the moment. We have further discussed with the Management on the possibility of external debt financing and were given to understand that attempts have been made to reach out to a number of commercial banks. As advised by the Management, in light of the additional practical difficulties and uncertainties arising from, among others, the adverse financial condition of the Group including the prolonged loss-making performance and net deficit position and the statutory demand received by the Company for the potential lenders to assess the credit position and repayment ability of the Group, no financiers have shown interest to provide debt financing to the

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Company and it was also unlikely for the Group to obtain additional borrowings with terms favourable to the Group. Moreover, as confirmed by the Company, save for the Subscriber, no other potential investors have expressed interest in the Group.

In assessing whether the Subscription is the most feasible mean of financing available to the Group, we further note that following the publication of the Announcement in relation to the Subscription, the Company issued a clarification announcement on 6 November 2024 pursuant to which on 28 October 2024, China Huaneng Foundation Construction Investment Ltd. disposed of 753,997,995 Shares (the “**Disposal**”), representing 29% of the total issued share capital of the Company to six independent third parties with each of them holding less than 5% of the issued share capital of the Company at a total consideration of HK\$12,101,668.91, with an average purchase price of approximately HK\$0.016 per Existing Share. Notwithstanding the Disposal and that the aforesaid purchase price per Existing Share is above the implied subscription price of HK\$0.01 per Existing Share (based on the Subscription Price of HK\$0.6 per Subscription Share before adjustment for the effect of the Capital Reorganisation) which may indicate that investors are interested in investing in the Company at a price higher than the Subscription Price, considering that (i) the terms of the Subscription and the Debt Restructuring have been agreed following an extended period of negotiations where any alterations of the terms or fundraising structure (including the Subscription Price and the amount of funds to be raised) would result in additional time and costs on the part of the Company; (ii) Creditor A has indicated her intention to support the Debt Restructuring and any changes to the structure and terms of the Subscription would inevitably delay the implementation of the Debt Restructuring; (iii) Creditor A has agreed not to take any action against the Company pending completion of the Subscription and the Debt Restructuring pursuant to a standstill agreement with the Company, any changes to the current fundraising plan will be subject to further negotiation with Creditor A and it is uncertain as to the outcome of such negotiation; and (iv) the funding need of the Group is imminent in view of its severe financial condition as described in the above paragraph while the Subscription would provide the necessary funds required by the Group, we concur with the Company that it is reasonable for the Company to proceed with the Subscription.

Taking into consideration (i) the net deficit position of the Group; (ii) the Subscription demonstrates a firm confidence and support by the Subscriber in the Company’s future development despite its unsatisfactory financial performance and prolonged suspension of trading of the Shares; (iii) the Subscription forms a vital part of the corporate rescue and restructuring plan of the Company where without the proceeds from the Subscription, the Company would not be able to implement the Debt Restructuring; (iv) the proceeds from the Subscription would significantly reduce the debt level of the Group, while raising additional working capital to replenish the Group with the necessary funds to carry out its operation and facilitate further expansion and development of current business; and (v) should the Subscription not proceed, Creditor A shall have the right to demand immediate repayment of the



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Shareholder's Loan and the Creditor A Loan failing which Creditor A shall have the right to file a winding-up petition against the Company, and any residue value to the Shareholders in such event is expected to be minimal, if not none, we are of the view that the Subscription is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### 4. The Subscription Agreement

##### *Principal terms of the Subscription Agreement*

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 under the Subscription Agreement, details of which are set out in the Letter from the Board. The principal terms of the Subscription Agreement are summarised below:

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

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 900% 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.

For further details, please refer to the section headed "Subscription of New Shares" of the Letter from the Board.

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### *Evaluation of 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 54.95% to the theoretical average closing price of HK\$1.332 per New Share 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;
- (iii) a discount of approximately 59.51% to the theoretical average closing price of HK\$1.482 per New Share 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;
- (iv) 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; and
- (v) a premium of approximately HK\$8.3 over the theoretical audited consolidated net liabilities attributable to owners of the Company as at 30 June 2024 of approximately HK\$7.7 per New Share as adjusted for the effect of the Capital Reorganisation.

As disclosed in the Letter from the Board, 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.

In assessing the fairness and reasonableness of the Subscription Price and considering that the Shares have resumed trading as at the Latest Practicable Date, we have conducted comparison of the Subscription Price against the prevailing market



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valuation of industry peers based on the trading multiples of companies (“**Market Comparables**”) listed on the Stock Exchange which are primarily engaged in similar business activities as the Group. We have considered common valuation benchmark namely (i) the implied price-to-sales ratio (“**PS ratio**”); (ii) the implied price-to-earnings ratio (“**PE ratio**”); and (iii) the implied price-to-book ratio (“**PB ratio**”) of the Subscription. However, as the Group recorded a net liability position as at 30 June 2024, the implied PB ratio was not applicable. Nevertheless, we have computed each of the PS ratio, PE ratio and PB ratio of the Market Comparables for our analysis purpose.

We have identified the Market Comparables based on the selection criteria that they (i) are principally engaged in the manufacture and sales of consumer electronic products which accounted for over 50% of total revenue; (ii) derived over 50% of revenue from the PRC; (iii) are profit-making from continuing operation for the latest financial year; (iv) have a market capitalisation of not more than HK\$1,000 million as at the Latest Practicable Date; and (v) are not under trading suspension as at the Latest Practicable Date. Based on the aforesaid selection criteria, no company was identified. In order to obtain a sufficient sample size for a meaningful assessment, we have extended our criteria to include comparable companies regardless of the geographical location of revenue derived. On this basis, we have identified an exhaustive list of three Market Comparables, details of which are set out below:

**Table 2: Summary of the Market Comparables**

Company name (stock code)	Principal business	Market capitalisation <i>(Note 1)</i> HK\$' million	PS ratio <i>(Note 2)</i> times	PE ratio <i>(Note 3)</i> times	PB ratio <i>(Note 4)</i> times
Suga International Holdings Limited (912)	Research and development, manufacturing and sales of electronic products (including professional audio equipment, products with IoT technology, telephones for the hearing-impaired, telecommunication products, general household consumer appliances, smart payment products), pet food and other pet-related products	341.7	0.3	10.7	0.4

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Company name (stock code)	Principal business	Market capitalisation <i>(Note 1)</i> <i>HK\$' million</i>	PS ratio <i>(Note 2)</i> <i>times</i>	PE ratio <i>(Note 3)</i> <i>times</i>	PB ratio <i>(Note 4)</i> <i>times</i>
Fujikon Industrial Holdings Limited (927)	Design, manufacturing, marketing and trading of electro-acoustic products, accessories and other electronic products and property holding	289.6	0.3	16.9	0.5
China Energy Storage Technology Development Limited (1143)	i) Provision of electronic manufacturing services for communication and non-communication products ii) Marketing and distribution of communications products iii) Provision of real estate advisory service and real estate purchase service and energy storage products iv) Equity investment, property agency service and other operations v) Provision of loan services by licensed corporation	66.2	0.1	12.6	0.1
		<b>The Company</b>	<b>0.3</b> <i>(Note 5)</i>	<b>2.3</b> <i>(Note 6)</i>	<b>Not applicable</b>
		<b>Maximum</b>	<b>0.3</b>	<b>16.9</b>	<b>0.5</b>
		<b>Minimum</b>	<b>0.1</b>	<b>2.3</b>	<b>0.1</b>
		<b>Average</b>	<b>0.2</b>	<b>10.6</b>	<b>0.4</b>

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

*Notes:*

- The market capitalisation of the Market Comparables is calculated based on their respective closing share price as at the Latest Practicable Date and the total number of issued shares based on their latest published monthly return available on the website of the Stock Exchange.
- The PS ratios of the Market Comparables are computed by dividing the market capitalisation as at the Latest Practicable Date by the total revenue based on the latest published annual reports.
- The PE ratios of the Market Comparables are computed by dividing the market capitalisation as at the Latest Practicable Date by the profit attributable to owners based on the latest published annual reports.

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4. The PB ratios of the Market Comparables are computed by dividing the market capitalisation as at the Latest Practicable Date by the net assets attributable to owners based on the latest published interim reports.
5. The implied PS ratio of the Company is computed based on (a) the Subscription Price of HK\$0.6 per New Share multiplied by 43,333,218 New Shares (as adjusted for the effect of the Capital Reorganisation based on 2,599,993,088 Existing Shares in issue as at the Latest Practicable Date); and (b) the revenue of approximately HK\$102,168,000 (as annualised based on the revenue of the Company for the six months ended 30 June 2024 of approximately HK\$51,084,000).
6. The implied PE ratio of the Company is computed based on (a) the Subscription Price of HK\$0.6 per New Share multiplied by 43,333,218 New Shares (as adjusted for the effect of the Capital Reorganisation based on 2,599,993,088 Existing Shares in issue as at the Latest Practicable Date); and (b) the profit attributable to owners of the Company of approximately HK\$11,238,000 (as annualised based on the profits attributable to owners of the Company for the six months ended 30 June 2024 of approximately HK\$5,619,000).

As shown in Table 2 above, (i) the PS ratios of the Market Comparables and the Company ranged from approximately 0.1 times to 0.3 times with an average of 0.2 times; and (ii) the PE ratios of the Market Comparables and the Company ranged from approximately 2.3 times to approximately 16.9 times with an average of approximately 10.6 times on the Latest Practicable Date. The implied PS ratio of the Company (as computed based on the annualised revenue of the Company for the year ended 31 December 2024 using its revenue for the six months ended 30 June 2024) of 0.3 times is at the highest end of the aforesaid range, while the implied PE ratio of the Company (as computed based on the annualised profits attributable to owners of the Company for the year ended 31 December 2024 using its profits attributable to owners for the six months ended 30 June 2024) of approximately 2.3 times is the lowest of the aforesaid range.

Taking into consideration (i) the implied PS ratio of the Company is at the highest end among those of the Market Comparables; (ii) unlike the Market Comparables, the Group is under financial distress with net deficit position and was loss-making for at least the past three years; (iii) the Subscriber is willing to take up the inherent risks to subscribe for the Shares of the Company with a net liability status; (iv) offering a lower market valuation against the industry peers would incentivise the Subscriber in conducting the Subscription and supporting the Company's future development; (v) the Subscription was entered into during the prolonged suspension of trading of the Shares where no prevailing relevant share price was then available for reference; (vi) the imminent funding need required by the Company to implement its restructuring plan, reactivate its business operation and potentially turnaround the unsatisfactory financial performance; and (vii) that Mr. Chen has contributed and played an important role in reviving the business of the Group since his appointment as non-executive Director by providing constructive ideas on the designs and range of electronic products of the Group and expanding the sales channel to online stores, it is expected that the engineering background and expertise of Mr. Chen as well as his established network within the electronic products related industry will benefit the Company in furtherance of its business apart from the

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financial support through the Subscription, we are of the view that the Subscription Price is justifiable.

### **5. Possible dilution effect on the shareholding interests of the existing public Shareholders**

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. 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.

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.

With reference to the shareholding table in the section headed "Effects on the shareholding structure of the Company" as set out in the Letter from the Board, the shareholding interests of the existing public Shareholders would be diluted from approximately 78.6% to approximately 7.9% immediately after completion of the allotment and issue of the Subscription Shares. It is noted that, assuming completion of the Subscription, the resultant dilution of the public Shareholders' interest will be approximately 89.9%.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the dilution to the public Shareholders as a result of the Subscription, we have identified comparable companies listed on the Stock Exchange which (i) were in prolonged suspension for more than six months prior to the date of the relevant circulars; (ii) conducted resumption plan which involved subscription of shares, debt restructuring or creditors' schemes and application of whitewash waiver (excluding resumption plan involving rights issue or open offer which the existing public shareholders are provided with pre-emptive rights to participate in); (iii) the relevant circulars were issued in the past two years between 15 October 2022 and the date of the Subscription Agreement; and (iv) have fulfilled all underlying resumption conditions and resumed trading as at the Latest Practicable Date. As only one comparable company was identified based on the aforesaid criteria, we have extended our review period to cover four years from 15 October 2020 and up to the date of the Subscription Agreement in order to obtain a sufficient number of companies for a meaningful analysis. We have identified an exhaustive list of five companies (the "Dilution Comparables") which met our selection criteria.

We note that the market capitalisation, business and operation, financial performance, financial position and the transaction background of the Dilution Comparables are not identical to the Group. Nonetheless, considering that the subscriptions conducted by the Dilution Comparables and the Subscription were all entered into during the trading suspension period, we are of the view that the Dilution Comparables can demonstrate the general dilution effects of similar restructuring transactions conducted by companies under prolonged trading suspension during our review period. Set out below are the results of the Dilution Comparables:

**Table 3: Summary of the Dilution Comparables**

Date of circular	Company name (stock code)	Market capitalisation as at the date of suspension of trading of the shares	Trading suspension period before resumption	Principal business as at the date of circular	Maximum dilution to the existing public shareholders <i>(Note)</i>
		<i>HK\$'</i> <i>million</i>	<i>Approximate</i> <i>months</i>		<i>Approximate</i> <i>%</i>
3 March 2023	China Health Technology Group Holding Company Limited (1069)	110.2	21.8	Forestry management (i.e. plantation, logging and sale of timber related products), ginseng-related business (i.e. plantation and sale of ginseng) and investment holding	84.6

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Date of circular	Company name (stock code)	Market capitalisation as at the date of suspension of trading of the shares	Trading suspension period before resumption	Principal business as at the date of circular	Maximum dilution to the existing public shareholders <i>(Note)</i> <i>Approximate</i> %
		<i>HK\$'</i> <i>million</i>	<i>Approximate</i> <i>months</i>		
5 August 2022	China Wood International Holding Co., Limited (1822)	22.3	18.8	(i) Sale and distribution of furniture wood, manufacturing and sales of antique style wood furniture and imported timber flooring processing businesses; and (ii) car rental business in the PRC	90.1
31 December 2021	C&D Newin Paper & Pulp Corporation Limited (731)	416.5	18.8	(i) Paper manufacturing and trading business; (ii) fast moving consumer goods business; (iii) property development and investment business; and (iv) other businesses including trading of consumable aeronautic parts and provision of related services, and provision of logistic services and marine services	91.9
26 May 2021	Arta TechFin Corporation Limited (279)	168.1	20.1	Financial services sector including the provision of securities and futures brokerage services, placing, underwriting and margin financing services, and the provision of insurance brokerage and financial planning services	91.2

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Date of circular	Company name (stock code)	Market capitalisation as at the date of suspension of trading of the shares	Trading suspension period before resumption	Principal business as at the date of circular	Maximum dilution to the existing public shareholders  <i>(Note)</i>  <i>Approximate</i>  <i>%</i>
19 March 2021	Century Energy International Holdings Limited (8132)	59.3	23.9	(i) Manufacture and sales of power and data cords business; (ii) trading of refined oil and chemicals business; and (iii) trading of commodities	85.0
		<i>HK\$'</i> <i>million</i>	<i>Approximate</i> <i>months</i>		<i>Approximate</i>  <i>%</i>
					<b>Maximum</b> <b>91.9</b>
					<b>Minimum</b> <b>84.6</b>
					<b>Average</b> <b>88.6</b>
					<b>The Subscription</b> <b>89.9</b>

*Note:* For the purpose of our analysis and where applicable, shares held by existing public shareholders excluded the shares to be placed to independent places for the purpose of fulfilling the minimum public float requirement under the Listing Rules.

As shown in Table 3 above, the maximum dilution of the public Shareholders' interest as a result of the Subscription of approximately 89.9% falls within the range of maximum dilution of the respective public shareholders of the Dilution Comparables of approximately 84.6% to 91.9% and approximates to the average maximum dilution of approximately 88.6%.

Having considered that (i) the Company has been under dire financial distress and is in lack of sufficient financial resources to repay certain of its liabilities given its prolonged net deficit position and extremely high gearing ratio; (ii) the proceeds from the Subscription would allow the Group to settle part of the Debt, and thereby strengthen the financial position of the Group; (iii) completion of the Subscription forms part of the resumption plan seeking resumption of trading in the Shares; (iv) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (v) the dilution effect to the existing public shareholders upon completion of the Subscription is within the range of and approximates to the average dilution effect of the Dilution Comparables, we are of the opinion that the dilution impact to the public Shareholders as a result of the Subscription is acceptable.

**6. Financial effect of the Subscription**

*Net assets/(liabilities) and gearing*

As disclosed in the 2023 Annual Report and the 2024 Interim Report, the gearing ratio of the Group, which was calculated as a percentage of total borrowings (including loans from other creditors or shareholder) over total assets, amounted to approximately 14,216.7% and 471.3% as at 31 December 2023 and 30 June 2024, respectively. The allotment and issue of the Subscription Shares to partially settle the indebtedness due to the Creditors would reduce the liabilities of the Company. Hence, it is expected that the gearing ratio of the Group will be lowered, resulting in an overall improvement of financial position of the Group.

*Working capital*

As the indebtedness due to the Creditors under the Debt Restructuring would be partly settled by the proceeds from the Subscription as to approximately HK\$100 million for the Initial Cash Payment and 50% of the Remaining Debt would be settled by issuance of the Bonds as full settlement of the Remaining Debt, which forms part of the debt restructuring to be implemented by the Company, substantial future cash outflow from the Group would be avoided in repayment of the Debt. Upon completion of the Subscription and following payment of the Initial Cash Payment, the indebtedness due to the Creditors would be reduced and the liabilities of the Group is expected to decrease, which would improve the working capital and thereby relieve the financial burden of the Group.

It should be noted that the abovementioned analysis is for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon the completion of the Subscription.

**7. The 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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

As stated in the Letter from the Board, completion of the Subscription is conditional upon, among other things, the Independent Shareholders' approval and the Executive having granted the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved by the Independent Shareholders, the Subscription Agreement will terminate forthwith.

Taking into account that (i) the Subscription is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Subscription Agreement are fair and reasonable; and (iii) the approval of the Whitewash Waiver by the Independent Shareholders is one of the conditions precedent to the Subscription Agreement which cannot be waived, we are of the view that the grant of the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned as it would allow the Subscription Agreement and the transactions contemplated thereunder to proceed.

### RECOMMENDATIONS

Having considered the abovementioned principal factors and reasons, in particular:

- (i) despite the recent improving revenue and turnaround from underlying loss to profit for the first half of 2024, the Group has been under dire financial distress given its loss-making performance in the past years and net deficit position, and has been unable to generate sufficient cashflow from its principal business operation to repay its indebtedness;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the Management's efforts in reviving the existing business of the Group, the confirmed orders fulfilled in the second half of 2024 and expected to be fulfilled by the Group in the first quarter of 2025 and that trading of the Shares was resumed on 4 November 2024 which evidenced that the business of the Group has substance and/or is viable and sustainable;
- (iii) the Subscription demonstrates a firm confidence and support by the Subscriber in the Company's future development despite its unsatisfactory financial performance and prolonged suspension of trading of the Shares;
- (iv) the Subscription forms a vital part of the corporate rescue and restructuring plan of the Company where without the proceeds from the Subscription, the Company would not be able to implement the Debt Restructuring;
- (v) the proceeds from the Subscription would significantly reduce the debt level of the Group, while the additional working capital would replenish the Group with the necessary funds to carry out its business operation and development;
- (vi) the dilution to the shareholding interests of the existing public shareholders as a result of the Subscription of approximately 89.9% is within the range of dilution effect of the Dilution Comparables which ranged from 84.6% to 91.9% and approximates to the average of 88.6%; and
- (vii) the approval of the Whitewash Waiver by the Independent Shareholders is one of the conditions precedent to the Subscription Agreement which is crucial to the implementation of the Debt Restructuring.

We consider that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate as well as the Whitewash Waiver are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Joshua Liu**  
*Managing Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:* Mr. Joshua Liu is a licensed person registered with the SFC and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 25 years of experience in the securities and investment banking industries.

\* *For identification purpose only*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial information of the Group for each of the financial years ended 31 December 2021, 2022 and 2023 and the unaudited consolidated financial information of the Group for the interim period ended 30 June 2024 as extracted from the annual report of the Company for the years ended 31 December 2021, 2022 and 2023 and the interim report of the Company for the six months ended 30 June 2024. No dividend has been paid or distributed to owners and, save as disclosed below, which includes approximately HKD3.25 million recorded under general administrative expenses for the six months ended 30 June 2024, in relation to the restructuring and the Resumption, no material income has been incurred or expenses paid for each of the financial years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Six months ended</b>			
	<b>30 June 2024</b>	<b>Twelve months ended 31 December</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>	
	(Unaudited)	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	51,084	1,221	2,218	17,144
Cost of goods sold	(33,648)	(1,124)	(5,248)	(15,286)
Gross profit (loss)	17,436	97	(3,030)	1,858
Other income	–	1	18,773	6,574
Other gains (losses), net	17	142	(567)	(604)
Charge of loss allowance on financial assets	–	–	(2,008)	(8,760)
Research expenses	(19)	(165)	(1,029)	(13,799)
Distribution and selling expenses	(22)	(81)	(565)	(5,391)
General administrative expenses	(6,402)	(10,624)	(21,948)	(45,567)
Losses from impairment	–	–	(6,223)	(11,832)
Finance costs	(1,747)	(3,523)	(5,153)	(6,713)
<b>Profit (Loss) before taxation</b>	9,263	(14,153)	(21,750)	(84,234)
Taxation	(3,644)	(5)	–	–

	<b>Six months ended</b>			
	<b>30 June 2024</b> (Unaudited) <i>HK\$'000</i>	<b>Twelve months ended 31 December</b>		
	<b>2023</b> (audited) <i>HK\$'000</i>	<b>2022</b> (audited) <i>HK\$'000</i>	<b>2021</b> (audited) <i>HK\$'000</i>	
<b>Profit (Loss) for the period</b>	5,619	(14,158)	(21,750)	(84,234)
<b>Other comprehensive income (loss):</b>				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	506	805	(235)	(74)
<b>Total comprehensive income (loss) for the period</b>	<u>6,125</u>	<u>(13,353)</u>	<u>(21,985)</u>	<u>(84,308)</u>
<b>Profit (Loss) for the period attributable to:</b>				
– Owners of the Company	5,619	(14,158)	(21,750)	(84,234)
– Non-controlling interests	–	–	–	–
	<u>5,619</u>	<u>(14,158)</u>	<u>(21,750)</u>	<u>(84,234)</u>
<b>Total comprehensive income (loss) for the period attributable to:</b>				
– Owners of the Company	6,125	(13,353)	(21,985)	(84,308)
– Non-controlling interests	–	–	–	–
	<u>6,125</u>	<u>(13,353)</u>	<u>(21,985)</u>	<u>(84,308)</u>
<b>Profit (Loss) per share</b>				
Basic and diluted ( <i>HK cents</i> )	<u>0.22</u>	<u>(0.54)</u>	<u>(0.84)</u>	<u>(3.24)</u>

**Disclaimers of opinion**

The annual report issued by Mazars CPA Limited in respect of the Group's audited consolidated financial statements for the financial years ended 31 December 2021, 2022 and 2023 contained qualification and disclaimers of opinions as extracted below:

**(i) Financial year ended 31 December 2021****“DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of IDT International Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 96 to 203, which comprise the consolidated statement of financial position at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**BASIS FOR DISCLAIMER OF OPINION***Material uncertainty related to going concern*

As described in the “Going concern” section in note 2 to the consolidated financial statements, the Group reported a loss attributable to the owners of the Company of approximately HK\$84.2 million for the year ended 31 December 2021 and, at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$252.4 million and approximately HK\$305.6 million, respectively.

Subsequent to the reporting period, the COVID-19 pandemic has affected the Group's operation to the extent that the production of the Group's factory in Shenzhen was temporarily suspended with effect from 5 March 2022 until further notice (as disclosed in the Company's announcement dated 7 March 2022).

These events and conditions, along with other matters as set forth in the “Going concern” section in note 2 to the consolidated financial statements, indicate that the existence of a material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern, and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Group and the development of the events as described in the “Going concern” section in note 2 to the consolidated financial statements. The management of the Group is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than that are currently recorded in the consolidated statement of financial position at 31 December 2021.

In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.”

**(ii) Financial year ended 31 December 2022**

“DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of IDT International Limited and its subsidiaries, which comprise the consolidated statement of financial position at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.



We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### BASIS FOR DISCLAIMER OF OPINION

##### *Material uncertainty related to going concern*

As described in the “Going concern” section in note 2 to the consolidated financial statements, the Group reported a loss attributable to the owners of the Company of approximately HK\$21,750,000 for the year ended 31 December 2022 and, at 31 December 2022, the Group had net current liabilities and net liabilities of approximately HK\$327,563,000 and approximately HK\$327,563,000, respectively. As of 31 December 2022 and up to the date of the consolidated financial statements, the Group is subjected to a number of legal proceedings and the Group is yet to settle majority of those outstanding legal proceedings due to lack of sufficient funds which are set out in note 14 to the consolidated financial statements. Furthermore, the Group recorded net operating cash outflow of approximately HK\$25,357,000 for the year ended 31 December 2022 with the Group’s bank balances and cash remaining at a low level of approximately HK\$430,000 as of 31 December 2022.

During the year ended 31 December 2022, the COVID-19 pandemic has affected the Group’s operation to the extent that the production of the Group’s leased factory in Shenzhen was temporarily suspended with effect from 5 March 2022, the leased factory was terminated on 31 May 2022.

These events and conditions, along with other matters as set forth in the “Going concern” section in note 2 to the consolidated financial statements, indicate that the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern, and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the plans and measures being taken by the management of the Group and the development of the events, in particular, the successful implementation of the liabilities restructuring plan as described in the “Going concern” section in note 2 to the consolidated financial statements. The management of the Group is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements

have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and noncurrent liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence about the appropriateness of the use of going concern basis of accounting in the preparation of the consolidated financial statements. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively, and to provide any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.”

**(iii) Financial year ended 31 December 2023**

“DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of IDT International Limited and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

*Material uncertainty related to going concern*

As described in the “Going concern” section in note 2 to the consolidated financial statements, the Group reported a loss attributable to the owners of the Company of approximately HK\$14,158,000 for the year ended 31 December 2023 and, at 31 December 2023, the Group had net current liabilities and net liabilities of approximately HK\$341,683,000 and approximately HK\$341,683,000, respectively. As of 31 December 2023 and up to the date of the consolidated

financial statements, the Group is subjected to a number of legal proceedings and the Group is yet to settle majority of those outstanding legal proceedings due to lack of sufficient funds which are set out in note 14 to the consolidated financial statements. Furthermore, the Group's bank balances and cash maintained at a low level of approximately HK\$599,000 as of 31 December 2023.

Following to the temporarily suspension of the production of the Group's leased factory in Shenzhen with effect from 5 March 2022, the leased factory was terminated on 31 May 2022.

These events and conditions, along with other matters as set forth in the "Going concern" section in note 2 to the consolidated financial statements, indicate that the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the plans and measures being taken by the management of the Group and the development of the events, in particular the successful implementation of the restructuring plan as described in the "Going concern" section in note 2 to the consolidated financial statements. The management of the Group is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence about the appropriateness of the use of going concern basis of accounting in the preparation of the consolidated financial statements. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively, and to provide any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements."

## 2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statement of the Group for the years ended 31 December 2021, 2022 and 2023 have been set out in the annual report of Company for each of the three years ended 31 December 2021, 2022 and 2023 respectively and the unaudited consolidated financial statement of the Group for the six months ended 30 June 2024 has been set out in the interim report of the Company for the six months ended 30 June 2024 and are available on the website of the Company ([www.idt-hk.hk](http://www.idt-hk.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as specifically set out below:

- the annual report of the Company for the year ended 31 December 2021 (pages 96 to 203), which is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0601/2022060100021.pdf>

- the annual report of the Company for the year ended 31 December 2022 (pages 79 to 196), which is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0930/2024093001958.pdf>

- the annual report of the Company for the year ended 31 December 2023 (pages 78 to 172), which is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0930/2024093001976.pdf>

- the interim report of the Company for the six months ended 30 June 2024 (pages 4 to 26), which is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0930/2024093001984.pdf>

The Company has consistently adopted the same accounting policies as set out in the annual report of the Company for the years ended 31 December 2021, 2022 and 2023.

## 3. INDEBTEDNESS STATEMENT OF THE GROUP

As at the close of business on 30 November 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the details of the Group's indebtedness are as follows:

### **Borrowings**

As at 30 November 2024, the Group had a borrowing of approximately HK\$1.2 million (including interest payable) from a creditor, which was guaranteed by the former controlling Shareholder, unsecured, bore interest at 10% per annum and repayable on demand.

**Loan from a creditor**

As at 30 November 2024, the Group had an outstanding loan from a creditor with an amount of approximately HK\$196.6 million. The loan was unguaranteed, unsecured, interest-free and repayable on demand.

The creditor has confirmed in writing that it will not demand partial or full repayment of the shareholder's loan until such demand or withdrawal has no significant adverse impact on the Group's going concern and the sufficiency of working capital.

**Lease liabilities**

As at 30 November 2024, the Group had lease liabilities of approximately HK\$1.9 million in relation to the payment obligation of the tenancy agreements in respect of offices in the Mainland China and Hong Kong.

The lease liabilities is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. The effective interest rate for the lease liabilities of the Group is 3.7% per annum.

**Contingent liabilities**

As at 30 November 2024, an indirect wholly-owned subsidiary of the Company, OS Brazil, was involved in a tax dispute with the State of Sao Paulo, the Federative Republic of Brazil, which may cause a maximum tax payment including penalty and interest of approximately Brazilian Real 4,111,000 (equivalent to approximately HK\$6,612,000). After considering the available independent legal advice and the current situation, the Directors believe that the outcome and the amount of final payment, if any, are uncertain but the expected value of liability is insignificant to the Group. Therefore, no provision has been made in the consolidated financial statements as at 30 November 2024.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 November 2024, the Group did not have other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities.

#### 4. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date:

- (i) as disclosed in the interim report of the Company for the six months ended 30 June 2024 published on 30 September 2024 (“**Interim Report 2024**”), the Group recorded an unaudited net profit for the six months ended 30 June 2024 against the unaudited net loss for the six months ended 30 June 2023, which was mainly resulted from resumption of the Group’s operation since December 2023;
- (ii) since resumption of the Group’s operations in December 2023, the Group has resumed sales of electronic products under the “Oregon Scientific” trademark. The Group established its own online retail platform (<http://oregonscientific.store>) and set up new online stores on Noon (an online platform headquartered in Dubai) and Mercado Libre (the largest online platform in Latin America) respectively. The aforementioned online stores have started operating progressively in the first half of 2024;
- (iii) as disclosed in the announcement of the Company dated 6 December 2024 (as supplemented on 17 December 2024), the Guangdong Shenzhen Intermediate People’s Court (廣東省深圳市中級人民法院) had on 25 September 2024 accepted a bankruptcy petition (the “**Petition**”) filed against IDT Electronic Technology (Shenzhen) Company Limited (萬威電子(深圳)有限公司) (“**IDT Shenzhen**”), an indirect wholly-owned subsidiary of the Company, and appointed Guangdong Penghao Law Firm (廣東鵬浩律師事務所) as the bankruptcy administrator of IDT Shenzhen (the “**Administrator**”). Based on information available to the Company, the Petition was based on a claim for outstanding salaries for the period from 1 May 2024 to 8 September 2024. Following the appointment of the Administrator, the Company is no longer considered to have control over IDT Shenzhen and accordingly, the financial results of IDT Shenzhen had been deconsolidated from those of the Group with effect from 25 September 2024. The Company is also considering to wind up IDT Shenzhen in view of its prolonged suspension of business operation and net liabilities position and for the reason that the Company is unable to exercise management control over it. The Company is seeking legal advice in this regard;
- (iv) the standstill agreement dated 29 August 2024 entered into between the Company and Creditor A 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; and
- (v) the entering of the Subscription Agreement (as supplemented on 16 January 2025).

## 5. SUFFICIENCY OF WORKING CAPITAL

The Directors have reviewed the Group's working capital forecast for the 13 months period ending 31 December 2025. After due and careful consideration, and taking into account (1) the relief of substantial financial burden as a result of the completion of the Debt Restructuring; (2) the additional working capital from the net proceeds of the Subscription; (3) the cash flows to be generated from the operating and financing activities; and (4) the available cash on hand, the Directors are of the opinion that the Group will have sufficient working capital to meet its current operating needs and to repay its financial obligations as and when they fall due for at least the next twelve (12) months from the date of this circular, in the absence of unforeseeable circumstances. Such opinion is dependent on the outcome of whether the Debt Restructuring and the Subscription can be successfully proceeded.

## 6. FINANCIAL AND BUSINESS PROSPECTS 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.

Since the re-commencement of the Group's operations in December 2023, the Group has resumed sales of electronic products under the "Oregon Scientific" trademark. Additionally, to adapt to the global commercial climate and landscape, it launched its own online retail platform and established two online stores on foreign platforms where the Group can receive product orders directly from retail customers as well as online shops on various international platforms to enhance market awareness of the "Oregon Scientific" brand. As a result, the Group record an unaudited net profit of approximately HK\$5.6 million, based on the unaudited condensed results for the six months ended 30 June 2024.

Moving forward, the Group will strive to expand its existing customer base by diversifying its product portfolio under the "Oregon Scientific" trademark to achieve profitable position and generate positive operating cashflow for the year ending 31 December 2025. Additionally, the Group also aims to carve-out certain non-core subsidiaries with net liabilities to further strengthen the Group's overall financial standing. This process may include, but is not limited to, winding up these entities.

Furthermore, approximately HK\$40 million, derived from the net proceeds of the Subscription, will be applied to acquire new machinery, enhancing the Group's technical and production capabilities to manufacture some of the new product designs.

In the long term, the Group intends to acquire self-owned factory premises in the PRC to enhance production flexibility and quality control over its products. Owning its production facilities will also provide the Group with greater control over operating expenses and improve its overall financial stability, and will allow the Group to resume its value manufacturing services to customers through collaborations with strategic partner to develop new products.



## 1. RESPONSIBILITY STATEMENT

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

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Subscriber and Mr. Chen in his capacity as a director and shareholder of the Subscriber and Mr. Wong in his capacity as a shareholder of the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Subscriber and Mr. Chen in his capacity as a director and shareholder of the Subscriber and Mr. Wong in his capacity as a shareholder of the Subscriber) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Subscriber and shareholders of the Subscriber jointly and severally accept full responsibility for the accuracy of the information in relation to the Subscriber and themselves contained in this circular and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Directors including Mr. Chen in his capacity as Director) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the issue of the Subscription Shares in full (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the issue of the Subscription Shares) is set out as follows:

(i) *as at the Latest Practicable Date:*

	HK\$
<b>Authorised capital:</b>	
20,000,000,000 Existing Shares of HK\$0.1 each	2,000,000,000
10,000 ordinary shares of US\$0.1 each <sup>(note)</sup>	<u>7,800</u>
<b>Total:</b>	<u><u>2,000,007,800</u></u>
<b>Issued and fully paid or credited as fully paid:</b>	
2,599,993,088 Existing Shares of HK\$0.1 each	259,999,308.80

(ii) *immediately after the Capital Reorganisation becoming effective (assuming there are no other changes in the share capital of the Company from the Latest Practicable Date up to the effective date of the Capital Reorganisation):*

	HK\$
<b>Authorised capital:</b>	
3,500,000,000 New Shares of HK\$0.60 each	2,100,000,000
10,000 ordinary shares of US\$0.1 each <sup>(note)</sup>	<u>7,800</u>
<b>Total:</b>	<u><u>2,100,007,800</u></u>
<b>Issued and fully paid or credited as fully paid:</b>	
43,333,218 New Shares of HK\$0.60 each	25,999,930.80

(iii) immediately after completion of the issue of the Subscription Shares in full (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the issue of the Subscription Shares):

	HK\$
<b>Authorised capital:</b>	
3,500,000,000 New Shares of HK\$0.60 each	2,100,000,000
10,000 ordinary shares of US\$0.1 each <sup>(note)</sup>	7,800
<b>Total:</b>	2,100,007,800
 <b>Issued and paid-up share capital:</b>	
43,333,218 New Shares of HK\$0.60 each	25,999,930.80
389,998,963 New Shares of HK\$0.60 to be allotted and issued	233,999,377.80
<b>Total:</b>	259,999,308.60

*Note: The total authorised/registered share capital is based on the calculation of USD1 = HKD7.8*

All of the Subscription Shares to be issued will rank *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Subscription Shares including all rights in respect of dividends, voting and capital. The Subscription Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or conversion rights affecting Shares or other securities which may confer any right to the holder thereof to subscribe for, convert or exchange into the Shares.

The Company had not issued any Shares since 31 December 2023, being the date on which the latest audited financial statements of the Group were made up and up to the Latest Practicable Date.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Subscription Shares. No part of the share capital or any other securities of the Company is or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Subscription Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

None of the Directors or proposed Directors or expert named in this circular has received or will receive any commissions, discounts, brokerages or other special terms granted since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up in connection with the issue or sale of any capital of any member of the Group up to the Latest Practicable Date.

### 3. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of calendar months during the Relevant Period; (ii) on the last Business Day immediately preceding the Announcement; and (iii) on the Latest Practicable Date:

	<b>Closing Price of the Shares</b>
	<i>HK\$</i>
30 April ( <i>Note</i> )	N/A
31 May ( <i>Note</i> )	N/A
30 June ( <i>Note</i> )	N/A
31 July ( <i>Note</i> )	N/A
31 August ( <i>Note</i> )	N/A
30 September ( <i>Note</i> )	N/A
31 October (being the last Business Day immediately preceding the Announcement) ( <i>Note</i> )	N/A
29 November	0.026
31 December	0.028
Latest Practicable Date	0.021

*Note: Trading in the Shares on the Stock Exchange had been suspended from 9:00 a.m. on 3 April 2023 and has been resumed from 9:00 a.m. on 4 November 2024.*

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.02 on 17 January 2025 and HK\$0.38 on 4 November 2024 respectively.

#### 4. DISCLOSURE OF INTERESTS

##### (a) Directors and Chief Executive

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interest or a short position in the Shares, the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”) contained in the Listing Rules; or (iv) were required to be disclosed under the Takeovers Code.

##### (b) Substantial shareholders’ interest and short positions in Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had or deemed or taken to have an interest or short position in the Shares, the underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

##### *Long position in the Shares*

Name	No. of Shares held	% of the issued share capital
Jiangsu Hongtu High Technology Co., Ltd ( <i>Note 1</i> )	556,898,770 (L) ( <i>Note 3</i> )	21.42%
Jiangsu Hongtu High Technology (Hong Kong) Co. Limited ( <i>Note 2</i> )	556,898,770 (L) ( <i>Note 3</i> )	21.42%
Hongtu High Technology Int’l Inc.	556,898,770 (L) ( <i>Note 3</i> )	21.42%

##### *Notes:*

- (1) Jiangsu Hongtu High Technology Co., Ltd. holds 100% of the equity interests of Jiangsu Hongtu High Technology (Hong Kong) Co. Limited (“**Hongtu (HK)**”). Therefore, it is deemed to be interested in the interest in the shares of the Company held by Hongtu (HK) through its subsidiary (see note 2 below).

- (2) *Hongtu (HK) holds 100% of the issued share of Hongtu High Technology Int'l Inc. (“Hongtu (Seychelles)”)*. Therefore, Hongtu (HK) is deemed to be interested in the 556,898,770 shares of the Company beneficially owned by Hongtu (Seychelles) by virtue of its shareholding of Hongtu (Seychelles).
- (3) *The letter “L” denotes the shareholder’s long position in the shares.*

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other persons (other than the Directors or the chief executive of the Company) or entities who had or deemed or taken to have an interest or a short position in the Shares, the underlying shares of the Company or the debentures of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

None of the Directors is an employee or director of any substantial Shareholder.

## 5. DIRECTORS’ SERVICE CONTRACTS

Each of Ms. Chen Weijie, Mr. Mak Tin Sang and Dr. Lowe Chun Yip has entered into a letter of appointment with the Company on 25 September 2024 in relation to their respective appointment as an independent non-executive Directors with effect from 25 September 2024 for an initial term of 1 year. Each of Ms. Chen Weijie, Mr. Mak Tin Sang and Dr. Lowe Chun Yip is entitled to a director’s fee of HKD240,000 per annum and there is no variable remuneration payable under their respective the letter of appointment.

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with the Company, or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within 6 months before the date of the Announcement and up to the Latest Practicable Date; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period; or (iv) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 6. ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY

The Subscriber has confirmed that as at the Latest Practicable Date, none of the Subscriber Concert Parties:

- (a) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company within the Relevant Period (save for the Subscription Agreement);

- (b) holds, owns, controls or directs any voting rights and rights over any Shares or any convertible securities, warrants or options in respect of the Shares, nor have entered into any outstanding derivative in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (c) will make any acquisitions or disposals of voting rights in the Company in the period between the date of this circular and allotment and issue of the Subscription Shares;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of the Subscriber;
- (e) has any agreement or arrangement to which any of the Subscriber Concert Parties is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription or the Whitewash Waiver save for the Subscription Agreement;
- (f) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolutions approving the Subscription and the transactions contemplated thereunder, including the Capital Reorganisation and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver at the SGM;
- (g) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) has dealt in any securities of the Company during the Relevant Period; or
- (i) has entered into any derivative in respect of the securities in the Company which are outstanding.

As at the Latest Practicable Date:

- (a) there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber;
- (b) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Subscriber Concert Parties; or (b) the Company, its subsidiaries or associated companies;



- (c) save for the consideration payable under the Subscription Agreement, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Subscriber Concert Parties to the Company or any party acting in concert with it in connection with the Capital Reorganisation, the Subscription Agreement, the Debt Restructuring, the Specific Mandate, the Whitewash Waiver and the Placing or otherwise connected therewith;
- (d) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) the Subscriber Concert Parties on one hand, and (ii) the Company and any party acting in concert with it on the other hand;
- (e) save for the Subscription Agreement, there was no arrangement, agreement, understanding (including any compensation arrangement) or special deal (as defined under Rule 25 of the Takeovers Code) between (i) the Subscriber Concert Parties; and (ii) the Company, any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the transactions contemplated under the Capital Reorganisation, the Subscription Agreement, the Debt Restructuring, the Specific Mandate, the Whitewash Waiver and the Placing or otherwise connected therewith;
- (f) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the transactions contemplated under the Capital Reorganisation, the Change in Board Lot Size, the Subscription Agreement, the Debt Restructuring, the Specific Mandate, the Whitewash Waiver and the Placing or otherwise connected therewith;
- (g) there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) the Subscriber Concert Parties; and (ii) any other persons, in relation to the transfer, charge or pledge of the Shares that may be allotted and issued to the Subscriber under the Subscription;
- (h) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Capital Reorganisation, the Change in Board Lot Size, the Subscription, the Debt Restructuring, the Specific Mandate, the Whitewash Waiver and/or the Placing;
- (i) none of the Directors was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period and there is no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by the Directors;

- (j) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any securities, convertible securities, warrants, options or derivatives in respect of the shares or securities of the Subscriber during the Relevant Period;
- (k) there was no shareholding in the Company which the Company or any of the Directors has/have borrowed or lent;
- (l) none of the Subscriber Concert Parties was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Subscriber Concert Parties had dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (m) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (n) none of the Directors was interested in any Shares, securities which carry voting rights in the Company, or any convertible securities, warrants, options, or derivatives in respect of the Shares or in respect of other securities which carry voting rights in the Company;
- (o) save for the Subscription Agreement, there was no material contract entered into by any member of the Subscriber Concert Parties in which any Director had a material personal interest;
- (p) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code; and
- (q) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company.

## 7. LITIGATION

As at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company, Oregon Scientific Brasil Ltda was involved in a tax dispute with the State of Sao Paulo, the Federative Republic of Brazil. The dispute may cause a maximum tax payment including penalty and interest of approximately Brazilian Real 4.1 million (equivalent to approximately HK\$6.6 million). As at the Latest Practicable Date, the aforesaid legal proceedings were still in progress.

Save as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 8. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of their letter, opinion, advice and/or references to its name included herein in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interests in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the announcement dated 1 November 2024 and up to the Latest Practicable Date and are or may be material:

- (a) the Subscription Agreement;

- (b) the supplemental agreement to the Subscription Agreement dated 16 January 2025 entered into between the Company and the Subscriber; and
- (c) the standstill agreement dated 29 August 2024 entered into between the Company and Creditor A pursuant to which Creditor A has, without consideration, 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.

**10. INFORMATION OF THE SUBSCRIBER CONCERT PARTIES**

- (a) The principal members of the Subscriber Concert Parties are the Subscriber, Mr. Chen and Mr. Wong.
- (b) The address of the Subscriber is Unit A, 3/F., Cheong Sun Tower, 116–118 Wing Lok Street, Sheung Wan, Hong Kong.
- (c) The address of Mr. Chen is 1012 Remington CT, Argyle, TX 76226-6726, the United States of America.
- (d) The address of Mr. Wong is Flat C, 15/F, Tower 1, Fleur Pavilia, 1 Kai Yuen Street, North Point, Hong Kong.

**11. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Chen Kun, who is a practicing solicitor in Hong Kong.
- (b) The registered office of the Company in Bermuda is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is at Unit 612, 6/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (c) The principal share registrar of the Company in Bermuda is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The branch share registrar of the Company in Hong Kong is Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The Independent Financial Adviser is Lego Corporate Finance Limited and its registered office is situated at Room 1505, 15/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.
- (e) Should there be any inconsistencies between the English text and the Chinese text of the circular, the English text of this circular shall prevail over the Chinese text.

**12. DOCUMENTS ON DISPLAY**

Copies of the following documents will be available on the websites of the Company (<http://www.idt-hk.com>), the SFC (<http://www.sfc.hk>) and the Stock Exchange (<http://www.hkexnews.hk>) between the period from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the articles of association of the Subscriber;
- (c) the letter from the Board, the text of which is set out on pages 11 to 41 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 42 to 43 of this circular;
- (e) the letter from Independent Financial Adviser, the text of which is set out on pages 44 to 73 of this circular;
- (f) the annual report of the Company for the financial years ended 31 December 2021, 2022 and 2023;
- (g) the interim report of the Company for the six months ended 30 June 2024;
- (h) the written consent referred to in the paragraph headed “8. Expert and consent” in this appendix;
- (i) the material contracts as referred to in the paragraph headed “9. Material contracts” in this appendix; and
- (j) this circular.



**IDT INTERNATIONAL LIMITED**

**萬威國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of IDT International Limited (the “**Company**”) will 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. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 24 January 2025 (the “**Circular**”)).

**SPECIAL RESOLUTIONS**

1. **“THAT** subject to and conditional upon (i) the compliance with the relevant procedures and requirements of section 46(2) of the Companies Act 1981 of Bermuda (as amended) to effect the Capital Reorganisation (as defined below); (ii) the listing committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting and not having withdrawn or revoked its approval for the listing of, and permission to deal in, the New Shares (as defined below); and (iii) the compliance with the relevant procedures and requirements under the applicable laws of Bermuda and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) to effect the Capital Reorganisation (as defined below); and with effect from the second business day immediately following the date on which the above conditions are fulfilled (the “**Capital Reorganisation Effective Date**”):
  - (a) every sixty (60) ordinary shares of par value of HK\$0.1 each in the share capital of the Company be consolidated into one (1) ordinary share of par value of HK\$6.00 (the “**Consolidated Shares**”) (the “**Share Consolidation**”);
  - (b) immediately following the Share Consolidation becoming effective, the authorised share capital of the Company be increased 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 (the “**Increase in Authorised Share Capital**”);

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- (c) immediately following the Increase in Authorised Share Capital becoming effective, the issued share capital of the Company be reduced from an amount of HK\$259,999,308.80 by an amount of HK\$233,999,378 to an amount of HK\$25,999,930.8 by (i) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by eliminating any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation; and (ii) reducing 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 “**Capital Reduction**”) and the credit arising from the Capital Reduction of approximately HK\$233,999,378 will be credited to the contributed surplus account of the Company within the meaning of the Companies Act (the “**Contributed Surplus Account**”) for use by the directors of the Company (the “**Directors**”) in any manner as permitted by applicable laws and the bye-laws of the Company in effect from time to time without further authorisation from the shareholder of the Company and all such actions in relation thereto be approved, ratified and confirmed;
- (d) immediately following the Capital Reduction becoming effective, each authorised but unissued Consolidated Share of par value of HK\$6.00 be sub-divided into ten (10) ordinary shares of par value of HK\$0.60 each (the “**New Shares**”) (the “**Share Sub-division**”);
- (e) the New Shares shall rank *pari passu* in all respects with each other and have such rights and subject to such restrictions as set out in the memorandum of association and bye-laws of the Company;
- (f) the entire amount of HK\$165,043,000 standing to the credit of the share premium account of the Company be cancelled to nil with the credit arising therefrom to be transferred to the Contributed Surplus Account and to authorise the board of Directors to apply such amount from time to time without further authorisation from the shareholders of the Company in such manner as permitted under applicable laws and the bye-laws of the company (the “**Share Premium Cancellation**”); and
- (g) the Directors and each of them be and are fully authorised to take any and all steps, and to do and/or procure to be done any and all acts and things, and to approve, sign and execute any documents which he/she/they in his/her/their absolute discretion consider necessary, desirable, expedient or appropriate to effect and implement this resolution and to exercise such discretion in connection, relating to or arising from the Share Consolidation, the Increase in Authorised Share Capital, the Capital Reduction, the Share Sub-division and the Share Premium Cancellation (collectively, the (the “**Capital Reorganisation**”) and/or the respective transactions contemplated herein, with such modifications

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thereto (if any) as he/she/they may from time to time consider necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Capital Reorganisation.”

2. **“THAT:**

- (a) Subject to (i) the Ordinary Resolution no. 3 set out in this notice being passed; and (ii) the granting of Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) (the “**Executive**”) and the satisfaction of any condition attached thereto, the terms of the application for a waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive to the Subscriber (as defined below) pursuant to Note 1 on the Dispensations from Rule 26 of the Code on Takeovers and Mergers (the “**Takeovers Code**”) from an obligation to make a general mandatory offer to the shareholders of the Company in respect of all the shares and the securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it as a result of the Subscription (as defined below) be and are hereby approved and confirmed; and
- (b) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he/she considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

### ORDINARY RESOLUTION

3. **“THAT:**

- (a) the conditional subscription agreement (the “**Subscription Agreement**”) dated 15 October 2024, a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification) and entered into between the Company as issuer and Tiger Energy Technology Company Limited (the “**Subscriber**”) as subscriber in relation to the subscription of 389,998,963 New Shares (the “**Subscription Shares**”) by the Subscriber (the “**Subscription**”) at the total consideration of HK\$233,999,377.8 (representing approximately HK\$0.60 per Subscription Share) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;



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- (b) the supplemental agreement to the Subscription Agreement (the “**Supplemental Agreement**”) dated 16 January 2025, a copy of which is produced to the Meeting marked “B” and signed by the Chairman of the Meeting for the purpose of identification) and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make certain amendments to the Subscription Agreement, be and are hereby approved, confirmed and ratified;
- (c) subject to 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 all of the Subscription Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement (as supplemented and amended by the Supplemental Agreement); and
- (d) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he/she considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Subscription Agreement (as supplemented and amended by the Supplemental Agreement) and the transactions contemplated thereunder.”

By order of the Board  
**IDT International Limited**  
**Cheung Yuk Ki**  
*Executive Director*

Hong Kong, 24 January 2025

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. To be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged with the Company’s branch share registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the appointed time for holding the special general meeting or any adjournment thereof.
2. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending in person and voting at the special general meeting or any adjournment thereof, should he so wish. In such event, the instrument appointing a proxy shall be deemed revoked.
3. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above special general meeting, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. The dot notation denotes repeating decimals.

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*As at the date hereof, the executive Director is Ms. Cheung Yuk Ki; the non-executive Directors are Ms. Ng Kwok Ying Isabella and Mr. Tiger Charles Chen; and the independent non-executive Directors are Mr. Xu Jinwen, Ms. Chen Weijie, Mr. Mak Tin Sang and Dr. Lowe Chun Yip.*

\* *for identification purposes only*