



**DILIGENT
CAPITAL**

Diligent Capital Limited

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Hong Kong



紅日資本有限公司
RED SUN CAPITAL LIMITED

Red Sun Capital Limited

Room 310, 3/F
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

9 July 2024

To the Independent Shareholders and the Optionholders,

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
DILIGENT CAPITAL LIMITED AND RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR FOR
ALL THE ISSUED SHARES IN I-CONTROL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR
THE CANCELLATION OF ALL OUTSTANDING OPTIONS OF
I-CONTROL HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement.

On 26 April 2024, the Offeror and the Company jointly announced that the Offeror, the Vendor and the Warrantor entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing approximately 57.12% of the existing issued share capital of the Company, for a total consideration of HK\$138,000,000, representing HK\$0.23 per Sale Share.

Completion took place on 2 July 2024. Immediately following Completion, the Offeror Concert Group (other than the Vendor and the Warrantor) is interested in a total of 750,000,000 Shares, representing 71.40% of the existing issued share capital of the Company. Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror Concert Group) and for the cancellation of all outstanding Options. Diligent Capital and Red Sun Capital are jointly making the Offers for and on behalf of the Offeror.

This letter forms part of this Composite Document which sets out, among other things, the details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. Further terms and procedures for acceptance of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. The Independent Shareholders and Optionholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from the Independent Financial Adviser” as set out in this Composite Document and the appendices as set out in the Composite Document and the Form(s) of Acceptance and Option Offer Letter and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offers.

Securities of the Company

As at the Latest Practicable Date, the Company has 1,050,500,000 Shares in issue and 3,000,000 outstanding Options at the exercise price of HK\$0.54 per Share.

Out of the total outstanding Options, (i) 900,000 are exercisable during the exercise period from 20 April 2022 to 20 April 2028, (ii) 900,000 are exercisable during the exercise period from 20 April 2023 to 20 April 2028, and (iii) the remaining 1,200,000 are exercisable during the exercise period from 20 April 2024 to 20 April 2028. All the 3,000,000 outstanding Options were granted pursuant to the Share Option Scheme.

Save for the Options, as at the Latest Practicable Date, the Company does not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares. The Company does not have any granted but unvested share awards and has no intention to grant any new share awards under the Share Award Scheme and will not instruct the trustee to purchase any Shares from the market during the Offer Period.

Principal Terms of the Offers

Diligent Capital and Red Sun Capital are making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

The Share Offer

For every Offer Share HK\$0.23 in cash

The Share Offer Price of HK\$0.23 per Offer Share is the same as the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

Comparison of value

The Share Offer Price of HK\$0.23 per Offer Share represents:

- (i) a discount of approximately 6.12% to the closing price of HK\$0.245 per Share on the Latest Practicable Date;
- (ii) a premium of approximately 27.78% over the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 27.78% over the average of closing price of HK\$0.18 per Share as quoted on the Stock Exchange for five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 27.78% over the average of closing price of HK\$0.18 per Share as quoted on the Stock Exchange for ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 36.90% over the average of closing price of HK\$0.168 per Share as quoted on the Stock Exchange for thirty (30) consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 71.64% over the audited net asset value of the Group of approximately HK\$0.134 per Share as at 31 March 2024, based on a total of 1,050,500,000 Shares in issue as at the date of Latest Practicable Date and the audited net asset value of the Group of approximately HK\$140,774,000 as at 31 March 2024.

Highest and lowest Share prices

During the Relevant Period, the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.155 per Share on 23, 26, 27, 28 and 29 February 2024, and 1, 4, 5 and 6 March 2024 and the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.290 per Share on 26 October 2023.

The Option Offer

For cancellation of each outstanding Option HK\$0.0001 in cash

In accordance with the terms of the Share Option Scheme, Optionholders are entitled to exercise their Options in full (to the extent not already exercised) at any time after the date on which the Option Offer is declared unconditional and up to the close of the Option Offer (or any revised offer), after which the Options will lapse automatically (to the extent not exercised).

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making an appropriate cash offer to the Optionholders to cancel their Options. The consideration for the cancellation of each Option would normally be the see-through price which represents the excess of the Share Offer Price per Offer Share and the exercise price of each Option. As the exercise price of all the Options is above the Share Offer Price, the “see-through” price is zero and the Option Offer Price will be a nominal value of HK\$0.0001 per Option.

Under the terms of the Option Offer, the Options of the accepting Optionholders (together with all rights attaching thereto) will be cancelled.

Optionholders who do not: (i) exercise the Options by the final closing date of the Option Offer, or (ii) accept the Option Offer by the final closing date of the Option Offer will receive neither the Shares nor the see-through price of HK\$0.0001 per Option respectively. If the Option Offer is not accepted, any unexercised Options will lapse upon the final closing date of the Option Offer.

Further information on the Option Offer is contained in the Option Offer Letter, substantially in the form set out in Appendix VI.

The Share Offer will be extended to all Shareholders (other than those Shares already owned or agreed to be acquired by the Offeror Concert Group) and the Option Offer will be extended to all Optionholders. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights and benefits attaching to them as at the date of despatch of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offers are made, being the date of despatch of this Composite Document. The Company confirms that as at the Latest Practicable Date, (i) the Company had no outstanding dividend which remains unpaid; and (ii) it has no intention to make, declare or pay any future dividend/make other distribution on or before the close of the Offers.

Total Consideration of the Offers

Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the close of the Offers, there would be 1,050,500,000 Shares in issue. Based on the Share Offer Price of HK\$0.23 per Offer Share, the entire issued share capital of the Company would be valued at HK\$241,615,000. On the basis of 1,050,500,000 Shares in issue, the Offeror owns 600,000,000 Shares upon Completion, while Dr. Wong King Keung already owns 150,000,000 Shares as of the Latest Practicable Date, 300,500,000 Shares will be subject to the Share Offer. The Share Offer based on the Share Offer Price is valued at HK\$69,115,000.

Assuming that there is no change in the issued share capital of the Company and all the 3,000,000 outstanding Options are fully exercised prior to the close of the Offers, there would be 1,053,500,000 Shares in issue. Based on the Share Offer Price of HK\$0.23 per Offer Share, the entire issued share capital of the Company would be valued at HK\$242,305,000. On the basis of 1,053,500,000 Shares in issue, the Offeror owns 600,000,000 Shares upon Completion, while Dr. Wong King Keung already owns 150,000,000 Shares as of the Latest Practicable Date, 303,500,000 Shares will be subject to the Share Offer, the Share Offer based on the Share Offer Price is valued at HK\$69,805,000.

Assuming that none of the outstanding Options are exercised prior to the close of the Offers, on the basis of the Option Offer Price of HK\$0.0001 per Option and 3,000,000 outstanding Options as at the Latest Practicable Date, in the event that the Option Offer is accepted in full, the aggregate amount payable under the Option Offer will be HK\$300.

Based on the foregoing, the maximum aggregate amount payable under the Offers (assuming all the outstanding Options are exercised prior to the close of the Offers and full acceptances under the Offers) will be HK\$69,805,000.

Confirmation of financial resources

Assuming all the outstanding Options are exercised prior to the close of the Offers and full acceptances under the Offers, the maximum aggregate amount payable under the Offers is HK\$69,805,000. The Offers will be financed by the Offeror's internal resources from its shareholders. Diligent Capital and Red Sun Capital, the Joint Financial Advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror for meeting their obligation in case of full acceptances of the Offers.

Neither Diligent Capital nor Red Sun Capital holds or has dealt in the Shares and any outstanding options, derivatives, warrants, or other securities convertible into Shares during the Relevant Period.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event no later than seven (7) Business Days after the date on which the duly completed acceptance of the Share Offer and/or the Option Offer (as the case may be) are/is received. Relevant documents evidencing title in respect of such acceptance must be received by or on behalf of the Offeror (or its agent) to render each such acceptance of the Share Offer and/or the Option Offer (as the case may be) complete and valid in accordance with Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder or the Optionholder (as the case may be) who accepts the Share Offer and the Option Offer respectively will be rounded up to the nearest cent.

Compulsory acquisition

The Offeror does not intend to exercise any right which may be available to them to compulsorily acquire any outstanding Offer Shares not acquired under the Share Offer after the close of the Offers.

Effect of accepting the Offers

By accepting the Share Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third-party rights and with all rights attached thereto as at the date of despatch of this Composite Document or subsequently becoming attached to them, including the right to receive all dividends and declared, paid or made, if any, on or after the date of despatch of this Composite Document. The Company confirms that as at the Latest Practicable Date, (i) the Company had no outstanding dividend which remains unpaid; and (ii) it has no intention to make, declare or pay any future dividend/ make other distribution on or before the close of the Offers.

By accepting the Option Offer, the Optionholders will agree to the cancellation of their tendered Options and all rights attached thereto on or after the Latest Practicable Date.

The Offers are unconditional in all respects when made and will not be conditional upon acceptances being received in respect of a minimum number of Offer Shares and in respect of a minimum number of Options to be cancelled. Acceptance of the Offers shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, details of which are set out in the section headed “7. Right of Withdrawal” in Appendix I to this Composite Document.

Taxation advice

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror Concert Group, the Company, Diligent Capital, Red Sun Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas Shareholders and Overseas Optionholders

The availability of the Offers to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders who have registered addresses outside Hong Kong and wish to accept the Offers should satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer of other taxes due by such accepting Overseas Shareholders or Overseas Optionholders in respect of such jurisdiction). Based on the record in the register of members and register of optionholders of the Company, there is (i) no Overseas Shareholder; and (ii) one Overseas Optionholder whose address, as shown on the register of Optionholders of the Company, is in the PRC, as at the Latest Practicable Date.

Acceptance of the Share Offer by any Overseas Shareholder and/or the Option Offer by any Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholder and/or Overseas Optionholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders and/or Overseas Optionholders should consult their professional advisers in case of any doubt.

Stamp duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Share Offer; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

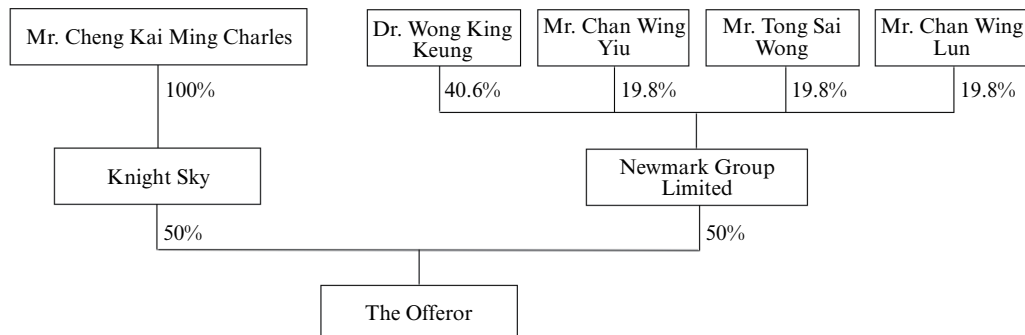
Dealing and interests in the Company's securities

Save for the transactions contemplated under the Sale and Purchase Agreement, none of the Offeror, their ultimate beneficial owners, nor parties acting in concert with any of them has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 8 February 2024. The directors of the Offeror are Mr. Cheng Kai Ming Charles and Dr. Wong King Keung (the non-executive Director).

The following chart sets forth the group structure of the Offeror as at the Latest Practicable Date:



Each of the Offeror and Newmark Group Limited did not carry on any business since its incorporation until the entering of the Sale and Purchase Agreement and the transactions in connection therewith.

Knight Sky is the lender of the Vendor under the Loan Agreement. As at the date of the Joint Announcement, the Warrantor was also indebted to another company (whose ultimate controlling shareholder is a family trust in which Mr. Cheng Kai Ming Charles is one of the beneficiaries) involving personal assets (but not involving the Shares or the Group) of the Warrantor and his spouse as security. As at the Latest Practicable Date, such indebtedness has been repaid in full by the Warrantor with the sale proceeds from a disposal of certain listed securities in Hong Kong (not involving any Shares) held by the Warrantor through a special purpose vehicle wholly-owned by him.

Save for the outstanding amount of the loan under the Loan Agreement which is not set off against the Consideration, which will remain repayable according to the terms of the Loan Agreement and is guaranteed by the Warrantor, as at the Latest Practicable Date, the Vendor does not owe any further sum to the Offeror or parties acting in concert with it.

Save as disclosed above, each member of the Offeror Concert Group has no other relationship with the Vendor or the Warrantor or their respective associates as at the Latest Practicable Date. The Offeror is not connected, related or otherwise associated with the Group's suppliers, customers, sub-contractors and joint venture partners. The Offeror has no business relationship or financing arrangement with the Group in the past or at present.

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the “Letter from the Board” to this Composite Document. Financial information of the Group is set out in Appendix II to this Composite Document. General information of the Group is set out in Appendix IV to this Composite Document.

INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY

It is the Offeror’s intention to further consolidate its interest in the Company pursuant to the Offers. The Offeror has no intention to introduce major changes to the existing business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. The intention of the Offeror is that the Company’s existing principal activities will be maintained, and at the same time after completion of the Offers, the Offeror will assist the Company in reviewing its existing business and operations for the purpose of formulating business plans and strategies for the Group’s long-term business development and seek for new investment opportunities.

The Offeror will, depending on the business operations and development of the Group in the future, constantly review the employee structure of the Group so as to meet the needs of the Group from time to time. The Offeror has no intention to discontinue the employment of the employees (save for the potential change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

As at the Latest Practicable Date, no material investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding, or negotiation in relation to the injection of any assets or business into the Group.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends for the issued Shares to remain listed on the Main Board after the close of the Offers.

Pursuant to the Listing Rules, if, at the closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury shares), are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

The Offeror and the new Directors to be appointed to the Board (if any) will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board is made up of ten Directors, comprising five executive Directors, namely Mr. Zhong Naixiong, Mr. Yau Wing Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun, one non-executive Director, namely Dr. Wong King Keung, and four independent non-executive Directors, namely Mr. Fong Chi, Mr. Lai Kai Ming Ricky, Mr. Lum Pak Sum and Ms. Wu Hung Yu.

Pursuant to the Sale and Purchase Agreement, each of Mr. Zhong Naixiong and Mr. Yau Wing Keung shall resign as an executive Director with effect from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable rules or regulations or the Completion Date, whichever is later. The Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules.

As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Director(s). Further announcement(s) will be made upon any changes to the composition to the Board in compliance with the Takeovers Code and Listing Rules as and when appropriate.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made by the Company as and when appropriate. Save as aforesaid, the Offeror has no intention to introduce any significant changes to the management of the Company following the close of the Offer.

FURTHER TERMS OF THE OFFERS

Your attention is drawn to the further terms of the Offers, including procedures for acceptance, settlement and the acceptance period, as set out in Appendix I to this Composite Document and the Form(s) of Acceptance.

GENERAL

To ensure equality of treatment to all Independent Shareholders and Optionholders, those registered Independent Shareholders and/or Optionholders who hold any Offer Shares and/or Options as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares and/or Options whose investments are registered in the names of nominees to accept the Offers, it is essential that they provide instructions to their nominees of their intentions with regard to the Offers. The attention of Independent Shareholders and Optionholders with registered addresses in jurisdiction outside Hong Kong is drawn to the section headed “8. Overseas Shareholders and Overseas Optionholders” in Appendix I to this Composite Document.

All documents and remittances sent to the Independent Shareholders and/or Optionholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company, or in the case of joint Independent Shareholders and/or joint Optionholder, to the Independent Shareholder and/or Optionholder whose name appears first in the register of members and/or the register of Optionholders of the Company. None of the Offeror, the Company, Diligent Capital, Red Sun Capital, Capital 9, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance, which form part of this Composite Document. In addition, your attention is drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offers as set out in the “Letter from the Independent Financial Adviser” as contained in this Composite Document.

In considering what action to take in connection with the Offers, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,
Diligent Capital Limited



Huen Felix Ting Cheung
Director

Yours faithfully,
Red Sun Capital Limited



Robert Siu
Managing Director