

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your Shares, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**ibotech 艾伯科技**  
**IBO TECHNOLOGY COMPANY LIMITED**  
**艾伯科技股份有限公司**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 2708)**

**(I) CONNECTED TRANSACTION**  
**SUBSCRIPTION OF SHARES BY A CONNECTED PERSON**  
**UNDER SPECIFIC MANDATE;**  
**(II) PROPOSED GRANT OF SHARE OPTIONS**  
**AND**  
**(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

 **F.E. Corporate Finance Advisory Limited**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 32 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Subscription is set out on pages 33 to 34 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription is set out on pages 35 to 61 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Friday, 17 May 2019 at 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of the power of attorney or authority, to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

25 April 2019

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## DEFINITIONS

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

|                              |  |
|------------------------------|--|
| “Announcement”               | the announcement of the Company dated 17 February 2019 in relation to, among other things, the Subscription and the Proposed Grant   |
| “associate(s)”               | has the meaning ascribed thereto under the Listing Rules   |
| “Board”                      | the board of Directors   |
| “Business Day(s)”            | a day (excluding Saturdays and days on which a tropical cyclone warning No. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for general banking business in Hong Kong |
| “BVI”                        | the British Virgin Islands   |
| “Company”                    | IBO Technology Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board (Stock Code: 2708)   |
| “connected person(s)”        | has the meaning ascribed thereto under the Listing Rules   |
| “controlling shareholder(s)” | has the meaning ascribed thereto under the Listing Rules   |
| “Date of Grant”              | the date on which the 20,000,000 Share Options under the Share Option Scheme are to be granted, subject to the passing of an ordinary resolution at the EGM  |
| “Date of Proposed Grant”     | 17 February 2019, being the date of the Proposed Grant   |
| “Directors”                  | the directors of the Company   |
| “EGM”                        | the extraordinary general meeting of the Company to be convened for the purpose of (i) approving the Subscription and the Specific Mandate; and (ii) approving the Proposed Grant  |
| “Grantee” or “Mr. Lai”       | Mr. Lai Tse Ming, an executive Director, chairman of the Company and a controlling shareholder of the Company  |
| “Group”                      | the Company and its subsidiaries   |
| “Hong Kong”                  | the Hong Kong Special Administrative Region of the PRC   |

## DEFINITIONS

|                                 |   |
|---------------------------------|---|
| “Independent Board Committee”   | the independent board committee of the Company comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Subscription Agreement and the transaction contemplated thereunder   |
| “Independent Financial Adviser” | F.E. Corporate Finance Advisory Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transaction contemplated thereunder |
| “Independent Shareholders”      | Shareholders who are not required under the Listing Rules to abstain from voting at the EGM for the resolution to approve the Subscription Agreement and the transaction contemplated thereunder  |
| “Last Trading Day”              | 15 February 2019, being the last trading day immediately prior to the date of the Subscription Agreement  |
| “Latest Practicable Date”       | 18 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular   |
| “Listing Rules”                 | Rules Governing the Listing of Securities on the Stock Exchange   |
| “Main Board”                    | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange   |
| “PRC”                           | the People’s Republic of China  |
| “Proposed Grant”                | the proposed grant of the Share Options to the Grantee to subscribe for a total of 20,000,000 Shares  |
| “Remuneration Committee”        | the remuneration committee of the Company   |
| “SFO”                           | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “Share(s)”                      | ordinary share(s) of HK\$0.01 each in the issued share capital of the Company   |
| “Share Option Scheme”           | the share option scheme of the Company adopted on 6 December 2017 and refreshed on 26 September 2018  |

## DEFINITIONS

|                              |   |
|------------------------------|---|
| “Share Options”              | share options to be granted by the Company to the Grantee, subject to the passing of an ordinary resolution at the EGM                |
| “Shareholder(s)”             | holder(s) of the Share(s)   |
| “Specific Mandate”           | a specific mandate to be considered by the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares |
| “Stock Exchange”             | The Stock Exchange of Hong Kong Limited   |
| “Subscriber” or “Shine Well” | Shine Well Holdings Limited, a company incorporated in the BVI with limited liability   |
| “Subscription”               | the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement                                  |
| “Subscription Agreement”     | the subscription agreement dated 17 February 2019 entered into between the Company and the Subscriber in relation to the Subscription |
| “Subscription Price”         | HK\$1.5 per Subscription Share  |
| “Subscription Shares”        | a total of 100,000,000 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement                |
| “HK\$”                       | Hong Kong dollar(s), the lawful currency of Hong Kong   |
| “RMB”                        | Renminbi, the lawful currency of the PRC  |
| “%”                          | per cent.   |

*For the purpose of this circular, unless otherwise specified, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1.00 to RMB0.86173 as at 15 February 2019 (i.e. the Last Trading Day). The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.*



**IBO TECHNOLOGY COMPANY LIMITED**

**艾伯科技股份有限公司**

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

**(Stock Code: 2708)**

*Executive Directors:*

Mr. Lai Tse Ming (*Chairman*)  
Mr. Gao Weilong (*Chief Executive Officer*)  
Mr. Teng Feng  
Mr. Yu Kin Keung  
Mr. Lyu Huiheng

*Registered office:*

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

*Independent Non-executive Directors:*

Dr. He Tianxiang  
Dr. Wong Kwok Yan  
Mr. Hung Muk Ming

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

4/F, Block C, Unis Inforport  
Langshan Rd 13  
Hi-Tech Industrial Park (North) Nanshan  
Shenzhen, PRC

25 April 2019

*To the Shareholders:*

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES BY A CONNECTED PERSON  
UNDER SPECIFIC MANDATE;  
(II) PROPOSED GRANT OF SHARE OPTIONS  
AND  
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

References are made to the Announcement and the announcements of the Company dated 8 March 2019, 29 March 2019, 12 April 2019 and 18 April 2019 in relation to the Subscription and the Proposed Grant.

The purpose of this circular is to provide you with (i) further details of the Subscription Agreement and the transaction contemplated thereunder; (ii) further details of the Proposed Grant; (iii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Subscription; (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (v) a notice convening the EGM.

## LETTER FROM THE BOARD

### (I) THE SUBSCRIPTION

On 17 February 2019, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 100,000,000 Subscription Shares at the Subscription Price of HK\$1.5 per Subscription Share for a cash consideration of up to HK\$150,000,000. The Subscription will be completed in two stages with 50,000,000 Subscription Shares in each of the first stage of the Subscription (the “**First Stage Subscription**”) and the second stage of the Subscription (the “**Second Stage Subscription**”). The Subscriber may not subscribe less than 50,000,000 Subscription Shares in each stage.

#### **The Subscription Agreement**

*Date:* 17 February 2019

*Parties:* (i) the Company, as the issuer; and  
(ii) Shine Well Holdings Limited, as the Subscriber.

#### *The Subscription Shares*

The Subscription Shares in aggregate represent:

- (i) 25% of the total number of issued Shares as at the Latest Practicable Date; and
- (ii) 20% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Subscription Shares).

The aggregate nominal value of the Subscription Shares is HK\$1,000,000.

#### *Consideration*

The consideration of the Subscription for the total number of Subscription Shares shall be up to HK\$150,000,000. The Subscriber shall pay a consideration of HK\$75,000,000 to the Company upon the completion of the First Stage Subscription (the “**First Completion**”). Similarly, the Subscriber shall pay a consideration of HK\$75,000,000 to the Company upon the completion of the Second Stage Subscription (the “**Second Completion**”). If the First Stage Subscription and/or the Second Stage Subscription did not complete, the Subscriber shall not pay the relevant portion of the consideration. The consideration of the Subscription shall be paid in cash.

## LETTER FROM THE BOARD

### *Conditions Precedent to the First Stage Subscription*

The First Completion is conditional upon the following conditions precedent:

- (i) the Company having obtained all necessary consents and approvals in respect of the Specific Mandate and the Subscription;
- (ii) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the Subscription Shares, and such permission remaining valid until the First Completion;
- (iii) the Subscriber having obtained all necessary consents and approvals in respect of the Subscription;
- (iv) the respective total revenue of the Group as shown in the relevant audit report to be prepared by the auditor of the Company for each of the financial years ending 31 March 2019 and 31 March 2020 being not lower than RMB265,875,000 and RMB358,931,250 (the “**First Revenue Targets**”);
- (v) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects, and remaining so until the First Completion; and
- (vi) the representations and warranties by the Subscriber having remained true, accurate and not misleading in all material respects, and remaining so until the First Completion.

Conditions precedent (i) to (iv) above cannot be waived by any parties to the Subscription Agreement. Condition precedent (v) above can be waived unilaterally by the Subscriber, and condition precedent (vi) above can be waived unilaterally by the Company. The parties to the Subscription Agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before 31 July 2020 (or such later date as may be agreed between the parties to the Subscription Agreement in writing) (the “**First Long Stop Date**”). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by the First Long Stop Date, the Subscriber may terminate the First Stage Subscription, but such termination will not lead to the cancellation of the Subscription Agreement and/or the Second Stage Subscription.

To avoid any ambiguity, if the total revenue of the Group for the financial year ending 31 March 2019 is lower than RMB265,875,000 and/or if the total revenue of the Group for the financial year ending 31 March 2020 is lower than RMB358,931,250, condition precedent (iv) above shall be regarded as not having been fulfilled or satisfied.

As at the Latest Practicable Date, none of the conditions precedent to the First Stage Subscription have been fulfilled.



## LETTER FROM THE BOARD

### *The First Completion*

Subject to the fulfillment or satisfaction of the conditions precedent to the First Stage Subscription (or having been waived, if applicable), the First Completion shall take place on 30 September 2020 (or such later date as may be agreed between the parties to the Subscription Agreement in writing).

### *Conditions Precedent to the Second Stage Subscription*

The Second Completion is conditional upon the following conditions precedent:

- (i) (if the Second Stage Subscription is not covered by the consents and approvals set out in the aforementioned condition precedent (i) to the First Stage Subscription) the Company having obtained all necessary consents and approvals in respect of the Specific Mandate and the Subscription;
- (ii) (if the Second Stage Subscription is not covered by the approval set out in the aforementioned condition precedent (ii) to the First Stage Subscription) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the Subscription Shares, and such permission remaining valid until the Second Completion;
- (iii) the Subscriber having obtained all necessary consents and approvals in respect of the Subscription;
- (iv) the respective total revenue of the Group as shown in the relevant audit report to be prepared by the auditor of the Company for each of the financial years ending 31 March 2019, 31 March 2020 and 31 March 2021 being not lower than RMB265,875,000, RMB358,931,250 and RMB484,557,190 (the “**Second Revenue Targets**”, together with the First Revenue Targets, the “**Revenue Targets**”);
- (v) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects, and remaining so until the Second Completion; and
- (vi) the representations and warranties by the Subscriber having remained true, accurate and not misleading in all material respects, and remaining so until the Second Completion.

Conditions precedent (i) to (iv) above cannot be waived by any parties to the Subscription Agreement. Condition precedent (v) above can be waived unilaterally by the Subscriber, and condition precedent (vi) above can be waived unilaterally by the Company. The parties to the Subscription Agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before 31 July 2021 (or such later date as may be agreed between the parties to the Subscription Agreement in writing) (the “**Second Long Stop Date**”). In the event that any condition precedent mentioned above

## LETTER FROM THE BOARD

(except such conditions precedent having been waived) cannot be fulfilled or satisfied by the Second Long Stop Date, the Subscriber may terminate the Second Stage Subscription, but such termination will not lead to the cancellation of the Subscription Agreement and/or the First Stage Subscription.

To avoid any ambiguity, if the total revenue of the Group for the financial year ending 31 March 2019 is lower than RMB265,875,000 and/or if the total revenue of the Group for the financial year ending 31 March 2020 is lower than RMB358,931,250 and/or if the total revenue of the Group for the financial year ending 31 March 2021 is lower than RMB484,557,190, condition precedent (iv) above shall be regarded as not having been fulfilled or satisfied.

As at the Latest Practicable Date, none of the conditions precedent to the Second Stage Subscription have been fulfilled.

### *The Second Completion*

Subject to the fulfillment or satisfaction of the conditions precedent to the Second Stage Subscription (or having been waived, if applicable), the Second Completion shall take place on 30 September 2021 (or such later date as may be agreed between the parties to the Subscription Agreement in writing).

### *The Subscription Price*

The Subscription Price represents:

- (i) a discount of 6.25% to the closing price of HK\$1.6 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 5.78% to the average closing price of HK\$1.592 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 6.43% to the average closing price of HK\$1.603 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 9.64% to the average closing price of HK\$1.660 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 18.92% to the closing price of HK\$1.85 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 110.97% to the net asset value of approximately RMB0.613 (equivalent to approximately HK\$0.711 per Share) per Share based on the unaudited net asset value of the Group as at 30 September 2018 and the total number of issued Shares as at the Latest Practicable Date.

## LETTER FROM THE BOARD

The net Subscription Price, after deduction of all relevant expenses, is approximately HK\$1.49 per Subscription Share.

The Subscription Price is 6.25% discount to the closing price of HK\$1.6 per Share as quoted on the Stock Exchange on the Last Trading Day. Even though the Subscription Price is a slight discount to the closing price, the Subscription Price is 110.97% premium to the net asset value of RMB0.613 (equivalent to approximately HK\$0.711 per Share) per Share based on the unaudited net asset value of the Group as at 30 September 2018 and the total number of issued Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the Shares have been consistently trading at a premium to the Company's net asset value per Share as at 30 September 2018. The Directors are of the view that the Subscription Price of HK\$1.5 is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Subscription Price was arrived at after arm's length negotiation between the parties to the Subscription Agreement with reference to, among other things, (i) the financial position of the Group; (ii) the volume of the Subscription Shares to be subscribed for under the Subscription Agreement; (iii) the Subscription Price represents a premium of 110.97% over the net asset value of RMB0.613 (equivalent to approximately HK\$0.711 per Share) per Share based on the unaudited net asset value of the Group as at 30 September 2018 and the total number of issued Shares as at the Latest Practicable Date; (iv) a "lower-than-market" subscription price to compensate the associated investment risk assumed by the Subscriber, considering the substantial size and prolonged completion period of the Subscription; the Subscriber may assume increased investment risk as (1) the number of Shares to be subscribed by the Subscriber pursuant to the Subscription is significant; (2) the performance of the Shares in the long term following the Subscription cannot be predicted due to market fluctuations and everchanging market sentiment towards equity investment; and (3) the anticipated investment returns in the long term as envisaged by the Subscriber may not materialize due to the outlook for the global economy; and (v) the liquidity and prevailing market performance of the Shares before the Subscription Agreement, by reference to other comparable companies listed on the Main Board which conducted share subscriptions by connected persons within half year prior to the date of the Subscription Agreement (the "**Comparables**").

The subscription prices of the Comparables ranged from (i) a discount of approximately 27.10% to a premium of approximately 29.30% to/over the respective closing price per share on the last trading day; (ii) a discount of approximately 24.70% to a premium of approximately 30.40% to/over the respective closing price per share for the last five consecutive trading days up to and including the last trading day; (iii) a discount of approximately 25.10% to a premium of approximately 33.05% to/over the respective closing price per share for the last ten consecutive trading days up to and including the last trading day; and (iv) a discount of approximately 79.14% to a premium of approximately 1,214.44% to/over the net asset value per share with reference to the relevant latest audited/unaudited financial position of the Comparables. The discounts of the Subscription Price on the Last Trading Day, the last five and ten consecutive trading days immediately prior to and including the Last Trading Day and the net asset value per Share are in line with the market practice and falls within the range of the Comparables.

## LETTER FROM THE BOARD

The reason for the difference between the exercise price of the Share Options, the Subscription Price and the conversion price of the convertible bonds as disclosed in the Announcement is mainly because of their different bases of determination, (i) the Subscription Price is determined with reference to, among other things, the factors as set out above and the reasons for and benefits of the Subscription as set out in the section headed “Reasons for the Subscription”; (ii) the exercise price of the Share Options are determined with reference to, among other things, the rules of the Share Option Scheme, Chapter 17 of the Listing Rules, as well as the terms of the Share Options (as set out in the section headed “Proposed Grant of Share Options”) with the purposes of recognising the contributions of the Grantee to the business performance of the Group and as an incentive for the Grantee’s continuing commitment and contribution to the Group in the future; and (iii) reference is made to the Announcement, the conversion price of the convertible bonds of HK\$1.6 per conversion share is determined after arm’s length negotiations between the parties to the placing agreement i.e. the Company and the placing agent and with reference to, among other things, the prevailing market price of the Shares.

In view of the foregoing, the Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Adviser but excluding Mr. Lai who is required to abstain from voting on the resolution to approve the Subscription Agreement and the transaction contemplated thereunder at the EGM) considered that the Subscription Price is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The Company considers that there is no conflict of conducting the Subscription and the grant of the Share Options at the same time because, among other things, (i) the Subscription and the grant of Share Options were conducted with different purposes in mind. The Subscription is essentially an equity fund raising activity reflecting the need to secure a stable source of funding, whereas the Share Options sought to incentivise the Grantee; (ii) the Subscription Price and the exercise price of the Share Options were determined with reference to different sets of basis and factors; and (iii) the Subscription is conducted in a way with the expected timeline and funding requirements of the Projects (as defined below) in mind, while the Share Options are vested with reference to its vesting period as determined by the Board. As such, the Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Adviser but excluding Mr. Lai who is required to abstain from voting on the resolution to approve the Subscription Agreement and the transaction contemplated thereunder at the EGM) considered that the arrangement is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### *Specific Mandate to issue the Subscription Shares*

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with all existing Shares presently in issue and at the time of allotment and issue of the Subscription Shares.

## LETTER FROM THE BOARD

### *Application for Listing*

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

### **Reasons for the Subscription**

The Group is a National High and New Technology Enterprise that focuses on providing comprehensive Internet of Things (“**IoT**”) intelligent terminal product applications and solutions services in the PRC. The Group is principally engaged in (i) system integration; (ii) intelligent terminal products sales; (iii) software development; and (iv) system maintenance services.

### *The importance of a committed funding source to the Company through the Subscription*

The Company has been actively involved in the following projects (collectively the “**Projects**”):

- (i) the project with Inventec Appliances (Pudong) Corporation\* (英華達(上海)科技有限公司) (the “**I4 Business Partner**”) in relation to the development and provision of technology services for building smart factories in “Industry 4.0” projects (“**I4 Project**”), details of which are set out in the section headed “Background of I4 Project” of “Use of Proceeds” below;
- (ii) the project in relation to the development and implementation of the dynamic, real-time electricity and fire safety water pressure monitoring systems (the “**Fire Safety Monitoring System**”) in the PRC, utilising the Company’s expertise in IoT technologies and combining Narrowband-IoT technology (“**FSM Project**”). The Company is promoting the implementation of FSM Project in the PRC, in particular in Shenzhen. In March 2019, IBO Information (Shenzhen) Limited (艾伯資訊(深圳)有限公司) (“**IBO Information**”), a subsidiary of the Company, entered into legally-binding construction contracts relating to the implementation of the Fire Safety Monitoring System with a junior school in Shenzhen, pursuant to which IBO Information would design, install and test the Fire Safety Monitoring System at the junior school for a term of 90 days at a consideration of RMB250,000. The Company will continue to explore and market the Fire Safety Monitoring System to other potential clients in the PRC, and endeavors to enter into other legally-binding contracts in relation to the FSM Project in accordance with the following expected timeframe: (1) approximately thirty contracts for the year ending 31 March 2020; (2) approximately one hundred and twenty contracts for the year ending 31 March 2021; and (3) approximately two hundred and fifty contracts for the year ending 31 March 2022; and
- (iii) the project in relation to the system for monitoring the health of cattle (the “**Monitoring System**”), which includes products and systems, such as intelligent terminal, data collection device, edge computing device, wireless network and backstage system (“**MS Project**”). The Company entered into a

## LETTER FROM THE BOARD

legally binding framework agreement in relation to the MS Project (the “**MS Agreement**”), pursuant to which the parties to the MS Agreement will use their advantages to integrate market’s resources, and to strive for a larger market share in the cattle breeding industry on a scale of one trillion RMB, including (a) making concerted effort to strive for a client base with 100 clients in the project development of Monitoring System in 2019, and 1,000 or more clients in 2020; and (b) upon having a sufficiently large client base in the future, further discussing the cooperation in relation to new products and new services to maximise the economic and social benefits of the parties to the MS Agreement, for a period of five years.

The Company’s ongoing obligations under the Projects require substantial financial commitments by the Company, in particular the I4 Project. The Company expects to commit financial capital amounting to approximately RMB65 million (equivalent to approximately HK\$75.43 million), RMB90 million (equivalent to approximately HK\$104.44 million) and RMB110 million (equivalent to approximately HK\$127.65 million) in the years ending 31 March 2020, 31 March 2021 and 31 March 2022, respectively.

The Company expects that the entire funding need of the FSM Project will be around RMB17 million (approximately HK\$19.7 million).

With reference to the Revenue Targets, the Company aims to increase the revenue of the Company by 25%, 35% and 35% in the financial year ended 31 March 2019, and the financial years ending 31 March 2020 and 31 March 2021, respectively. The Company considers that the continued growth of the Company and increased market share in the Company’s principal business of providing comprehensive IoT intelligent terminal product applications and solutions services in the PRC will lead to more business opportunities and future projects, which in turn will require more financial resources by the Company in the near future.

In view of the above, the Company believes that it is financially prudent to secure substantial funding to prove the sufficient financial resources in the imminent and foreseeable future. The Company considers that the Subscription will provide certainty of funding in this regard, and will accelerate the Company’s growth by strengthening the capital base and financial position of the Company, allowing the Company to plan for future expansion and development of the Projects and to secure long-term strategic cooperation with the Company’s partners in the Projects. The Subscription also reflects the confidence and commitment to support the development of the Company by Mr. Lai, who is the controlling shareholder of the Company.

In light of the above, considering (i) the benefit to the Company upon completion of the I4 Project, FSM Project and the MS Project; (ii) the fact that the Company is expected to and will incur significant commitments on the Projects; (iii) the Company has entered into legally binding contracts under the FSM Project and the MS Project; and (iv) the Revenue Targets, the Board considers there would be genuine funding needs which justify the Subscription.

## LETTER FROM THE BOARD

### *The basis of determination of the Revenue Targets*

The Revenue Targets were arrived at after arm's length negotiation between the parties to the Subscription Agreement with reference to, among other things, (i) the expected timeline and the funding requirements of the Projects; and (ii) given that the financial year ended 31 March 2019 is the induction period of the new projects of the Company, the Company will be conducting, according to the respective expected timelines of the new projects, in-depth market research, integration of industry and client resources, product development and market promotion. As such, the potential of revenue growth cannot be fully realised by the end of the same financial year. However, by the financial years ending 31 March 2020 and 31 March 2021, it is expected that the potential growth of business brought by the new projects of the Company can be fully realised, such that target of revenue growth is set to be 25%, 35% and 35% in the financial year ended 31 March 2019, and the financial years ending 31 March 2020 and 31 March 2021, respectively.

### *Other fund raising alternatives*

Other than the Subscription, the Board has considered the feasibility of the following alternative fund raising methods:

- (a) Debt financing: the Company had approached four banks and five non-bank financial institutions, but the preliminary proposed financing terms and conditions are not particularly favourable to the Group, such as involving up-front commitment fees, and all of them requested for collaterals, taking into account that the Group's operations are mainly based in the PRC. Further, additional finance expenses will be incurred and the gearing ratio of the Company will be increased.
- (b) Rights issue or open offer: (i) they are subject to market conditions; (ii) higher transaction costs (including but not limited to underwriting commission, legal fee and other fees and expenses) will be incurred; and (iii) there may be a more significant share dilution effect than the current dilution of approximately 8.83% if the public Shareholders do not participate. Besides, the Company has approached five investors, but it is difficult to find any investor who is willing to commit to participate in the rights issue or open offer given the prolonged period of time of completion.
- (c) Other equity financing options: the Company has approached five non-bank financial institutions to explore other equity financing options, for example placing of Shares. However, (i) the placing agent would only procure the subscription of third party investors on a "best-effort" basis; (ii) higher transaction costs (including but not limited to the placing commission, legal fee and other fees and expenses) will be incurred; and (iii) it will result in similar dilution effect with the Subscription.

## LETTER FROM THE BOARD

### *The estimated dilution effect of the Subscription*

The aggregate shareholding of public Shareholders shall decrease from approximately 44.19% to:

- (a) approximately 39.28% immediately after the First Completion, representing a dilution of approximately 4.91% in the shareholding interest;
- (b) approximately 39.28% immediately after the Second Completion (not taking into account of the First Completion), representing a dilution of approximately 4.91% in the shareholding interest; and
- (c) approximately 35.36% immediately after the Second Completion (taking into account of the First Completion), representing a dilution of approximately 8.83% in the shareholding interest.

### *Suitability of the Subscription as the preferred fund-raising method to the Company in the present time*

Immediately after the allotment and issue of the Subscription Shares but before full exercise of the Share Options, the Subscription will lead to a dilution in the shareholding of the public Shareholders from 44.19% to 35.36%, amounting to a dilution effect of approximately 8.83%. However, the Board has also taken into account that the Subscription (i) is less administratively burdensome and more cost-effective compared with the other fund raising methods as mentioned above; (ii) signifies the continuing support of the controlling shareholders to the Group and its commitment and confidence to the development of the Group, which will enhance the confidence of the public Shareholders and the potential investors in the business of the Group; and (iii) most importantly, will ensure that the Group secures a stable and reliable source of funding of up to approximately HK\$149 million at the timeframe as required for the Projects (with details as set out in the section headed “Use of Proceeds” below).

After considering (i) the difficulties relating to the above fund raising alternatives; (ii) the placing of convertible bonds pursuant to the placing agreement as set out in the Announcement has been under-subscribed; and (iii) the dilution effect to the shareholding of the public Shareholders as mentioned above, the Board regards the Subscription to be, on balance, the preferred and most suitable method of fund-raising to the Company in the present time and has therefore decided to conduct the Subscription. The Directors (including all the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, but excluding Mr. Lai who is required to abstain from voting on the resolution to approve the Subscription Agreement and the transaction contemplated thereunder at the EGM) consider that (i) the Subscription is on normal commercial terms; (ii) the terms of the Subscription (including the Subscription Price) are fair and reasonable; and (iii) the Subscription is in the interests of the Company and the Shareholders as a whole.



## LETTER FROM THE BOARD

Additionally, as the Subscription constitutes a connected transaction of the Company under the Listing Rules, it is subject to Independent Shareholders' approval at the EGM and hence will allow the Independent Shareholders to fully assess the potential dilution impact on them against the potential benefits to be brought about by the Subscription.

### **Use of Proceeds**

The estimated gross proceeds from the Subscription will be up to HK\$150,000,000 in which HK\$75,000,000 will be from the First Stage Subscription and the balance of HK\$75,000,000 will be from the Second Stage Subscription. The estimated net proceeds from the Subscription will be up to approximately HK\$149 million (after deducting all relevant expenses). The Company intends to use the proceeds from the Subscription as follows:

- (a) approximately RMB100 million (equivalent to approximately HK\$116.04 million), constituting approximately 77.88% to invest in the I4 Project, with details of the funding requirements and timeline as specified below;
- (b) approximately RMB19 million (equivalent to approximately HK\$22.05 million), constituting approximately 14.80% to additional working capital and other general corporate purpose such as staff costs, auditors' remuneration, rental expenses, etc.; and
- (c) the remaining (if any) to be utilised in promoting FSM Project in Shenzhen and national markets (approximately HK\$5 million) and other projects, including but not limited to the MS Project (approximately HK\$6 million).

### *Background of I4 Project*

On 1 February 2019, the Company and I4 Business Partner entered into a non-legally binding strategic framework agreement, pursuant to which the Company and I4 Business Partner will make use of their respective advantages and expertise in design, research and development, manufacturing and sales of smart factories, consumers electronics and smart wearable products and realisation of "Industry 4.0" project for a term of three years. The Company has not incurred, but will incur payment obligations in relation to the I4 Project when, among other things, the Group has to (i) settle marketing expenses; (ii) pay research and development related costs; and (iii) make upfront payment settlement to satisfy purchase orders in relation to the manufacturing of consumers electronics, smart wearable products and smart home appliance products pursuant to the I4 Project. The Company expects to enter legally-binding agreements and incur payment obligations in or around June 2019. Please refer to announcement of the Company dated 4 February 2019 for details of the I4 Project.

Both of the Company and I4 Business Partner are jointly responsible for product design and research and development while the Company is chiefly responsible for marketing and business negotiation etc.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has (i) set up a 5-person project development team on 1 December 2018, which has since been expanded to a 10-person team so as to enhance the Company’s marketing and retail efforts; (ii) made preparations to attend the upcoming China Import and Export Fair in Guangzhou, China, which is a large-scale, comprehensive international trading event, and Computex Taipei in Taiwan, a global information communication technologies and IoT exhibition, to explore potential business opportunities for the expansion of the Company’s overseas retail business; (iii) attended the Mobile World Congress 2019 in Barcelona, Spain, an international exhibition for mobile technologies; and (iv) actively promoted and marketed the Company’s notebooks, smart wearables and other smart appliances through contacting potential international clients from countries such as Germany, Finland, Japan, the United States of America, Spain, Israel, Mexico, Portugal, Lebanon, Russia, Brazil, Armenia, India, Romania, Vietnam and Serbia via various channels.

The table below sets out the future development and the corresponding funding needs of I4 Project for the three years ending 31 March 2022:

|                         | 2020  | 2021  | 2022  |
|-------------------------|---|---|---|
| Development plan        | to expand overseas retail business of notebook, smart wearable, and other smart products  | (i) to expand overseas retail business of consumer electronics, smart wearable products and smart home appliance;<br><br>(ii) to promote “Industry 4.0” in the PRC; and<br><br>(iii) to develop new products. | (i) to expand overseas retail business of consumer electronics, smart wearable products and smart home appliance;<br><br>(ii) to promote “Industry 4.0” in the PRC; and<br><br>(iii) to develop new products. |
| Estimated funding needs | Approximately RMB65 million (approximately 80% for manufacturing, 10% for research and development and 10% for sales and marketing)                       | Approximately RMB90 million (approximately 70% for manufacturing, 10% for research and development and 20% for sales and marketing)   | Approximately RMB110 million (approximately 70% for manufacturing, 10% for research and development and 20% for sales and marketing)  |
| Source of financing     | Approximately RMB20 million from the placing of convertible bonds (with details as set out in the Announcement) and RMB45 million from internal resources | Approximately RMB50 million (equivalent to approximately HK\$58.02 million) from the First Stage Subscription and approximately RMB40 million from internal resources   | Approximately RMB50 million (equivalent to approximately HK\$58.02 million) from the Second Stage Subscription and approximately RMB60 million from internal resources  |

In light of the above, the Board considers that the proposed use of proceeds of the Subscription is fair and reasonable, and will in the long-term strengthen the financial performance of the Company and create value for the Group and the Shareholders as a whole.

## LETTER FROM THE BOARD

In view of the current implementation status of the I4 Project, the Company is cautiously optimistic that the I4 Project will materialise. For instance, various models of notebooks, smart wearables and other smart appliances have been manufactured and the same have marketed to various international clients (details of which are set out in the section headed “Background of I4 Project” of “Use of Proceeds” above). Currently, the Company has been negotiating with various potential customers on the sales of the relevant products. Even if the sales of the smart factories, consumers electronics and smart wearable products under the I4 Project do not meet with the expected target, the Company may re-allocate part of the proceeds to the MS Project, FSM Project and other possible projects, which the Company has not identified as at the Latest Practicable Date, where appropriate. Further announcement(s) will be made as and when appropriate.

If any of the Revenue Targets cannot be met, or the First Completion or the Second Completion does not take place, the Company will re-assess the other fund raising alternatives, such as debt financing or other equity financing options, for funding the shortfalls. However, based on the reasons as mentioned in the subsection headed “Reasons for the Subscription — Other fund raising alternatives”, the Company currently envisages that the terms of such fund raising activities may or may not be as favourable as those in relation to the Subscription, and will only consider such alternatives in case of any shortfall of the funding need. Further announcement(s) will be made as and when appropriate.

### *Other fund raising activities in the coming 12 months*

As at the Latest Practicable Date, there is no concrete plan or intention for any fund raising activity for the Group in the coming 12 months.

### **Information on the Subscriber**

The Subscriber is a company incorporated in the BVI with limited liability. It is principally engaged in investment holding.

As at the Latest Practicable Date, 223,220,000 Shares are held by the Subscriber, representing approximately 55.81% of the total issued Shares, and therefore the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules.

### **Implications under the Listing Rules**

As at the Latest Practicable Date, the Subscriber is the controlling shareholder of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders’ approval by way of poll at the EGM. The Subscriber is also wholly and beneficially owned by Mr. Lai. Any Shareholder who has a material interest in the Subscription must abstain from voting at the EGM on the resolution in respect of the Subscription Agreement and the transaction contemplated thereunder.

The Subscriber and its associates (to the extent they have an existing interest in the Shares) will abstain from voting at the EGM on the resolution in respect of the Subscription Agreement and the transaction contemplated thereunder.

## LETTER FROM THE BOARD

The issued share capital of the Subscriber is wholly and beneficially owned by Mr. Lai. Mr. Lai is therefore deemed to be interested in the Shares held by the Subscriber pursuant to the SFO. Accordingly, Mr. Lai is required to abstain from voting at the EGM on the resolution in respect of the Subscription Agreement and the transaction contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the aforementioned, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the relevant resolution at the EGM.

To the best of the Directors' knowledge, information and belief, Mr. Lai, being the beneficial owner of the Subscriber, has a material interest in the Subscription Agreement and the transaction contemplated thereunder, and has abstained from voting on the board resolution approving the Subscription Agreement and the transaction contemplated thereunder.

The transactions contemplated under the I4 Project, FSM Project or MS Project are (i) of a revenue nature; and (ii) within the ordinary and usual course of business of the Group, and are therefore not subject to any requirements under Chapter 14 of the Listing Rules.

None of the counterparties to the Projects fall into the categories of connected persons of the Company as described in Rule 14A.07(1) to (5) of the Listing Rules, thus entering into the agreements in relation to I4 Project, FSM Project or MS Project would not constitute a connected transaction under Chapter 14A of the Listing Rules.

### **General**

The EGM will be convened to consider and, if thought fit, approve, the Subscription Agreement and the transaction contemplated thereunder, which constitute a connected transaction.

**As completion of the Subscription is subject to fulfillment of the conditions precedent set out in the Subscription Agreement and may or may not take place, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **(II) PROPOSED GRANT OF SHARE OPTIONS**

### **Introduction**

Reference is made to the Announcement, whereby the Board announced that the Company has made the Proposed Grant in aggregate 20,000,000 Share Options to the Grantee, to subscribe for 20,000,000 Shares pursuant to the Share Option Scheme. The total of 20,000,000 Shares to be subscribed under the Share Options proposed to be granted represent 5% of the existing issued share capital of the Company as at the Date of Proposed Grant and approximately 4.76% of the enlarged issued share capital of the Company immediately after full exercise of the Share Options.

## LETTER FROM THE BOARD

Details of the Proposed Grant are set out below:

Date of Proposed Grant: 17 February 2019

Exercise price of Share Options: HK\$1.6, which represents the highest of (i) closing price of HK\$1.6 per Share as stated in the Stock Exchange's daily quotation sheets on 15 February 2019, being the last trading day immediately preceding the Date of Proposed Grant; (ii) the average closing price of HK\$1.592 per Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Date of Proposed Grant; and (iii) the nominal value of HK\$0.01 per Share

Total number of Share Options: 20,000,000 Share Options

Consideration for the Proposed Grant: Upon acceptance of the Share Options, the Grantee shall pay HK\$1 to the Company as consideration for the grant of the Share Options

Vesting date of the Share Options:

- (a) up to 30% of the total number of Share Options granted to the Grantee are exercisable during the period from the Date of Grant to the day immediately preceding the third anniversary of the Date of Grant (both dates inclusive);
- (b) up to 30% of the total number of Share Options granted to the Grantee are exercisable during the period from the first anniversary of the Date of Grant to the day immediately preceding the third anniversary of the Date of Grant (both dates inclusive); and
- (c) up to 40% of the total number of Share Options granted to the Grantee are exercisable during the period from the second anniversary of the Date of Grant to the day immediately preceding the third anniversary of the Date of Grant (both dates inclusive).

Validity period of the Share Options: 3 years from the Date of Grant

## LETTER FROM THE BOARD

Rights of Shares to be issued upon exercise of Share Options:

The Shares to be allotted and issued upon the exercise of the Share Options shall rank *pari passu* in all respects with the fully paid Shares in issue as of the date when the name of the Grantee is registered on the register of members of the Company and accordingly will entitle the holder the same rights in relation to voting, dividend, transfer and other rights as the Shares in issue in accordance with the articles of association of the Company, as amended from time to time. The Share Options themselves, however, do not carry any right to voting, dividend, transfer or other rights (including those arising on the liquidation of the Company) prior to their being exercised and the underlying Shares being issued

Performance targets:

No performance target has been set as condition to the exercise of the Share Options

The Share Option Scheme is adopted by the Company and does not have a trustee.

All outstanding or unexercised Share Options granted to the Grantee shall lapse after the third anniversary of the Date of Grant.

The Company has adopted the Share Option Scheme by an ordinary resolution passed by the Shareholders in a general meeting, and the purpose of the Share Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Company appreciates and recognises the contributions of Mr. Lai to the Group for the past 18 years. Additionally, Mr. Lai has deployed an integrated plan for the resources and business development of the Group, including but not limited to the I4 Project and MS Project, after listing. As such, granting Share Options to Mr. Lai is a recognition of his contributions and will provide incentive to Mr. Lai to achieve further development and to bring further benefits to the Group. The Remuneration Committee has considered granting Share Options to Mr. Lai, and the Company is of the view that the year ended 31 March 2019 is an appropriate time to grant such Share Options to incentivise Mr. Lai.

The Proposed Grant is determined by the Board (excluding Mr. Lai who has material interest in the Proposed Grant) and the Remuneration Committee in their absolute discretion based on the contributions made by Mr. Lai to the Group with reference to the years of service, work performance, commitment in performing his duties and contributions to the development and performance of the Group. Details of contributions of the Grantee to the Group are set out in the section headed “Reasons for the Proposed Grant” below. Save as the Proposed Grant, no share options had been granted to Mr. Lai as at the Latest Practicable Date.

## LETTER FROM THE BOARD

### Reasons for the Proposed Grant

The purpose of the Proposed Grant is to grant incentive and rewards to recognise the significant efforts and contribution made by the Grantee in the development of the Group's business and the improvement of the Group's financial performance.

#### *Contributions of the Grantee to the Group*

Mr. Lai is the founder of the Group, the chairman of the Board and nomination committee of the Company, an executive Director and controlling shareholder of the Company. Mr. Lai is also the founder of IBO Information which is a major operating entity of the Group. Mr. Lai has been leading IBO Information for nearly 20 years, and is responsible for managing the Board and the overall strategic planning of the Group. Mr. Lai is the chairman of Abacus International Group Company Limited and IBO Information. He is also a director of each subsidiary of the Company except Shenzhen Guotong Intelligence Technologies Limited\* (深圳市國桐智能科技有限公司).

Mr. Lai has made valuable contributions to the Group by leading the Group in achieving various outstanding business milestones, including but not limited to:

- (i) in 2002, the Group commenced its first system integration project to undertake the petrol filling IC card system development for a large state-owned petroleum company based in the Guangdong Province, as well as its first software development project to undertake the call system software development for a governmental authority in Shenzhen;
- (ii) in 2008, the Group was approved to undertake the vehicle management pilot project (車輛管理試點項目) of the national gold card engineering RFID application pilot project (國家金卡工程RFID應用試點項目);
- (iii) in 2014, the Group commenced its business relationship with a governmental authority in Xinjiang on the supply of gas cylinder supervision system;
- (iv) in 2016, the Group started co-operation with a large-scale technology company regarding the construction of an intelligent traffic control system in Xinjiang;
- (v) in 2017, the Company was listed on the Main Board; and
- (vi) in 2018, the Group acquired the majority stake in Bright Leap Limited, which holds subsidiaries engaging in, among others, cloud services and integrated solutions for urban public service administration Software-as-a Service.

Mr. Lai has been playing a key role in the Group's development. Under his leadership and guidance, the Group's revenue had grown by approximately 630% from approximately RMB29.13 million for the year ended 31 March 2015 to approximately RMB212.70 million for the year ended 31 March 2018, while its profit and total comprehensive income for the year increased by approximately 265% from approximately RMB9.72 million for the year ended 31 March 2015 to approximately RMB35.48 million

## LETTER FROM THE BOARD

for the year ended 31 March 2018. Further, the Group had outstanding performance for the six months ended 30 September 2018, recording overall revenue up by 95.8% to approximately RMB175.54 million and gross profit up by 86.7% to approximately RMB56.64 million compared with the six months ended 30 September 2017.

### *The basis of determining the terms and conditions of the Proposed Grant*

With reference to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated with the responsibility to determine the specific remuneration package of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments. The Remuneration Committee has to consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration. Further, the remuneration policies for the executive Directors are as follows: (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group by the relevant Director; and (ii) the executive Directors may be granted, at the discretion of the Board, share options of the Company, as part of the remuneration package.

Under the outstanding leadership of Mr. Lai, the Group's revenue has been growing over the past five years. This has laid a solid foundation for the financial strength of the Group, providing ample resources for the Group to advance to the next level. Mr. Lai's remarkable performance and contributions as a whole benefit the Group and provide a core momentum to increase value for the Company, which are also in the interests of the Shareholders.

Taking into account that (i) Mr. Lai's contribution to the Company was significant; (ii) the stability of the key personnel (including Mr. Lai) is crucial to the further development of the Group; (iii) the Remuneration Committee determined Directors' remuneration packages with reference to the director's emoluments by comparable companies listed on the Main Board which conducted the grant of share options to certain directors as detailed below (the "**Comparable Grants**"); and (iv) the dilution effect of the Proposed Grant is insignificant, the Board (excluding Mr. Lai who has material interest in the Proposed Grant) and the Remuneration Committee are of the view that the Proposed Grant (including the number of the Share Options) will be a part of his remuneration package and an incentive to encourage Mr. Lai for his continued investments and contributions to the Group in the future, and the Proposed Grant is in line with the Company's remuneration policies.

The Comparable Grants are selected based on the following criteria: (i) companies listed on the Main Board which conducted grant of share options to their directors, chief executives or key personnel of each respective company; (ii) grant of share options are subject to shareholders' approval; and (iii) within one year prior to the Date of Proposed Grant.



## LETTER FROM THE BOARD

Summarised below is the Comparable Grants:

| Company name                              | Stock Code | Date of circular | Position of the grantee in the company  | Annual emoluments<br>(Approximately)<br>(HK\$) (Notes 1 and 2) | Approximate percentage of share options granted to the number of issued shares of the respective companies | Terms of the grant of share options   |
|---|------------|------------------|---|--|--|---|
| C Cheng Holdings Limited                  | 1486       | 23 November 2018 | Chairman, executive director and substantial shareholder                          | 11.1 million   | 1.21%  | 5 years of vesting period of the share options and absence of performance target  |
| Sunshine Oilsands Ltd.                    | 2012       | 5 October 2018   | Executive director and substantial shareholder                                    | 9.7 million  | 4.99%  | Absence of vesting period and performance target                                  |
| Lifetech Scientific Corporation           | 1302       | 17 August 2018   | Chairman, chief executive officer, executive director and substantial shareholder | 3.9 million  | 0.77%  | 5 years of vesting period of the share options and presence of performance target |
| Asia Energy Logistics Group Limited       | 351        | 1 August 2018    | Executive director  | 1.6 million  | 1.90%  | 2 years of vesting period of the share options and absence of performance target  |
| Fortunet E-commerce Group Limited         | 1039       | 15 June 2018     | Chairman and executive director   | 7.8 million  | 3.97%  | Absence of vesting period and performance target                                  |
| Ozner Water International Holding Limited | 2014       | 14 May 2018      | Chairman, chief executive officer, executive director and substantial shareholder | 4.8 million  | 2.54%  | 3 years of vesting period of the share options and absence of performance target  |

## LETTER FROM THE BOARD

| Company name                            | Stock Code | Date of circular | Position of the grantee in the company                      | Annual emoluments<br>(Approximately)<br>(HK\$) (Notes 1 and 2) | Approximate percentage of share options granted to the number of issued shares of the respective companies | Terms of the grant of share options  |
|---|------------|------------------|---|--|--|--|
| Goodbaby International Holdings Limited | 1086       | 11 May 2018      | Executive director and chief executive officer              | 13 million   | 2.10%  | 4.5 years of vesting period of the share options and absence of performance target |
| Brockman Mining Limited                 | 159        | 10 April 2018    | Executive director  | 1 million  | 0.42%  | 2 years of vesting period of the share options and absence of performance target   |
| Asia Investment Finance Group Limited   | 33         | 28 February 2018 | Chairperson, executive director and substantial shareholder | 6.6 million  | 2.68%  | Absence of vesting period and performance target                                   |
| The Company                             | 2708       | 25 April 2019    | Executive Director, chairman and controlling shareholder    | 0.7 million  | 5%   | 2 years of vesting period of the Share Options and absence of performance target   |

*Notes:*

1. Based on the approximate exchange rates of HK\$1.00 to RMB0.86173 or HK\$1.00 to CAD0.1688.
2. Based on relative annual reports of the companies.
3. Share option schemes for A shares are excluded as they are subject to additional requirements in the PRC.

The Comparable Grants are an exhaustive list based on the above selection criteria. Based on the above table, as disclosed in the Company's annual report for the year ended 31 March 2018, Mr. Lai's annual emoluments was approximately RMB633,000 for the year ended 31 March 2018 in which (i) approximately RMB241,000 was for fees; (ii) approximately RMB381,000 was for salaries and other allowances; and (iii) approximately RMB11,000 was for retirement benefit scheme contributions. The above table showed that

## LETTER FROM THE BOARD

Mr. Lai's annual emoluments was the least among all comparable companies of the Comparable Grants when comparing to other executive directors' remuneration package (which ranged from approximately HK\$1 million to approximately HK\$13 million).

According to the Share Option Scheme, it states that unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the share option, there are neither any performance targets that need to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised. Under the Proposed Grant, no performance target has been set as condition to the exercise of the Share Options. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may impose any conditions, restrictions or limitations in relation to the share option as it may at its absolute discretion think fit. The vesting conditions of the Share Options were in accordance with the Listing Rules and the terms of the Share Option Scheme.

Given (i) Mr. Lai's valuable contributions and various business milestones to the Group in the past; and (ii) the growth of the Group's revenue under the leadership and guidance of Mr. Lai, and considering that the grant of Share Options to Mr. Lai is an incentive and reward to recognize his efforts, the Board and the Remuneration Committee are of the view that the absence of performance targets on the Share Options is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Further, most of the terms and conditions of the Share Options are consistent with the terms of the 40,000,000 share options previously granted by the Company on 29 June 2018 (the "**Previous Grant**") (the "**Date of the Previous Grant**"). The exercise price for each Previous Grant is HK\$1.612 and the validity period is 3 years from the Date of the Previous Grant. There were 2 vesting periods for the Previous Grant, which (i) up to 30% of the total number of the Previous Grant are exercisable during the period from the Date of the Previous Grant to the day immediately preceding the third anniversary of the Date of the Previous Grant (both dates inclusive); (ii) up to 30% of the total number of the Previous Grant are exercisable during the period from the first anniversary of the Date of the Previous Grant to the day immediately preceding the third anniversary of the Date of the Previous Grant (both dates inclusive); (iii) up to 40% of the total number of the Previous Grant are exercisable during the period from the second anniversary of the Date of the Previous Grant to the day immediately preceding the third anniversary of the Date of the Previous Grant (both dates inclusive). Also, the Previous Grant had no performance target to be achieved. Comparing the Previous Grant to the Proposed Grant, except the exercise price and number of share options granted/proposed to grant, all other terms and conditions remained the same. Based on the performance of the grantees of the Previous Grant, the grantees are devoted to the development of the Group and the Previous Grant aligns the interests of the Group with the grantees. After the Previous Grant, the profitability of the Group and the Share price have also been increased. Therefore, the Board (excluding Mr. Lai who has material interest in the Proposed Grant) and the Remuneration Committee are of the view that the Proposed Grant (without performance targets) itself will incentivise Mr. Lai and to achieve the purpose of the Share Option Scheme.

## LETTER FROM THE BOARD

### *The estimated dilution of the Proposed Grant*

As at the Latest Practicable Date, the exercise of the Share Options to be granted to Mr. Lai under the Share Option Scheme will result in an insignificant dilution of 2.1% in the shareholding of the public Shareholders in the Company.

### *Suitability of the Proposed Grant as the preferred way to incentivise the Grantee*

Granting share options to key personnel as part of a remuneration package is a common practice among listed companies on the Stock Exchange. As set out above, the majority of the Comparable Grants have (i) absence of performance targets; and (ii) vesting period of 2 years or more.

Having taken into account of (i) the vesting period; (ii) the setting of performance targets; and (iii) the position of the grantee of the Comparable Grants as our benchmarks, and given that (i) the terms of the Proposed Grant are subject to the Share Option Scheme and Chapter 17 of the Listing Rules and (ii) the similar terms and conditions of the Comparable Grants, the Board and the Remuneration Committee are of the view that the Proposed Grant is in line with the market practice and the Comparable Grant is an appropriate benchmark for assessing the fairness and reasonableness of the terms of the Proposed Grant.

The Board has considered to remunerate/incentivise Mr. Lai by way of cash bonus or increase of service fee. However, as cash payment is involved, they will increase the Group's expenditure and impose financial burden on the Group. Also, unlike Share Options, they do not serve the purpose of retaining the Grantee for long-term, in particular for distribution of cash bonus, which is a one-off event.

On the other hand, unlike monetary remuneration which will increase the Group's expenditure, the exercise of the Share Option by Mr. Lai will bring to the increase of the Company's share capital of up to HK\$32,000,000 and provides additional working capital to the Group. Furthermore, the Proposed Grant serves as an appreciation of the previous contributions made by Mr. Lai, thereby providing incentives to Mr. Lai for his continued investments and contributions to the Group in the future and devote himself to increase the profitability of the Group. Mr. Lai will lead the Company to continuously expand the Group's product range and explore substantial business opportunities in the future, so as to enhance the Company's competitiveness and market position in current key markets as well as selective new markets.

Based on the reasons aforesaid and taking into account that (i) the potential dilution effect of the exercise of the Share Options is insignificant; and (ii) the vesting period of two years and absence of vesting conditions are in line with the Company's and market practice, the Board (including all the independent non-executive Directors but excluding Mr. Lai who is required to abstain from voting on the resolution to approve the Proposed Grant at the EGM) believes that the Proposed Grant is an appropriate way to reward and encourage the ongoing valuable performance of Mr. Lai in achieving the goals and business growth of the Group and is in the interests of the Company and Shareholders as a whole.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, 40,000,000 share options have been granted by the Company and remained outstanding under the Share Option Scheme, which represent 10% of the total number of issued Shares as at the Latest Practicable Date. Save as the Proposed Grant, as at the Latest Practicable Date, the Company has no immediate plans to grant further share options under the Share Option Scheme. Should the Company wish to grant share options under the Share Option Scheme, the Company will comply with the requirements under Chapter 17 of the Listing Rules as and when appropriate.

### **Implications under the Listing Rules**

Pursuant to Rule 17.04(1) of the Listing Rules and the Share Option Scheme, any grant of a right to subscribe for Shares pursuant to the Share Option Scheme (the “**Option(s)**”) to a Participant (as defined in the Share Option Scheme) who is a director, chief executive or substantial shareholder (each has the meaning as ascribed under the Listing Rules) of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Participant). The Proposed Grant has been approved by the independent non-executive Directors on 17 February 2019.

Further, pursuant to Rule 17.04(1) of the Listing Rules and the Share Option Scheme, where the Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive director of the Company or any of their respective associates and such grant would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the proposed offer date of such grant (the “**Relevant Date**”) (i) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK\$5,000,000, such proposed grant of Options must be approved by the Shareholders in general meeting. The Participant concerned, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

In addition, pursuant to Rule 17.03(4) of the Listing Rules and the Share Option Scheme, any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting.

As at the Latest Practicable Date, other than the Share Options proposed to be granted to the Grantee for the subscription of 20,000,000 Shares (representing approximately 5% of Shares in issue as at the Date of Proposed Grant), the Grantee was also interested in 223,220,000 Shares (representing approximately 55.81% of Shares in issue as at the Date of Proposed Grant). As the total number of Shares to be issued upon

## LETTER FROM THE BOARD

exercise of the Share Options proposed to be granted to the Grantee, being the controlling shareholder of the Company, would in the 12-month period up to and including the Date of Proposed Grant represent (i) in aggregate over 1% of the total number of Shares in issue, and (ii) in aggregate more than 0.1% of the total number of Shares in issue and having an aggregate value, based on the closing price of the Shares on the Date of Proposed Grant, in excess of HK\$5,000,000, pursuant to Rule 17.03(4) and Rule 17.04(1) of the Listing Rules and the Share Option Scheme, the grant of such Share Options to and acceptance thereof by the Grantee is subject to independent shareholders' approval by way of poll at the EGM. The Grantee, his associate(s) and all core connected persons of the Company, including Shine Well, shall abstain from voting in favour of the relevant resolution at the EGM. As of the Latest Practicable Date, the Directors were not aware that any of the Shareholders who must abstain from voting in favour of the resolution approving the Proposed Grant at the EGM had stated their intention to vote against the relevant resolution. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the aforementioned, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the relevant resolution at the EGM.

### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

#### *Scenario 1*

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after full exercise of the Share Options and before allotment and issue of the Shares in the First Stage Subscription (the “**First Stage Subscription Shares**”) and before allotment and issue of the Shares in the Second Stage Subscription (the “**Second Stage Subscription Shares**”); (iii) immediately after full exercise of the Share Options and after allotment and issue of the First Stage Subscription Shares and before allotment and issue of the Second Stage Subscription Shares; and (iv) immediately after full exercise of the Share Options and after allotment and issue of the First Stage Subscription Shares and after allotment and issue of the Second Stage Subscription Shares:

|                         | (i) As at the Latest Practicable Date |                | (ii) Immediately after full exercise of the Share Options and before allotment and issue of the First Stage Subscription Shares and before allotment and issue of the Second Stage Subscription Shares |                | (iii) Immediately after full exercise of the Share Options and after allotment and issue of the First Stage Subscription Shares and before allotment and issue of the Second Stage Subscription Shares |                | (iv) Immediately after full exercise of the Share Options and after allotment and issue of the First Stage Subscription Shares and after allotment and issue of the Second Stage Subscription Shares |                |
|-------------------------|---------------------------------------|----------------|--|----------------|--|----------------|--|----------------|
|                         | <i>No. of Shares</i>                  | <i>approx.</i> | <i>No. of Shares</i>   | <i>approx.</i> | <i>No. of Shares</i>   | <i>approx.</i> | <i>No. of Shares</i>   | <i>approx.</i> |
| Mr. Lai ( <i>Note</i> ) | 223,220,000                           | 55.81%         | 243,220,000  | 57.91%         | 293,220,000  | 62.39%         | 343,220,000  | 66.00%         |
| Public Shareholders     | 176,780,000                           | 44.19%         | 176,780,000  | 42.09%         | 176,780,000  | 37.61%         | 176,780,000  | 34.00%         |
| <b>Total</b>            | <u>400,000,000</u>                    | <u>100.00%</u> | <u>420,000,000</u>   | <u>100.00%</u> | <u>470,000,000</u>   | <u>100.00%</u> | <u>520,000,000</u>   | <u>100.00%</u> |

## LETTER FROM THE BOARD

### Scenario 2

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after allotment and issue of the First Stage Subscription Shares and before allotment and issue of the Second Stage Subscription Shares and before full exercise of the Share Options; (iii) immediately after allotment and issue of the First Stage Subscription Shares and after allotment and issue of the Second Stage Subscription Shares and before full exercise of the Share Options; and (iv) immediately after allotment and issue of the First Stage Subscription Shares and after allotment and issue of the Second Stage Subscription Shares and after full exercise of the Share Options:

|                         | (i) As at the Latest Practicable Date |                       | (ii) Immediately after allotment and issue of the First Stage Subscription Shares and before allotment and issue of the Second Stage Subscription Shares and before full exercise of the Share Options |                       | (iii) Immediately after allotment and issue of the First Stage Subscription Shares and after allotment and issue of the Second Stage Subscription Shares and before full exercise of the Share Options |                       | (iv) Immediately after allotment and issue of the First Stage Subscription Shares and after allotment and issue of the Second Stage Subscription Shares and after full exercise of the Share Options |                       |
|-------------------------|---------------------------------------|-----------------------|--|-----------------------|--|-----------------------|--|-----------------------|
|                         | No. of Shares                         | approx.               | No. of Shares  | approx.               | No. of Shares  | approx.               | No. of Shares  | approx.               |
| Mr. Lai ( <i>Note</i> ) | 223,220,000                           | 55.81%                | 273,220,000  | 60.72%                | 323,220,000  | 64.64%                | 343,220,000  | 66.00%                |
| Public Shareholders     | <u>176,780,000</u>                    | <u>44.19%</u>         | <u>176,780,000</u>   | <u>39.28%</u>         | <u>176,780,000</u>   | <u>35.36%</u>         | <u>176,780,000</u>   | <u>34.00%</u>         |
| <b>Total</b>            | <u><u>400,000,000</u></u>             | <u><u>100.00%</u></u> | <u><u>450,000,000</u></u>  | <u><u>100.00%</u></u> | <u><u>500,000,000</u></u>  | <u><u>100.00%</u></u> | <u><u>520,000,000</u></u>  | <u><u>100.00%</u></u> |

*Note:* Mr. Lai holds 100% interest in Shine Well, being the Subscriber. Mr. Lai is also the Grantee.

## LETTER FROM THE BOARD

### FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company conducted the following equity fund raising activity during the twelve months immediately preceding the Latest Practicable Date:

| Date of announcement(s)           | Fund raising activity                              | Net proceeds   | Proposed use of the net proceeds   | Actual use of the net proceeds   |
|-----------------------------------|--|--|--|--|
| 17 February 2019 and 3 April 2019 | Placing of convertible bonds under general mandate | <p>Estimated net proceeds: approximately HK\$62 million</p> <p>Actual net proceeds: approximately HK\$21.4 million</p> | <p>(i) approximately HK\$41.3 million will be used by the Group for general working capital of the Group including but not limited to, approximately HK\$10.3 million for the overhead expenses and approximately HK\$31 million for the development, improvement and/or expansion of the business including but not limited to the I4 Project as disclosed in the announcement of the Company dated 4 February 2019 and the MS Project as disclosed in the Announcement (<i>Note 1</i>); and</p> <p>(ii) approximately HK\$20.7 million will be reserved for the future investment(s) of the Group if suitable business is identified (<i>Notes 1 and 2</i>).</p> | Approximately HK\$21.4 million will be used by the Group for the I4 Project. |

*Notes:*

1. The placing of convertible bonds under general mandate was under-subscribed as disclosed in the Company's announcement dated 3 April 2019, such shortfall will be financed by internal resources of the Company or other funding raising alternatives, such as debt financing or bank borrowing.
2. As at the Latest Practicable Date, the Company has identified a possible acquisition as disclosed in the Company's announcement dated 5 March 2019.

### EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at 10:00 a.m. on Friday, 17 May 2019 at 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy to be used at the EGM is enclosed with this circular and such form of proxy is also published on website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). Whether or not you are able to attend the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of the power of attorney or authority, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for



## **LETTER FROM THE BOARD**

holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

### **VOTING BY WAY OF POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, all the resolutions proposed at the EGM will be taken by way of poll.

On a poll, every Shareholder present in person by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every Share held which is fully paid or credited as fully paid.

### **RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out on pages 33 to 34 of the circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 35 to 61 of this circular, considers that the Subscription Agreement is on normal commercial terms following arm's length negotiations between the parties hereto and that the terms of the Subscription Agreement (including the Subscription Price) are 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, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription Agreement and the transaction contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Subscription Shares.

Having considered the above principal factors and reasons, the Directors (excluding the independent non-executive Directors who will give their view on the Subscription Agreement and the transaction contemplated thereunder after taking into account the advice of the Independent Financial Adviser and excluding Mr. Lai who is required to abstain from voting on the resolution to approve the Subscription Agreement and the transaction contemplated thereunder) consider that the Subscription is in the interests of the Company and the Shareholders as a whole, and accordingly, recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription and the transaction contemplated thereunder including grant of the Specific Mandate.

Also, the Directors (including all the independent non-executive Directors but excluding Mr. Lai who is required to abstain from voting on the resolution to approve the Proposed Grant) consider that the terms of the Proposed Grant is in the interests of the Company and the Shareholders as a whole, and therefore, recommend the independent shareholders to the Proposed Grant to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Grant.

**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

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

By order of the Board  
**IBO Technology Company Limited**  
**Lai Tse Ming**  
*Chairman*



**IBO TECHNOLOGY COMPANY LIMITED**

**艾伯科技股份有限公司**

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

**(Stock Code: 2708)**

25 April 2019

*To the Independent Shareholders:*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES BY A CONNECTED PERSON  
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company (the “**Circular**”) dated 25 April 2019 which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to recommend the Independent Shareholders as to whether, the Subscription Agreement and the transaction contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and Shareholders as a whole and to the voting action that should be taken.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular.

Having considered the Subscription Agreement, the transaction contemplated thereunder and the advice given by the Independent Financial Adviser, we are of the opinion that the Subscription Agreement and the transaction contemplated thereunder, though not in the ordinary and usual course of business of the Company, are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to (i) approve the Subscription Agreement and the transaction contemplated thereunder; and (ii) grant the Specific Mandate.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Dr. He Tianxiang**

**Dr. Wong Kwok Yan**

**Mr. Hung Muk Ming**

*Independent non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transaction contemplated thereunder.*



F.E. Corporate Finance Advisory Limited

**F.E. Corporate Finance Advisory Limited**  
Unit 2202, 22/F, Fortis Tower,  
77–79 Gloucester Road  
Wan Chai  
Hong Kong

25 April 2019

*To: The Independent Board Committee and the Independent Shareholders of IBO Technology Company Limited*

Dear Sir/Madam,

### **CONNECTED TRANSACTION — SUBSCRIPTION OF SHARES BY A CONNECTED PERSON UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in relation to the Connected Transaction — Subscription of Shares by a Connected Person under Specific Mandate, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 25 April 2019 (the “**Circular**”) issued to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular and the Appendices to the Circular, unless otherwise specified.

Our role as Independent Financial Adviser is to give our opinion as to whether the terms of the Subscription Agreement and the transaction are in the interests of the Company, on normal commercial terms, are fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

#### **BASIS OF OUR ADVICE**

In formulating our opinion, advice and recommendation, we have reviewed, among other things:

- (i) the Subscription Agreement;
- (ii) the prospectus of global offering of the Company dated 14 December 2017 (the “**2017 Prospectus**”);

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the annual report of the Company for the financial years ended 31 March 2018 (the “**2018 Annual Report**”);
- (iv) the interim report of the Company for the six months ended 30 September 2018 (the “**2018 Interim Report**”);
- (v) announcement of the Company dated 4 February 2019;
- (vi) announcement of the Company dated 17 February 2019; and
- (vii) other information contained in the Circular.

We have relied on the information and representations as provided by the Directors and the management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the date of this letter. We have also sought and received confirmation from the Directors and/or management of the Group that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and considered that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided, and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent investigation into the business and affairs of the Group, the Subscriber and its respective associates, nor have we carried out any independent verification on the information supplied.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other material facts the omission of which would make any statement in the Circular misleading.

This letter is issued for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the voting at the EGM 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.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we were independent from, and were not associated with the Company, the Subscriber, or their respective substantial shareholders or associates, or connected person(s), as defined under the Listing Rules and accordingly, and therefore are considered eligible to give independent advice on the Subscription Agreement and the transaction contemplated thereunder to the Independent Board Committee and the Independent Shareholders. During the past two years, save for the engagement in connection with the Subscription Agreements and the transaction contemplated thereunder, we have not acted as the independent financial adviser on any other transactions for the Company. Apart from the normal professional fees paid or payable to us in connection with this appointment as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Therefore, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### **CONNECTED TRANSACTION — SUBSCRIPTION OF SHARES BY A CONNECTED PERSON UNDER SPECIFIC MANDATE**

References are made to the Announcement and the announcement of the Company dated 8 March 2019, 29 March 2019, 12 April 2019 and 18 April 2019 in relation to the connected transaction — Subscription of Shares by a connected person under specific mandate.

As set out in the Letter from the Board in the Circular, and with reference to the Announcement, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 100,000,000 Subscription Shares at the Subscription Price of HK\$1.50 per Subscription Share for a cash consideration of up to HK\$150,000,000. The Subscription will be completed in two stages with 50,000,000 Subscription Shares in each of the first stage of the Subscription (the “**First Stage Subscription**”) and the second stages of the Subscription (the “**Second Stage Subscription**”). The Subscriber may not subscribe less than 50,000,000 Subscription Shares in each stage.

As at the Latest Practicable Date, the Subscriber holds an aggregate of 223,220,000 Shares, representing approximately 55.81% of the total issued Shares of the Company and therefore is a controlling shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders’ approval by way of poll at the EGM. The Subscriber is also wholly and beneficially owned by Mr. Lai. Any Shareholder who has a material interest in the Subscription must abstain from voting at the EGM on the resolution in respect of the Subscription Agreement and the transaction contemplated thereunder.

### **THE INDEPENDENT BOARD COMMITTEE**

An independent board committee, comprising all the independent non-executive Directors, namely Dr. He Tianxiang, Dr. Wong Kwok Yan and Mr. Hung Muk Ming, has been formed to advise the Independent Shareholders on the Subscription Agreement and the transaction contemplated thereunder.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the terms of the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

### 1. Information on the Company

The Group is a National High and New Technology Enterprise that focuses on providing comprehensive Internet of Things (“IoT”), Radio Frequency Identification (“RFID”) equipment and electronic products (collectively the “intelligent terminal products”) applications and solutions services in the People’s Republic of China. The Group is principally engaged in (i) system integration; (ii) sales of intelligent terminal products; (iii) software development; and (iv) system maintenance services.

#### *Financial highlights of the Group*

Set out below are the financial highlights of the Group as extracted from the annual report of the Company for the year ended 31 March 2018 and the interim report of the Company for the six months ended 30 September 2018:

#### *Highlights from Consolidated statement of profit or loss*

|  | <b>For the year ended</b> |                  | <b>For the six months ended</b> |                  |
|--|---------------------------|------------------|---------------------------------|------------------|
|  | <b>31 March</b>           |                  | <b>30 September</b>             |                  |
|  | <b>2017</b>               | <b>2018</b>      | <b>2017</b>                     | <b>2018</b>      |
|  | (Audited)                 | (Audited)        | (Unaudited)                     | (Unaudited)      |
|  | <i>(RMB'000)</i>          | <i>(RMB'000)</i> | <i>(RMB'000)</i>                | <i>(RMB'000)</i> |
| Revenue  | 103,893                   | 212,700          | 89,649                          | 175,537          |
| Gross profit                                     | 53,580                    | 86,220           | 30,330                          | 56,638           |
| Net profit attributable to owners of the Company | 29,445                    | 35,476           | 9,906                           | 23,061           |

The Group recorded total revenue of approximately RMB212,700,000 for the year ended 31 March 2018 (“FY2018”), representing an increase of approximately 104.73% as compared to that for the year ended 31 March 2017 (“FY2017”). The Group has also recorded total revenue of approximately RMB175,537,000 for the six months ended 30 September 2018, representing an increase of approximately 95.80% as compared to the same period ended 30 September 2017.

The gross profit was approximately RMB86,220,000 in FY2018, representing an increase of approximately 60.92% as compared to FY2017. The Group has also recorded the gross profit of approximately RMB56,638,000 for the six months ended 30 September 2018, representing an increase of approximately 86.74% as compared to the same period ended 30 September 2017.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The net profit attributable to owners of the Company was approximately RMB35,476,000 in FY2018, representing an increase of approximately 20.48% as compared to FY2017. The low growth rate of the net profit as compared to the gross profit from the same period was mainly due to the sum of listing expenses which jumped from RMB6.98 million in FY2017 to RMB15.43 million in FY2018. The Group has also recorded the net profit attributable to owners of the Company of approximately RMB23,061,000 for the six months ended 30 September 2018, representing an increase of approximately 132.80% as compared to the same period ended 30 September 2017.

### *Highlights from Consolidated statement of financial position*

|                            | <b>As at<br/>31 March<br/>2017</b> | <b>As at<br/>31 March<br/>2018</b> | <b>As at<br/>30 September<br/>2018</b> |
|----------------------------|------------------------------------|------------------------------------|--|
|                            | (Audited)                          | (Audited)                          | (Unaudited)                            |
|                            | (RMB'000)                          | (RMB'000)                          | (RMB'000)                              |
| Bank balances and cash     | 31,568                             | 82,719                             | 63,515                                 |
| Trade and other payable    | 15,379                             | 57,466                             | 63,363                                 |
| Bank borrowings            | 35,600                             | 6,500                              | 29,976                                 |
| Bonds payable              | —                                  | —                                  | 3,520                                  |
| Net asset value<br>("NAV") | 65,413                             | 214,319                            | 245,176                                |

### *As at 31 March 2018*

As at 31 March 2018, bank balances and cash of the Group amounted to approximately RMB82,719,000, representing an increase of approximately 162.03% as compared to the year ended 31 March 2017, mainly due to the proceeds from the listing in December 2017. Trade and other payable amounted to RMB57,466,000, representing an increase of 273.67%. Bank borrowings amounted to approximately RMB6,500,000, representing a decrease of 81.74%. The NAV amounted to approximately RMB214,319,000, representing an increase of 227.64%.

### *As at 30 September 2018*

As at 30 September 2018, bank balances and cash of the Group amounted to approximately RMB63,515,000, representing a decrease of approximately 23.22% as compared to the year ended 31 March 2018. Trade and other payable amounted to RMB63,363,000, representing an increase of 10.26%. Bank borrowings amounted to approximately RMB29,976,000, representing an increase of 361.17%. The NAV amounted to approximately RMB245,176,000, representing an increase of 14.40%.

## **2. Information on the Subscriber**

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding.

As at the Latest Practicable date, the Subscriber holds an aggregate of 223,220,000 Shares, representing approximately 55.81% of the total issued Shares of the Company and therefore is a controlling shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. The Subscriber is also wholly and beneficially owned by Mr. Lai, who is the executive director and chairman of the Company.

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

As stated in the letter from the Board set out in the Circular, the Company entered into the Subscription Agreement to raise new capital for the purposes stated in this section.

### ***The importance of a committed funding source to the Company through the Subscription***

The Company has been actively involved in the following projects (collectively the “**Projects**”):

- (i) the project with Inventec Appliances (Pudong) Corporation\* (英華達(上海) 科技有限公司) (the “**I4 Business Partner**”) in relation to the development and provision of technology services for building smart factories in “Industry 4.0” projects (“**I4 Project**”), details of which are set out in the section headed “Background of I4 Project” of “Use of Proceeds” below;
- (ii) the project in relation to the development and implementation of the dynamic, real-time electricity and fire safety water pressure monitoring system (the “**Fire Safety Monitoring System**”) in the PRC, utilising the Company’s expertise in IoT technologies and combining Narrowband-IoT technology (“**FSM Project**”). The Company is promoting the implementation of FSM Project in the PRC, in particular in Shenzhen. In March 2019, IBO Information (Shenzhen) Limited (艾伯資訊(深圳)有限公司) (“**IBO Information**”), a subsidiary of the Company, entered into legally binding construction contracts relating to the implementation of the Fire Safety Monitoring System with a junior school in Shenzhen, pursuant to which IBO Information would design, install and test the Fire Safety Monitoring System at the junior school for a term of 90 days at a consideration of RMB250,000. The Company will continue to explore and market the Fire Safety Monitoring System to other potential clients in the PRC, and endeavors to enter into other legally-binding contracts in relation to the FSM Project in accordance with the following expected timeframe: (1) approximately thirty contracts for the year ending 31 March 2020; (2)

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approximately one hundred and twenty contracts for the year ending 31 March 2021; and (3) approximately two hundred and fifty contracts for the year ending 31 March 2022; and

- (iii) the project in relation to the system for monitoring the health of cattle (the “**Monitoring System**”), which includes products and systems, such as intelligent terminal, data collection device, edge computing device, wireless network and backstage system (“**MS Project**”). The Company entered into a legally binding framework agreement in relation to the MS Project (the “**MS Agreement**”), pursuant to which the parties to the MS Agreement will use their advantages to integrate market’s resources, and to strive for a larger market share in the cattle breeding industry on a scale of one trillion RMB, including (a) making concerted effort to strive for a client base with 100 clients in the project development of Monitoring System in 2019, and 1,000 or more clients in 2020; and (b) upon having a sufficiently large client base in the future, further discussing the cooperation in relation to new products and new services to maximise the economic and social benefits of the parties to the MS Agreement, for a period of five years.

The Company’s ongoing obligations under the Projects require substantial financial commitments by the Company, in particular the I4 Project. The Company expects to commit financial capital amounting to approximately RMB65 million (equivalent to approximately HK\$75.43 million), RMB90 million (equivalent to approximately HK\$104.44 million) and RMB110 million (equivalent to approximately HK\$127.65 million) in the years ending 31 March 2020, 31 March 2021 and 31 March 2022, respectively.

The Company expects that the entire funding need of the FSM Project will be around RMB17 million (approximately HK\$19.7 million).

In view of the above, the Company believes that it is financially prudent to secure substantial funding to prove the sufficient financial resources in the imminent and foreseeable future. The Company considers that the Subscription will provide certainty of funding in this regard, and will accelerate the Company’s growth by strengthening the capital base and financial position of the Company, allowing the Company to plan for future expansion and development of the Projects and to secure long-term strategic cooperation with the Company’s partners in the Projects. The Subscription also reflects the confidence and commitment to support the development of the Company by Mr. Lai, who is the controlling shareholder of the Company.

In light of the above, considering (i) the benefit to the Company upon completion of the I4 Project, FSM Project and the MS Project; (ii) the fact that the Company is expected to and will incur significant commitments on the Projects; (iii)

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the Company has entered into legally binding contracts under the FSM Project and the MS Project; and (iv) the Revenue Targets, we concur with the view of the Board that there would be genuine funding needs which justify the Subscription.

### *Our view on whether and how the Company has genuine funding needs to justify the Subscription*

Based on our discussion with the Company, we understand that the I4 Project, in terms of investment amount, labour force and upcoming marketing events, is one of most important projects of the Company in recent years. As a matter of fact, the Company has already built up extensive business relationship with the Projects partners and therefore the Company would like to enhance their relationships and to complement each other. Although the Company has not entered into any legally binding agreements with I4 Business Partner as at the Latest Practicable Date, the Company expects to enter into legally-binding agreements and incur payment obligations in or around June 2019 and the Management of the Company has already formulated a concrete business plan with details of the funding requirements and timeline with the help of I4 Business Partner. With reference to the subsection headed “Use of Proceeds” and “Background of I4 Project” of this letter, part of the funding needs of the Projects will be satisfied by the net proceeds from the Subscription. Therefore, we are of the view that the Company has genuine need to justify the Subscription.

### *Use of Proceeds*

As further mentioned in the Letter from the Board, the estimated gross proceeds from the Subscription will be up to HK\$150,000,000 in which HK\$75,000,000 will be from the First Stage Subscription and the balance of HK\$75,000,000 will be from the Second Stage Subscription. The estimated net proceeds from the Subscription will be up to approximately HK\$149 million (after deducting all relevant expenses). The Company intends to use the proceeds from the Subscription as follows:

- (i) approximately RMB100 million (equivalent to approximately HK\$116.04 million), constituting approximately 77.88% to invest in the I4 Project, with details of the funding requirements and timeline as specified below;
- (ii) approximately RMB19 million (equivalent to approximately HK\$22.05 million), constituting approximately 14.80% to additional working capital and other general corporate purpose such as staff costs, auditors’ remuneration, rental expenses, etc.; and
- (iii) the remaining (if any) to be utilised in promoting FSM Project in Shenzhen and national markets (approximately HK\$5 million), and other projects, including but not limited to the MS Project (approximately HK\$6 million).

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### *Background of I4 Project*

On 1 February 2019, the Company and I4 Business Partner entered into a non-legally binding strategic framework agreement, pursuant to which the Company and I4 Business Partner will make use of their respective advantages and expertise in design, research and development, manufacturing and sales of smart factories, consumers electronics and smart wearable products and realisation of “Industry 4.0” project for a term of three years. The Company has not incurred, but will incur payment obligations in relation to the I4 Project when, among other things, the Group has to (i) settle marketing expenses; (ii) pay research and development related costs; and (iii) make upfront payment settlement to satisfy purchase orders in relation to the manufacturing of consumers electronics, smart wearable products and smart home appliance products pursuant to the I4 Project. The Company expects to enter legally-binding agreements and incur payment obligations in or around June 2019. Please refer to announcement of the Company dated 4 February 2019 for details of the I4 Project.

Both of the Company and I4 Business Partner are jointly responsible for product design, and research and development while the Company is chiefly responsible for marketing and business negotiation etc.

As at the Latest Practicable Date, the Company has (i) set up a 5-person project development team on 1 December 2018, which has since been expanded to a 10-person team so as to enhance the Company’s marketing and retail efforts; (ii) made preparations to attend the upcoming China Import and Export Fair in Guangzhou, China, which is a large-scale, comprehensive international trading event, and Computex Taipei in Taiwan, a global information communication technologies and IoT exhibition, to explore potential business opportunities for the expansion of the Company’s overseas retail business; (iii) attended the Mobile World Congress 2019 in Barcelona, Spain, an international exhibition for mobile technologies; and (iv) actively promoted and marketed the Company’s notebooks, smart wearables and other smart appliances through contacting potential international clients from countries such as Germany, Finland, Japan, the United States of America, Spain, Israel, Mexico, Portugal, Lebanon, Russia, Brazil, Armenia, India, Romania, Vietnam and Serbia via various channels.

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The table below sets out the future development and the corresponding funding needs of I4 Project for the three years ending 31 March 2022:

|                         | <b>2020</b>   | <b>2021</b>   | <b>2022</b>   |
|-------------------------|---|---|---|
| Development plan        | to expand overseas retail business of notebook, smart wearable, and other smart product   | (i) to expand overseas retail business of consumer electronics, smart wearable products and smart home appliance;<br><br>(ii) to promote “Industry 4.0” in the PRC; and<br><br>(iii) to develop new products. | (i) to expand overseas retail business of consumer electronics, smart wearable products and smart home appliance;<br><br>(ii) to promote “Industry 4.0” in the PRC; and<br><br>(iii) to develop new products. |
| Estimated funding needs | Approximately RMB65 million (approximately 80% for manufacturing, 10% for research and development and 10% for sales and marketing)                       | Approximately RMB90 million (approximately 70% for manufacturing, 10% for research and development and 20% for sales and marketing)   | Approximately RMB110 million (approximately 70% for manufacturing, 10% for research and development and 20% for sales and marketing)  |
| Source of financing     | Approximately RMB20 million from the placing of convertible bonds (with details as set out in the Announcement) and RMB45 million from internal resources | Approximately RMB50 million (equivalent to approximately HK\$58.02 million) from the First Stage Subscription and approximately RMB40 million from internal resources   | Approximately RMB50 million (equivalent to approximately HK\$58.02 million) from the Second Stage Subscription and approximately RMB60 million from internal resources  |

In view of the current implementation status of the I4 Project, the Company is cautiously optimistic that the I4 Project will materialise. For instance, various models of notebooks, smart wearables and other smart appliances have been manufactured and the same have marketed to various international clients (details of which are set out in the section headed “Background of I4 Project” of “Use of Proceeds” above). Currently, the Company has been negotiating with various potential customers on the sales of the relevant products. Even if the sales of the smart factories, consumers electronics and smart wearable products under the I4 Project do not meet with the expected target, the Company may re-allocate part of the proceeds to the MS Project, FSM Project and other possible projects, which the Company has not identified as at the Latest Practicable Date, where appropriate. With reference to the Letter from the Board, the Company discloses that further announcement(s) will be made as and when appropriate.

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Based on the discussion with the Company, we understand that the I4 Project is not only in a preliminary planning phase, but also a project with concrete business plan in the event that some of the products have been manufactured and the same have marketed to some clients. The Management is therefore optimistic that the I4 Project will materialize. As the Company has already entered into legally binding agreements with the partners of FSM Project and MS Project, upon our further enquiry, we are advised by the Company that the net proceeds from the Subscription may re-allocate part of the proceeds to the MS Project, FSM Project and other possible projects if the I4 Project does not materialize. In addition, given that the completion of the First Subscription and Second Subscription will happen in 2020 and 2021, the Company believes that there will be sufficient time for them to identify other appropriate investment opportunities as it has been exploring different forms of cooperation with other technology companies. After having reviewed the contracts undertaken and completed by the Group, we concur that the Company has the capability to seek other business opportunities in substitution for the I4 Project in the event that the I4 Project does not materialize. Therefore, we are of the view that such intended application of proceeds is fair and reasonable.

With reference to the Company's announcement dated 4 February 2019, the Announcement, the information as set in the Circular and having discussed with the Company, to the best of our knowledge, we are of the view that the I4 Project, FSM Project and MS Project are in line with the Company's existing principal business. After having reviewed the business model and the business segment as disclosed in the 2017 Prospectus and discussed with the Company, we understand that the nature of the Company's business is project-based. In addition, as disclosed in the 2017 Prospectus, the Company intends to maintain and strengthen its position in the industry of provision of IoT intelligent terminal product application and solutions services and expand its business by implementing the business strategies, including but not limited to, (i) to extend the application of its IoT technologies and experience in system integration and system maintenance in different sectors of the "Smart City" market and diversify the application of its technologies; (ii) to explore different forms of business cooperation; (iii) to enhance its capability to undertake large-scaled contracts; and (iv) to identify beneficial strategic investment opportunities. Having considered the above factors, we are of the view that the application of the proceeds from the Subscription to the Projects is in the interest of the Company and the Shareholders as a whole.

### ***Our view on the Subscription in light of the prolonged timing of receipt of the proceeds***

- (i) *whether the Company has an imminent funding need to conduct the Subscription now*

According to the Company's estimation of I4 Project as stated in the above table set out the future development and the corresponding funding needs for the three years ending 31 March 2022, the Company expects that the commitment of financial capital amounting approximately RMB65 million (equivalent to

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approximately HK\$75.43 million), RMB90 million (equivalent to approximately HK\$104.44 million) and RMB110 million (equivalent to approximately HK\$127.65 million) in the years ending 31 March 2020, 31 March 2021 and 31 March 2022, respectively. We have discussed with the Company in regard to I4 Project's development plan and understand that there will be a shortfall of funding of approximately RMB50 million (equivalent to approximately HK\$58.02 million) in the year ending 31 March 2021 and another shortfall of funding of approximately RMB50 million (equivalent to approximately HK\$58.02 million) in the year ending 31 March 2022. Also, additional funding of approximately HK\$11 million will be utilised in the FSM Project and other projects, including but not limited to the MS Project. Having considered that (i) there may be a termination of the cooperation with the Projects partners at worst if the funding cannot be invested at the timeframe as required for the Projects; (ii) to provide certainty of funding to the Projects in return for future growth of the Company in the present time; and (iii) to avoid any difficulties in raising a large fund size when the market conditions in 2020 and 2021 are unfavourable, we are of the view that it is fair and reasonable to arrange the foreseeable funding needs at the earliest possible time and it is in the interest of the Company and Shareholders as a whole.

*(ii) whether the timing of receipt of the proceeds from the Subscription is in line with the timing of the funding need of the Projects*

As mentioned above, the shortfall of the funding will be approximately RMB50 million (equivalent to approximately HK\$58.02 million) in the year ending 31 March 2021 and another RMB50 million (equivalent to approximately HK\$58.02 million) in the year ending 31 March 2022. For our due diligence purpose, we have obtained the budgeting for the Projects and discussed the same with the Company for better understanding. Therefore, in considering the funding from the Subscription would be HK\$75 million (equivalent to approximately RMB64.63 million) upon the First Completion and another HK\$75 million (equivalent to approximately RMB64.63 million) upon the Second Completion, we are of the view that the timing of receipt of the proceeds from the Subscription is in line with the timing of the funding need of the Projects.

### ***Our view on the intended use of proceeds from the Subscription***

According to the Company's estimation of the funding needs of the I4 Project for the three years ending 31 March 2022, the total funding needs will be approximately RMB265 million in which approximately RMB100 million (equivalent to approximately HK\$116.05 million) will be from the Subscription. In addition, the intended use of proceeds of approximately HK\$11 million will be applied to the FSM Project and other projects, including but not limited to the MS Project and accordingly, the total funding needs of the Projects will be approximately RMB109.48 million (equivalent to approximately HK\$127.05 million), representing approximately 85.20% of the net proceeds. For our due diligence purpose, we have discussed with the Company and understand the plan for the aforesaid use of proceeds. The main purpose of the intended use of proceeds is to provide adequate



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funding for the Projects and accordingly, approximately 85.20% of the net proceeds from the Subscription shall be applied to satisfy part of the funding needs of the Projects. We therefore consider that the intended use of proceeds from the Subscription is fair and reasonable.

In light of the above views on the Subscription and intended use of proceeds, we concur with the view of the Board that the proposed use of proceeds of the Subscription is fair and reasonable, and will in the long-term strengthen the financial performance of the Company and create value for the Group and the Shareholders as a whole. Therefore, we are of the view that the Subscription is in the interest of the Company and the Shareholders as a whole.

#### **4. The Subscription Agreement**

With reference to the Revenue Targets, the Company aims to increase the revenue by 25%, 35% and 35% in the financial years ending 31 March 2019, 31 March 2020 and 31 March 2021, respectively. The Company considers that the continued growth of the Company and increased market share in the Company's principal business of providing comprehensive IoT intelligent terminal product applications and solutions services in the PRC will lead to more business opportunities and future projects, which in turn will require more financial resources by the Company in the near future.

As set out in the Letter from the Board, the Revenue Targets were arrived at after arm's length negotiation between the parties to the Subscription Agreement with reference to, among other things, (i) the expected timeline and the funding requirements of the Projects; (ii) given that the financial year ended 31 March 2019 is the induction period of the new projects of the Company, the Company will be conducting, according to the respective expected timelines of the new projects, in-depth market research, integration of industry and client resources, product development and market promotion. As such, the potential of revenue growth cannot be fully realised by the end of the same financial year. However, by the financial years ending 31 March 2020 and 31 March 2021, it is expected that the potential growth of business brought by the new projects of the Company can be fully realised, such that target of revenue growth is set to be 25%, 35% and 35% in the financial year ended 31 March 2019, and the financial years ending 31 March 2020 and 31 March 2021, respectively.

#### ***Our views on the Condition Precedent (iv) of the First Stage Subscription and the First Long Stop Date***

##### ***(i) The First Revenue Targets***

According to the Conditions Precedents to the First Stage Subscription of the Subscription Agreement, we consider that the Condition Precedent (iv) is the main clause among the other Conditions which are related to the legality. Therefore, we have further analyzed the revenue terms in this clause. Given that the total revenue for the financial year ended 31 March 2019 being not lower than RMB265,875,000, it has represented an increase of 25.00% as compared to the financial year ended 31

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March 2018. In addition, the figure of RMB358,931,250 of the total revenue of the financial year ending 31 March 2020 has represented an increase of 35% as compared to the financial year ended 31 March 2019.

We note that the two-year growth of the First Revenue Targets also represents a compound annual growth rate (the “CAGR”) of approximately 29.90% which is lower than the predicted CAGR of approximately 44.60% of the sales value of the active RFID devices market from 2018 to 2020 (source: from the section headed “industry overview” of the 2017 Prospectus) and is slightly lower than the predicted CAGR of approximately 31.24% of the sales value of the IoT application in city public safety management market from 2018 to 2020 (source: from the section headed “industry overview” of the 2017 Prospectus). We pick the above two set of data because the sales of intelligent terminal products (mainly active RFID devices) of the Company accounted for approximately 45.95% of the total revenue of the Group in FY2018 and the system integration segment (provision of tailor-made system solutions applying IoT technologies of smart cities by provision of coordination, management and installation services, sale of intelligent terminal products as well as development of customised softwares) accounted for approximately 44.78% of the total revenue of the Group in FY2018. As per the discussion with the Company, we understand that the Company is of the view that the financial year ended 31 March 2019 is the induction period of the new projects and therefore the revenue target of the financial year ended 31 March 2019 is set prudently to 25% growth as compared with prior year. Then it is expected that the potential growth of the business brought by the new projects can be fully realized and the revenue target is set to a higher growth rate of 35% in the financial year ending 31 March 2020.

### *(ii) The First Long Stop Date*

As the condition precedent (iv) links to some revenue targets of the First Stage Subscription, it is expected that the revenue to be shown in the Company’s annual result which will be announced and disclosed before 31 July annually. Upon our further enquiry, we are advised by the Directors that the long stop date would be a time to review the revenue performance of the Company and evaluate whether the condition precedent (iv) has been fulfilled. In order to obtain the funding needs in the year ending 31 March 2021, the Company shall make the best of time to plan and execute the Projects, and use their best endeavours to achieve the First Revenue Targets up to 31 March 2020. Therefore, it is fair and reasonable to set the First Long Stop Date on 31 July 2020.

In light of the abovementioned reasons, we are of the view that the First Revenue Targets of the First Stage Subscription and the First Long Stop Date under the Subscription Agreement are on normal commercial terms and are fair and reasonable.

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### *Our views on the Condition Precedent (iv) of the Second Stage Subscription and the Second Long Stop Date*

#### *(i) The Second Revenue Targets*

According to the Conditions Precedents to the Second Stage Subscription of the Subscription Agreement, we consider that the Condition Precedent (iv) is the main clause among the other Conditions which are related to the legality. Therefore, we have further analyzed the revenue terms in this clause. Given that the total revenue for the financial year ended 31 March 2019 being not lower than RMB265,875,000, it has represented an increase of 25.00% as compared to the financial year ended 31 March 2018. In addition, the respective figures of RMB358,931,250 and RMB484,557,190 of the total revenue of the financial year ending 31 March 2020 and 31 March 2021 have represented an increase of 35% and 35% respectively as compared to the year before.

We note that the three-year growth of the Second Revenue Targets also represents a CAGR of approximately 31.58% which is lower than the predicted CAGR of approximately 46.38% of the sales value of the Active RFID devices market from 2018 to 2021 (source: from the section headed “industry overview” of the 2017 Prospectus) and higher than the predicted CAGR of approximately 30.86% of the sales value of the IoT application in city public safety management market from 2018 to 2021 (source: from the section headed “industry overview” of the 2017 Prospectus). As per the discussion with the Company, we understand that the Company is of the view that the financial year ended 31 March 2019 is the induction period of the new projects and therefore the revenue target of the financial year ended 31 March 2019 is set prudently to 25% growth as compared with prior year. Then it is expected that the potential growth of the business brought by the new projects can be fully realized by the financial years ending 31 March 2020 and 31 March 2021 and the revenue targets are set to a higher growth rate of 35% as compared to the year before.

#### *(ii) The Second Long Stop Date*

As the condition precedent (iv) links to the Revenue Targets of the Second Stage Subscription, it is expected that the revenue to be shown in the Company’s annual result which will be announced and disclosed before 31 July annually. Upon our further enquiry, we are advised by the Directors that the long stop date would be a time to review the revenue performance of the Company and evaluate whether the condition precedent (iv) has been fulfilled. In order to obtain the funding needs in the year ending 31 March 2022, the Company shall make the best of time to plan and execute the Projects, and use their best endeavours to achieve the Second Revenue Targets up to 31 March 2021. Therefore, it is fair and reasonable to set the Second Long Stop Date on 31 July 2021.

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In light of the abovementioned reasons, we are of the view that the Second Revenue Targets of the Second Stage Subscription and the Second Long Stop Date under the Subscription Agreement are on normal commercial terms and are fair and reasonable.

If any of the Revenue Targets cannot be met, or the First Completion or the Second Completion does not take place, the Company will re-assess the other fund raising alternatives, such as debt financing or other equity financing options, for funding the shortfalls. However, based on the reasons as mentioned in the subsection headed “Reasons for the Subscription — Other fund raising alternatives” of the Letter from the Board, the Company currently envisages that the terms of such fund raising activities may or may not be as favourable as those in relation to the Subscription, and will only consider such alternatives in case of any shortfall of the funding need. With reference to the Letter from the Board, the Company discloses that further announcement(s) will be made as and when appropriate.

As legally binding agreements have been entered into in relation to MS Project and FSM Project and it is expected that legally binding agreement(s) in relation to the I4 Project will be entered into in or around June 2019, related payment obligations will be incurred. Upon our enquiry, the Company will apply the same amount of funds to the abovementioned projects by considering other fund raising alternatives in case of any shortfall of the funding need. Therefore, we have no further comment given that the intended application of funds to the abovementioned projects remains unchanged.

For further details and terms of the Subscriptions, please refer to the section headed “The Subscription Agreement” of the Letter from the Board.

### **5. The Subscription Price**

The Subscription Price of HK\$1.50 per Subscription Shares represents:

- (i) a discount of 6.25% to the closing price of HK\$1.6 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 5.78% to the average closing price of HK\$1.592 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 6.43% to the average closing price of HK\$1.603 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 9.64% to the average closing price of HK\$1.660 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Day;

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- (v) a discount of approximately 18.92% to the closing price of HK\$1.85 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (vi) a premium of approximately 110.97% to the net asset value of approximately RMB0.613 (equivalent to approximately HK\$0.711 per Share) per Share based on the unaudited net asset value of the Group as at 30 September 2018 and the total number of issued Shares as at the Last Practicable Day.

The net Subscription Price, after deduction of all relevant expenses, is approximately HK\$1.49 per Subscription Share.

As at the Latest Practicable Date, the Shares have been consistently trading at a premium over the Company's net asset value per Share as at 30 September 2018. We understand that the net asset value per Share is considered to be a benchmark for the reference of the Shares' market value by the Board. We are of the view that the net asset value per Share, which is a historical accounting figure, cannot reflect the current market value of the Share.

After the discussion with the management of the Company, we understand that the Subscription Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to, among other things, (i) the financial position of the Group; (ii) the volume of the Subscription Shares to be subscribed for under the Subscription Agreement; (iii) the Subscription Price represents a premium of approximately 110.97% over the net asset value of approximately RMB0.613 (equivalent to approximately HK\$0.711 per Share) per Share based on the unaudited net asset value of the Group as at 30 September 2018 and the total number of issued Shares as at the Latest Practicable Date; (iv) a "lower-than-market" subscription price to compensate the associated investment risk assumed by the Subscriber, considering the substantial size and prolonged completion period of the Subscription; the Subscriber may assume increased investment risk as (1) the number of Shares to be subscribed by the Subscriber pursuant to the Subscription is significant; (2) the performance of the Shares in the long term following the Subscription cannot be predicted due to market fluctuations and everchanging market sentiment towards equity investment; and (3) the anticipated investment returns in the long term as envisaged by the Subscriber may not materialize due to the outlook for the global economy; and (v) the liquidity and prevailing market performance of the Shares before the Subscription Agreement, by reference to other comparable companies listed on the Main Board which conducted share subscriptions by connected persons within half year prior to the date of the Subscription Agreement.

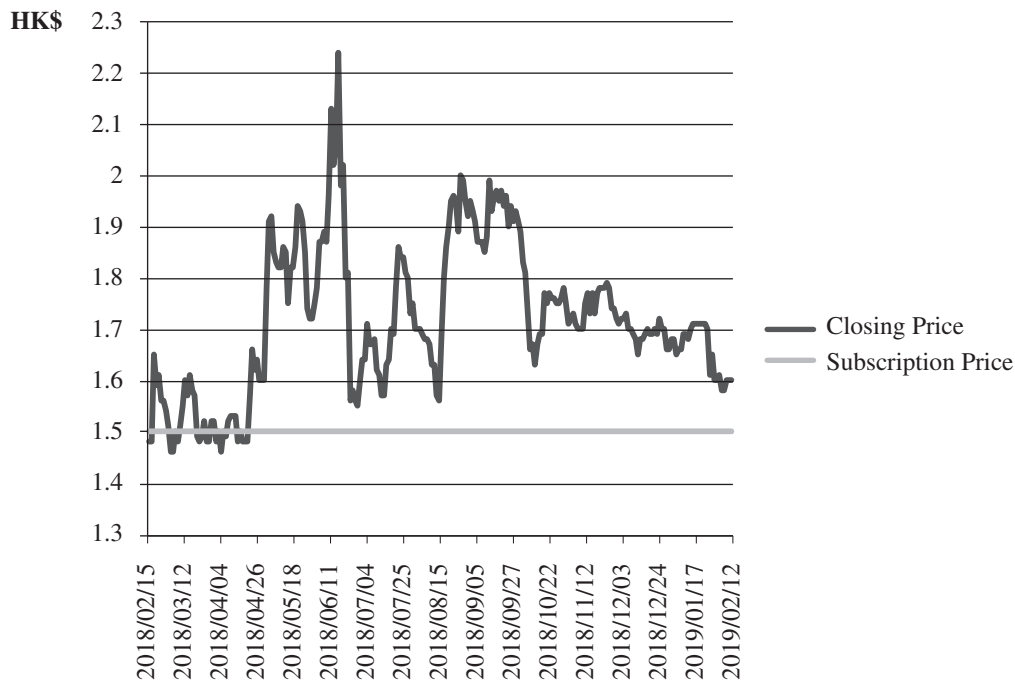
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In considering the fairness and reasonableness of the Subscription Price, we have conducted the following analyses:

### *Historical Share price performance*

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 15 February 2018 (being approximately one year prior to the date of the Subscription Agreement) up to and including the Last Trading Date (the “**Review Period**”). We consider to take approximately a one year period is adequate and reasonable for shareholders’ reference in regard to the Subscription Price because the Review Period has included the latest financial position and reflected the Share price performance of the Group. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:

### Historical daily closing price per Share during the Review Period



Source: the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

During the Review Period, the highest and the lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.24 recorded on 15 June 2018 and HK\$1.46 recorded on 2 March 2018, 5 March 2018 and 4 April 2018 respectively and the average closing price was approximately HK\$1.719. The Subscription Price of HK\$1.50 is within the range of the lowest and highest closing prices of the Shares. The closing prices of the Shares showed a decreasing trend from February 2018 to April 2018. From April 2018 to June 2018, there was an increasing trend and the closing price of the Shares reached its peak at HK\$2.24. After a sudden drop from the peak to HK\$1.55 in late June 2018, the closing price of

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Shares then fluctuated between HK\$1.60 and HK\$2.00 from July 2018 to September 2018. Since then there was another decreasing trend until the closing price of Shares has reached a recent trough of HK\$1.58 on 11 February 2019 and 12 February 2019. The Share price closed at HK\$1.6 on the Last Trading Date. The Subscription Price of HK\$1.50 per Share represents (i) a premium of approximately 2.74% over the lowest closing price; (ii) a discount of approximately 33.04% to the highest closing price; and (iii) a discount of approximately 12.74% to the average closing price of HK\$1.719 during the Review Period.

Although the Subscription Price was set at the low end of the range of the closing price of the Company during the Review Period, having considered that:

- (i) the Subscription Price was determined after arm's length negotiation between the Company and the Subscriber;
- (ii) the closing price of the Shares generally exhibited a declining trend since August 2018, particularly the closing price had reached a trough of HK\$1.58 on 11 February 2019 and 12 February 2019 before signing the Subscription agreement;
- (iii) as illustrated in the table of the Shares Comparables in the next section headed "Comparable Transactions analysis" of this letter, the underlying subscription prices of 7 out of 19 Shares Comparables were set at the low end of the range of the closing price of the companies. We consider that it is not hard to see listed issuers in Hong Kong to conduct shares subscription with a subscription price which is set at the low end of the range of the companies' closing price; and
- (iv) most importantly, the Company is of the view to obtain the commitment to support the development of the Company by the Subscriber,

we are of the view that the Subscription Price is fair and reasonable.

### *Comparable Transactions analysis*

As part of our analysis, we have also identified transactions which are comparable to the Subscription during the Review Period. In order to search for comparable transactions, we have set similar criteria include (i) the transactions are connected transaction involving subscription of new shares by connected person(s) under specific mandate by cash; (ii) excluding emolument shares, rights shares, consideration shares and new shares under share award plan; and (iii) shares listed on the main board of the Stock Exchange in Hong Kong. To the best of our knowledge and as far as we are aware of, we found 19 transactions (the "**Shares Comparables**") which we consider an exhaustive list of relevant Share Comparables that illustrates similar transaction nature as the transactions based on the abovementioned criteria so as to provide an overall understanding to the Shareholders. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Shares Comparables. Nevertheless, our

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analysis is feasible for the purpose of showing recent market practice in relation to the setting of subscription prices under the similar criteria of the Subscription and it can be used as a general reference to those subscription transactions under the current market environment in Hong Kong. Therefore, we consider that the Share Comparables are relevant in assessing the fairness and reasonableness of the Subscription Price.

| Date of Announcement | Stock Code | Company Name   | Subscription price (HK\$/share) | Premium/ (discount) over/ to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement | Premium/ (discount) over/ to the average closing price of the shares for the last five consecutive trading days prior and/or including the last trading day | Premium/ (discount) over/ (to) NAV per share attributable to the owners of the company |
|----------------------|------------|--|---------------------------------|---|---|--|
| 01/02/2019           | 2700       | Green International Holdings Limited                       | 0.212                           | 8.16%   | 7.29%   | 72.36%   |
| 20/01/2019           | 686        | Panda Green Energy Group Limited                           | 0.30                            | -23.08%   | -22.28%   | -60.94%  |
| 18/01/2019           | 371        | Beijing Enterprises Water Group Limited                    | 4.29                            | 0.23%   | 1.27%   | 56.57%   |
| 11/01/2019           | 872        | TUS International Limited                                  | 0.6084                          | -14.31%   | -10.00%   | 33.15%   |
| 14/12/2018           | 218        | Shenwan Hongyuan (H.K.) Limited                            | 2.068                           | 29.30%  | 30.40%  | -24.00%  |
| 09/12/2018           | 1060       | Alibaba Pictures Group Limited                             | 1.25                            | 1.63%   | 1.13%   | 81.16%   |
| 26/11/2018           | 1176       | Zhuguang Holdings Group Company Limited                    | 1.30                            | -6.50%  | -7.80%  | 60.50%   |
| 26/10/2018           | 223        | Elife Holdings Limited                                     | 0.105                           | 6.06%   | 9.83%   | 128.26%  |
| 05/10/2018           | 362        | China Zenith Chemical Group Limited                        | 0.315                           | -1.59%  | -2.54%  | -79.14% (Note 1)   |
| 20/08/2018           | 30         | Ban Loong Holdings Limited                                 | 0.18                            | 0.00%   | -1.21%  | 80.00%   |
| 31/07/2018           | 732        | Truly International Holdings Limited                       | 1.18                            | -6.35%  | -4.84%  | -52.42%  |
| 30/07/2018           | 1699       | China Putian Food Holding Limited                          | 0.14                            | -27.10%   | -24.70%   | -70.40%  |
| 24/07/2018           | 697        | Shougang Concord International Enterprises Company Limited | 0.25                            | 28.87%  | 30.21%  | -32.51%  |
| 03/07/2018           | 1141       | CMBC Capital Holdings Limited                              | 0.363                           | -18.40%   | -19.50%   | 1,198.28% (Note 1) (Note 2)  |



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| Date of Announcement | Stock Code | Company Name   | Subscription price (HK\$/share) | Premium/ (discount) over/ to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement | Premium/ (discount) over/ to the average closing price of the shares for the last five consecutive trading days including the last trading day | Premium/ (discount) over/ (to) NAV per share attributable to the owners of the company |
|----------------------|------------|--|---------------------------------|---|--|--|
| 24/05/2018           | 512        | China Grand Pharmaceutical and Healthcare Holdings Limited | 5.00                            | -21.10%   | -20.20%  | 367.30%  |
| 24/05/2018           | 3966       | China Baofeng (International) Limited                      | 2.60                            | -13.33%   | -13.91%  | 52.05%   |
| 17/04/2018           | 872        | TUS International Limited                                  | 0.537                           | -11.97%   | -9.90%   | 2.11%  |
| 26/03/2018           | 832        | Central China Real Estate Limited                          | 3.65                            | 7.04%   | 8.24%  | -3.18%   |
| 02/03/2018           | 500        | Frontier Services Group Limited                            | 1.30                            | -31.58%   | -28.42%  | 400.00%  |
|                      |            |  | Maximum                         | 29.30%  | 30.40%   | 400.00%  |
|                      |            |  | Minimum                         | -31.58%   | -28.42%  | -79.14%  |
|                      |            |  | Average                         | -4.95%  | -4.05%   | 56.16%   |
|                      |            | <b>The Transaction</b>                                     | <b>1.50</b>                     | <b>-6.25%</b>   | <b>-5.78%</b>  | <b>110.97%</b>   |

*Source: the Stock Exchange and the respective announcements and circulars of the listed companies*

*Note:*

1. The net asset value per share attributable to the owners of the companies are calculated based on the net asset attributable to the owners of companies as disclosed in their latest financial reports prior to the release of the announcements divided by the number of issued shares outstanding as referenced from their latest monthly returns prior to the release of the announcements.
2. Given the majority of the premium/discounts of the Comparable Transactions are less than 500%, we consider this as outlier and have been excluded from the NAV per share assessment.

From the above table, we find the subscription prices of the Shares Comparables ranged from (i) a discount of approximately 31.58% to a premium of approximately 29.30% to/over the respective closing prices of the last trading day prior to/on the date of the corresponding announcements in relation to the relevant share subscription (the “**Market Range I**”), with an average of a discount of approximately 4.95% (the “**Market Average I**”); (ii) a discount of approximately 28.42% to a premium of approximately 30.40% to/over the respective average closing prices of the last five consecutive trading days up to and including the date of the corresponding announcements in relation to the relevant share subscription (the “**Market Range II**”), with an average of a discount of approximately 4.05%

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(the “**Market Average II**”); and (iii) a discount of approximately 79.14% to a premium of approximately 400.00% to/over the respective NAV per share attributable to the owners of the company in relation to the relevant share subscription (the “**Market Range III**”), with an average of a premium of approximately 56.16% (the “**Market Average III**”).

The Subscription Price, represents a discount of approximately 6.25% to the closing price of the Shares on 15 February 2019, being the Last Trading Day immediately prior to the entering into the Subscription Agreement (the “**Subscription Price Discount I**”), a discount of approximately 5.78% to the average closing price of the Shares on the last five consecutive trading days up to and including Last Trading Day (the “**Subscription Price Discount II**”) and a premium of approximately 110.97% over the NAV per share attributable to the owners of the company (the “**Subscription Price Premium III**”).

We find that all of the Subscription Price Discount I, Subscription Price Discount II and Subscription Price Premium III fall within the range of the Market Range I, the Market Range II and Market Range III, respectively. Also, the Subscription Price Discount I and Subscription Price Discount II are very close to the Market Average I and Market Average II respectively. In addition, Subscription Price Premium III is above the Market Average III. Therefore, we are of the opinion that the Subscription Price is in line with the market practice

In considering the Subscription Price in connection to (i) the Subscription Price is within the range of the lowest and highest closing prices of the Shares during the Review Period; (ii) the market performance of the Shares, in particular, the closing price had reached a trough of HK\$1.58 on 11 February 2019 and 12 February 2019 before signing the Subscription Agreement on 17 February 2019; (iii) a premium of approximately 141.16% to the Group’s audited consolidated net asset value per Share of approximately HK\$0.622 (equivalent to approximately RMB0.536) as at 31 March 2018; (iv) a premium of approximately 110.97% to the Group’s unaudited consolidated net asset value per Share of approximately HK\$0.711 (equivalent to approximately RMB0.613) as at 30 September 2018; and (v) the large fluctuations in the Share prices during the Review Period, we are of the view that the Subscription Price of HK\$1.50 is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### **6. Financial effects of the Subscription**

The financial effects of the issue of the Subscription Shares by the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the Subscription Completion.

#### ***Effect on cash and working capital***

As disclosed in the 2018 Interim Report of the Group, the unaudited Bank balances and cash amounted to approximately RMB63.52 million as at 30 September 2018. Given that the net proceeds of approximately HK\$149 million (equivalent to

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approximately RMB128.40 million) to be generated from the Subscription, the cash level of the Group will be increased by approximately 202.14%, which will strengthen the financial position significantly. Therefore, there will be a positive impact on the working capital of the Group upon the Subscription completion.

### 7. Dilution Effect

#### *(i) Effect on Net asset value (“NAV”)*

As disclosed in the 2018 Interim Report of the Group, the NAV was approximately RMB245.18 million as at 30 September 2018 (equivalent to approximately HK\$284.52 million) and the NAV per Share was HK\$0.711 (based on 400,000,000 Shares in issue as at 30 September 2018).

Based on the unaudited financial position of the Group set out in the 2018 Interim Report and the net proceeds to be received, it is expected that the NAV will increase to approximately HK\$433.52 million, representing an increase of approximately 52.37%, and the NAV per Share will increase to approximately HK\$0.867 (based on 500,000,000 Shares in issue upon completion), representing an appreciation of approximately 21.94%.

Given that the Subscription will be completed in two stages, and the First Stage Subscription and the Second Stage Subscription are not inter-conditional, we further illustrate the impact on the NAV and NAV per Share of the Company in the event of the First Completion only but not the Second Completion (and vice versa). As the consideration of the Subscription upon the First Completion or the Second Completion is the same, we will therefore show the impact of the completion of one stage Subscription. Assuming all relevant expenses remains the same, the net proceeds from one stage of Subscription would be approximately HK\$74 million. Based on the unaudited financial position of the Group set out in the 2018 Interim Report and the net proceeds to be received from the Subscription of only one stage, it is expected that the NAV will increase to approximately HK\$358.52 million, representing an increase of approximately 26.01%, and the NAV per Share will increase to approximately HK\$0.797 (based on 450,000,000 Shares in issue upon completion), representing an appreciation of approximately 12.10%.

Accordingly, there will be a positive impact on the NAV and the NAV per share upon the completion of the First Stage Subscription and/or Second Stage Subscription.

#### *(ii) Effects on shareholding structure*

The Subscription Shares represent (i) 25% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 20% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the total number of issued Shares between the date of the Latest Practicable Date and the allotment and issue of the Subscription Shares).

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The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the completion of Subscription (assuming there will be no change in the total number of issued Shares between the date of the Latest Practicable Date and the allotment and issue of the Subscription Shares).

|                     | <b>As at the Latest<br/>Practicable Date</b> |                       | <b>Immediately after<br/>Completion (Note 1)</b> |                       |
|---------------------|--|-----------------------|--|-----------------------|
|                     | <i>Number of<br/>Shares</i>                  | %                     | <i>Number of<br/>Shares</i>                      | %                     |
| Mr. Lai (Note 2)    | 223,220,000                                  | 55.81%                | 323,220,000                                      | 64.64%                |
| Public Shareholders | <u>176,780,000</u>                           | <u>44.19%</u>         | <u>176,780,000</u>                               | <u>35.36%</u>         |
| <b>Total</b>        | <u><u>400,000,000</u></u>                    | <u><u>100.00%</u></u> | <u><u>500,000,000</u></u>                        | <u><u>100.00%</u></u> |

*Note 1:* assuming none of the Outstanding Share Options and CB conversion will have been exercised.

*Note 2:* Mr. Lai holds 100% interest in Shine Well Holdings Limited, being the Subscriber.

From the above table, the shareholdings of the existing public Shareholders will be diluted from approximately 44.19% as at the Latest Practicable Date to approximately 35.36% immediately after the completion of Subscription. Having considered that the reasons for and benefits of the Subscriptions as discussed before and, in particular, the Group's financial position will be improved after receiving the net proceeds which in turn will enable the Group to plan for future expansion and development of the Projects in the future, we consider such 8.83% dilution effect on the shareholding interests of the existing public Shareholders is acceptable.

In the event of the completion of either the First Stage Subscription or Second Stage Subscription, we further illustrate the effect on the shareholding structure of the Company. As the number of the Subscription Shares upon the First Completion or the Second Completion is the same, we will therefore show the impact in the following table.

|                     | <b>As at the<br/>Latest Practicable Date</b> |                      | <b>Immediately after<br/>Completion of First<br/>Stage or Second Stage<br/>Subscription (Note 1)</b> |                      |
|---------------------|--|----------------------|--|----------------------|
|                     | <i>Number of<br/>Shares</i>                  | %                    | <i>Number of<br/>Shares</i>  | %                    |
| Mr. Lai (Note 2)    | 223,220,000                                  | 55.81                | 273,220,000  | 60.72                |
| Public Shareholders | <u>176,780,000</u>                           | <u>44.19</u>         | <u>176,780,000</u>   | <u>39.28</u>         |
| <b>Total</b>        | <u><u>400,000,000</u></u>                    | <u><u>100.00</u></u> | <u><u>450,000,000</u></u>  | <u><u>100.00</u></u> |

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*Note 1:* assuming none of the Outstanding Share Options and CB conversion will have been exercised.

*Note 2:* Mr. Lai holds 100% interest in Shine Well Holdings Limited, being the Subscriber.

From the above table, the shareholdings of the existing public Shareholders will be diluted from approximately 44.19% as at the Latest Practicable Date to approximately 39.28% immediately after the completion of either the First Stage Subscription or Second Stage Subscription. There will be a dilution effect of 4.91% on the shareholding interests of the existing public Shareholders.

To summarize the dilution effect, the aggregate shareholding of public Shareholders shall decrease from approximately 44.19% to:

- (i) approximately 39.28% immediately after First Completion, representing a dilution of approximately 4.91% in the shareholding interest;
- (ii) approximately 39.28% immediately after Second Completion (not taking into account of the First Completion), representing a dilution of approximately 4.91% in the shareholding interest; and
- (iii) approximately 35.36% immediately after the Second Completion (taking into account of the First Completion), representing a dilution of approximately 8.83% in the shareholding interest.

### **8. Alternatives of fund raising**

As set out in the Letter from the Board, other than the Subscription, the Board has considered the feasibility of alternative fund raising methods including (i) debt financing; (ii) rights issue or open offer; and (iii) other equity financing options.

For debt financing, the Company had approached several banks and non-bank financial institution but the Directors consider that the preliminary proposed financing terms and conditions are not favourable to the Group, such as involving up-front commitment fees, and all of them requested for collaterals, taking into account that the Group's operations are mainly based in the PRC. Further, additional finance expenses will be incurred and the gearing ratio of the Company will be increased. According to our independent work performed, we have approached some specialists from different banks to assess the possibility of the Company to obtain a sizable loan, in particular, an unsecured loan. We understand that it is necessary for the Company to open an account with the bank by submitting the financial statements and information of recent years and detailed business plans and operational data for bank's review. In briefing the specialist on the Company's current situation and information, we are orally advised that the Company is unlikely to obtain hundreds of million dollars of loans with the current scale of revenue and net profit. Therefore, we consider that the Company is hardly to obtain the approval of a meaningful loan size as it wishes to utilise as it mentioned in the section headed "use of proceeds". We concur with the view of the Company and consider that it is not commercially justifiable for the Group to raise the desired fund size by way of bank borrowings.

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For rights issue or open offer, the Company had approached several investors but the company confirms that it is difficult to find any investor who is willing to commit to participate in the rights issue or open offer given the prolonged period of time of completion. Also, the Directors consider that this method is subject to market conditions, higher transaction costs will be incurred and there may be a more significant share dilution effect than the current dilution of approximately 8.83% of the Subscription. We have approached some specialists from some securities firms to assess the possibility of appointing an underwriter for potential rights issue/open offer exercise and the related underwriting fee. We understand that securities firm would generally request a commission ranging from 2.5% to 5.0% (which would incur a range of cost of HK\$3.75 million to HK\$7.5 million of the HK\$150 million fund raising size) of the aggregate fund raising size and usually, underwriter would ask for a significant discount on the rights/offer share so as to increase the attractiveness of the equity fund raising exercise. Also, there may be a more significant dilution effect than the dilution effect of the Subscription if the public Shareholders of the Company do not participate. Besides, we are advised by the securities firms that it is difficult to find any investor who is willing to commit to participate in the right issue/open offer given the prolonged period of time of completion.

For the other equity financing options, the Company had approached several non-bank financial institutions to explore other equity financial options and the Directors have also considered conducting placing of Shares. However, the placing agent would only procure the subscription of third party investors on a “best-effort” basis and the transaction costs are higher than Subscription. In addition, placing of Shares will result in similar dilution effect with the Subscription. We have also approached some specialists from some securities firms to assess the possibility of appointing a placing agent for potential placing exercise and the related placing fee. We understand that securities firm would generally request a placing fee ranging from 2.5% to 5.0% (which would incur a range of cost of HK\$3.75 million to HK\$7.5 million of the HK\$150 million fund raising size) of the aggregate fund raising size and usually, placing agent would ask for a significant discount on the placing share so as to increase the attractiveness of the equity fund raising exercise. Also, any placing would only be conducted on a best-effort basis which may impose uncertainty on the final amount of proceeds to be raised. In addition, assuming the number of shares to be placed is the same as the Subscription, the dilution effect on the shareholding interests of the existing public Shareholders would be similar. Besides, we are advised by the securities firms that it is difficult to find any investor who is willing to commit to participate in the placing of shares given the prolonged period of time of completion.

### ***Suitability of the Subscription as the preferred fund-raising method to the Company in the present time***

The Board has taken into account that the Subscription (i) is less administratively burdensome and more cost-effective compared with the other fund raising methods as mentioned above, (ii) signifies the continuing support of the controlling shareholders to the Group and its commitment and confidence to the development of the Group, which will enhance the confidence of the public Shareholders and the potential investors in the business of the Group and (iii) most

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importantly, will ensure that the Group secures a stable and reliable source of funding of up to approximately HK\$149 million at the timeframe as required for the Projects (with details as set out in the section headed “Use of Proceeds”).

After considering (i) the difficulties relating to the above fund raising alternatives; (ii) the placing of convertible bonds pursuant to the placing agreement as set out in the Announcement has been under-subscribed; and (iii) the dilution effect to the shareholding of the public Shareholders as mentioned above, the Board regards the Subscription to be, on balance, the preferred and most suitable method of fund-raising to the Company in the present time and has therefore decided to conduct the Subscription. We concur with the Company’s view that the entering into of the Subscription Agreement is the most preferred option over the other financing alternatives under present circumstances.

### RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that the entering into the Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement are on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests 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 resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transaction contemplated thereunder and the grant of the Specific Mandate.

Yours faithfully,  
For and on behalf of  
**F.E. Corporate Finance Advisory Limited**  
**Michael Mak**  
*Responsible Officer*

*Mr. Michael Mak is a licensed person registered with the Securities and Futures Commission and as a responsible officer of F.E. Corporate Finance Advisory Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over four years of experience in corporate finance industry and sixteen years of experience in securities industry.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (i) Directors and chief executives

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

#### Long positions in the Shares and underlying Shares of the Company

| Name of Directors                    | Capacity/Nature of interests                   | Number of Shares held/ interested in | Underlying Shares (under equity derivatives of the Company)<br>(Note 3) | Percentage of shareholding/ interests<br>(Note 1) |
|--------------------------------------|--|--------------------------------------|---|---|
| Mr. Lai                              | Interest of controlled corporation<br>(Note 2) | 323,220,000<br>(Note 4)              | 20,000,000<br>(Note 5)  | 85.81%<br>(Notes 4 and 5)                         |
| Mr. Gao Weilong (“ <b>Mr. Gao</b> ”) | Beneficial owner<br>(Note 3)                   | —                                    | 4,000,000   | 1.00%   |
| Mr. Teng Feng (“ <b>Mr. Teng</b> ”)  | Beneficial owner<br>(Note 3)                   | —                                    | 4,000,000   | 1.00%   |
| Mr. Yu Kin Keung (“ <b>Mr. Yu</b> ”) | Beneficial owner<br>(Note 3)                   | —                                    | 4,000,000   | 1.00%   |

Notes:

- The percentage of shareholding is calculated based on 400,000,000 Shares in issue as at the Latest Practicable Date.



2. These 223,220,000 Shares are held by Shine Well, a company incorporated in BVI with limited liability on 31 August 2007. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai.
3. These represent share options granted to the Directors under the Share Option Scheme. Details of the share options granted and outstanding as at the Latest Practicable Date were:

| Name of grantees | Date of grant of share options | Outstanding as at 1 April 2019 | Number of share options |           |           |        | Outstanding as at Latest Practicable Date | Vesting period of share options         | Exercisable period of shares options | Exercise price per Share HK\$ |
|------------------|--------------------------------|--------------------------------|-------------------------|-----------|-----------|--------|---|---|--------------------------------------|-------------------------------|
|                  |                                |                                | Granted                 | Exercised | Cancelled | Lapsed |   |   |                                      |                               |
| Mr. Gao          | 29 June 2018                   | 1,200,000                      | —                       | —         | —         | —      | 1,200,000                                 | Vested immediately on the date of grant | 29 June 2018–28 June 2021            | 1.612                         |
| Mr. Gao          | 29 June 2018                   | 1,200,000                      | —                       | —         | —         | —      | 1,200,000                                 | 29 June 2018–28 June 2019               | 29 June 2019–28 June 2021            | 1.612                         |
| Mr. Gao          | 29 June 2018                   | 1,600,000                      | —                       | —         | —         | —      | 1,600,000                                 | 29 June 2018–28 June 2020               | 29 June 2020–28 June 2021            | 1.612                         |
| Mr. Teng         | 29 June 2018                   | 1,200,000                      | —                       | —         | —         | —      | 1,200,000                                 | Vested immediately on the date of grant | 29 June 2018–28 June 2021            | 1.612                         |
| Mr. Teng         | 29 June 2018                   | 1,200,000                      | —                       | —         | —         | —      | 1,200,000                                 | 29 June 2018–28 June 2019               | 29 June 2019–28 June 2021            | 1.612                         |
| Mr. Teng         | 29 June 2018                   | 1,600,000                      | —                       | —         | —         | —      | 1,600,000                                 | 29 June 2018–28 June 2020               | 29 June 2020–28 June 2021            | 1.612                         |
| Mr. Yu           | 29 June 2018                   | 1,200,000                      | —                       | —         | —         | —      | 1,200,000                                 | Vested immediately on the date of grant | 29 June 2018–28 June 2021            | 1.612                         |
| Mr. Yu           | 29 June 2018                   | 1,200,000                      | —                       | —         | —         | —      | 1,200,000                                 | 29 June 2018–28 June 2019               | 29 June 2019–28 June 2021            | 1.612                         |
| Mr. Yu           | 29 June 2018                   | 1,600,000                      | —                       | —         | —         | —      | 1,600,000                                 | 29 June 2018–28 June 2020               | 29 June 2020–28 June 2021            | 1.612                         |

4. This number of Shares held/interested in is for illustration which included the disclosure of interests filed as a result of the Subscription but the Subscription is not completed yet.
5. This number of Share Options is for illustrative purpose as a result of the Proposed Grant but the Proposed Grant is not completed yet.

#### Long positions in the ordinary shares of associated corporation

| Name of Director | Name of associated corporation | Capacity/<br>Nature of interests | Number of shares held/<br>interested in | Percentage of shareholding |
|------------------|--------------------------------|----------------------------------|---|----------------------------|
| Mr. Lai          | Shine Well                     | Beneficial owner<br>(Note)       | 13,000,000                              | 100%                       |

*Note:* The Company is owned as to 55.81% by Shine Well. Shine Well is wholly and beneficially owned by Mr. Lai.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(ii) Substantial Shareholders**

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

**Long positions in the Shares**

| <b>Name of Shareholders</b>   | <b>Capacity/Nature of interests</b>                       | <b>Number of Shares held/ interested in</b> | <b>Percentage of shareholding</b><br><i>(Note 1)</i> |
|---|---|---|--|
| Shine Well <i>(Note 2)</i>  | Beneficial owner  | 323,220,000<br><i>(Note 5)</i>              | 80.81%<br><i>(Note 5)</i>                            |
| Ms. Ho Fung Lin<br>(“ <b>Ms. Ho</b> ”) <i>(Note 2)</i>                        | Interest of spouse  | 323,220,000<br><i>(Note 5)</i>              | 80.81%<br><i>(Note 5)</i>                            |
| China Fortune Financial Group Limited   | Interest in a controlled corporation                      | 223,220,000<br><i>(Note 4)</i>              | 55.81%<br><i>(Note 4)</i>                            |
| Fortune Financial (Holdings) Limited  | Interest in a controlled corporation                      | 223,220,000<br><i>(Note 4)</i>              | 55.81%<br><i>(Note 4)</i>                            |
| Fortune Finance Limited   | Having a security interest in Shares                      | 223,220,000<br><i>(Note 4)</i>              | 55.81%<br><i>(Note 4)</i>                            |
| Value Convergence Holdings Limited<br><i>(Note 3)</i>                         | Beneficial owner and interest in a controlled corporation | 32,022,000                                  | 8.00%  |
| VC Group Holdings Limited <i>(Note 3)</i>                                     | Interest in a controlled corporation                      | 31,500,000                                  | 7.88%  |
| Century Race Investments Limited<br>(“ <b>Century Race</b> ”) <i>(Note 3)</i> | Beneficial owner  | 31,500,000                                  | 7.88%  |

*Notes:*

1. The percentage of shareholding is calculated based on 400,000,000 Shares in issue as at the Latest Practicable Date.
2. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai. Mr. Lai is therefore deemed to be interested in the Shares held by Shine Well pursuant to the SFO. Ms. Ho is the spouse of Mr. Lai and thus she is deemed to be interested in the Shares in which Mr. Lai is interested for the purpose of the SFO.
3. Century Race is wholly and beneficially owned by VC Group Holdings Limited. VC Group Holdings Limited, a company incorporated in the BVI, is wholly and beneficially owned by Value Convergence Holdings Limited, a company listed on the Main Board (stock code: 0821). Value Convergence Holdings Limited and VC Group Holdings Limited are therefore deemed to be interested in the Shares held by Century Race pursuant to the SFO.

4. On 29 January 2019, Shine Well executed a share charge (the “**Company Share Charge**”) with respect to an aggregate of 223,220,000 Shares and any additional shares in the Company from time to time beneficially owned by Shine Well in favour of Fortune Finance Limited; and Mr. Lai executed a share charge with respect to 13,000,000 shares of Shine Well in favour of Fortune Finance Limited, both of which were executed to fulfill undertakings provided by Shine Well to Fortune Finance in a facility agreement (the “**Facility Agreement**”) with respect to a term loan in the principal amount of HK\$155,000,000 bearing an interest rate of 12% per annum for a period of 12 months from and including 30 January 2019 for which Mr. Lai is the guarantor. Unless the term of the Facility Agreement has been extended, the Company Share Charge would have expired before completion of the Subscription. Therefore, the number of Shares held/interested in does not take into account of the Subscription Shares. The Company Share Charge provides security for the Facility Agreement, which has a term of 12 months from and including 30 January 2019. Accordingly, unless the term of the Facility Agreement has been extended with prior written approval of Fortune Finance upon Shine Well’s written application, the Company Share Charge would have expired prior to the First Stage Subscription. Shine Well currently has no plans to apply for extension to the Facility Agreement, nor to charge the Subscription Shares after completion of the Subscription.
5. This number of Shares held/interested in is for illustration which included the disclosure of interests filed as a result of the Subscription but the Subscription is not completed yet.

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

### **3. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS**

#### **(a) Competing interests**

As at the Latest Practicable Date, none of the Directors or any of their respective close associates were engaged in any business, apart from the business of the Group, which competes or is likely to compete (either directly or indirectly) with the business of the Group.

#### **(b) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

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

As at the Latest Practicable Date, Mr. Lai has a material interest in the Subscription Agreement. Save as the aforementioned, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

**(d) Service contracts**

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

**4. EXPERTS AND CONSENTS**

The qualifications of the expert who have given opinions and advice in this circular as follows:

| <b>Name</b>                             | <b>Qualification</b>  |
|---|---|
| F.E. Corporate Finance Advisory Limited | A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, F.E. Corporate Finance Advisory Limited has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, F.E. Corporate Finance Advisory Limited did not have any direct or indirect shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interest, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**5 MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong, during normal business hours on any Business Day from date of this circular up to and including the date of the EGM (and any adjournment thereof):

- (a) the Subscription Agreement;
- (b) the strategic cooperation framework agreement with I4 Business Partner;
- (c) the construction contracts relating to the implementation of the Fire Safety Monitoring System with a junior school in Shenzhen;
- (d) the letter from the Independent Board Committee as set out on pages 33 to 34 of this circular;
- (e) the letter from the Independent Financial Adviser as set out on pages 35 to 61 of this circular;
- (f) the written consents as referred to in the paragraph headed “EXPERTS AND CONSENTS” in this appendix; and
- (g) this circular.



**IBO TECHNOLOGY COMPANY LIMITED**

**艾伯科技股份有限公司**

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

**(Stock Code: 2708)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of IBO Technology Company Limited (the “**Company**”) will be held at 10:00 a.m. on Friday, 17 May 2019 at 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolutions:

**ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the First Stage Subscription (as defined in the Subscription Agreement) under the subscription agreement dated 17 February 2019 entered into between the Company as issuer and Shine Well Holdings Limited as subscriber in respect of the issue of a total of 100,000,000 new shares (the “**Subscription Shares**”) of the Company (the “**Subscription Agreement**”) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Second Stage Subscription (as defined in the Subscription Agreement) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) subject to fulfilment of the conditions precedent set out in the Subscription Agreement, the allotment and issue of the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;
- (d) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to exercise the powers of the Company to allot and issue the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement, whereby such Subscription Shares shall rank *pari passu* in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The Specific Mandate is in addition to, and shall not prejudice nor revoke, any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

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- (e) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any transaction contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

### 2. “THAT:

- (a) the grant of share options to Mr. Lai Tse Ming (the “**Grantee**”), who is the chairman of the Board, executive Director and controlling shareholder of the Company, for him to subscribe for an aggregate of 20,000,000 ordinary shares of HK\$0.01 each (the “**Share Options**”) in the share capital of the Company at the exercise price of HK\$1.6 per share of the Company (the principal terms and conditions of such grant are set out in the circular of the Company dated 25 April 2019) under and pursuant to the share option scheme of the Company adopted on 6 December 2017 and refreshed on 26 September 2018 be and is hereby approved; and
- (b) the Directors be and are hereby authorised to do all such acts and execute all such documents as may be necessary, desirable or expedient to give full effect to the grant of the Share Options to the Grantee and the issue of shares of the Company upon the exercise of the Share Options by the Grantee.”

By order of the Board  
**IBO Technology Company Limited**  
**Pang Chun Yip**  
*Company Secretary*

Hong Kong, 25 April 2019

#### *Notes:*

1. Any member of the Company entitled to attend and vote at the Meeting may appoint another person as his proxy to attend and to vote instead of him. A proxy need not be a member of the Company.
2. All resolutions at the Meeting will be taken by way of poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of the Hong Kong Exchange and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company in accordance with the Listing Rules.
3. Where there are joint registered holders of any share of the Company, any one such person may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. The vote of the senior who tenders a vote, whether in



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person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof (as the case may be).
5. A form of proxy for use at the Meeting is being despatched to the shareholders of the Company together with a copy of this notice.
6. The register of members of the Company will be closed from 14 May 2019 to 17 May 2019 (both days inclusive) to determine the entitlement to attend and vote at the Meeting. During such period no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 10 May 2019 for registration.

*As of the date of this notice, the executive Directors are Mr. Lai Tse Ming, Mr. Gao Weilong, Mr. Teng Feng, Mr. Yu Kin Keung, and Mr. Lyu Huiheng; and the independent non-executive Directors are Dr. He Tianxiang, Dr. Wong Kwok Yan, and Mr. Hung Muk Ming.*