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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)

VOLUNTARY ANNOUNCEMENT
SUBSCRIPTION AND FURTHER INVESTMENT
IN THE TARGET COMPANY

This announcement is made by the Company on a voluntary basis to keep the Shareholders and the potential investors of the Company informed of the latest business development of the Group.

The Board is pleased to announce that, on 29 May 2023 (after trading hours), the Company, the Subscriber, the Original Yixin Shareholders and the Target Company entered into the Investment and Acquisition Agreement, pursuant to which (i) the Subscriber conditionally agreed to invest an amount in RMB which is equal to HK\$40,000,000 (equivalent to RMB36,035,600) in the Target Company in order to hold 5.00% of the share capital of the Target Company upon the Completion; and (ii) after the Completion and the completion of the Restructuring (as defined below), the Company shall have the Right (as defined below) to proceed with the Further Investment (as defined below) such that the Group will hold an aggregate of 35% to 46% of the share capital of the Target Company.

LISTING RULES IMPLICATIONS

As none of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subscription exceeds 5%, the Subscription does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

As the Subscription and the Further Investment are subject to fulfillment of certain conditions precedent as set out in the Investment and Acquisition Agreement and therefore may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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THE INVESTMENT AND ACQUISITION AGREEMENT

The Board is pleased to announce that, on 29 May 2023 (after trading hours), the Company, the Subscriber, the Original Yixin Shareholders and the Target Company entered into the Investment and Acquisition Agreement, pursuant to which (i) the Subscriber conditionally agreed to invest an amount in RMB which is equal to HK\$40,000,000 (equivalent to RMB36,035,600) in the Target Company in order to hold 5.00% of the share capital of the Target Company upon the Completion; and (ii) after the Completion and the completion of the Restructuring (as defined below), the Company shall have the Right (as defined below) to proceed with the Further Investment (as defined below) such that the Group will hold an aggregate of 35% to 46% of the share capital of the Target Company.

Date: 29 May 2023 (after trading hours)

Parties: (i) the Company;
(ii) Subscriber;
(iii) the Original Yixin Shareholders; and
(iv) the Target Company
(each a “**Party**” and collectively, the “**Parties**”)

To the best knowledge, information and belief of the Directors having made all reasonable enquires, the Target Company and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules) as at the date of this announcement.

The Subscription

Pursuant to the Investment and Acquisition Agreement, the Subscriber conditionally agreed to invest an amount in RMB which is equal to HK\$40,000,000 (equivalent to RMB36,035,600) in the Target Company in order to hold 5.00% of the share capital of the Target Company upon the Completion.

Consideration

The consideration of the Subscription is an amount in RMB which is equal to HK\$40,000,000 (equivalent to RMB36,035,600) (the “**Consideration**”) to be settled in cash by the Subscriber to the Target Company within 10 days after the receipt of the Payment Notice.

Basis of the Consideration

The Consideration is determined after arm's length negotiations between the Parties with reference to the price-to-earnings ratio (the "**Forward P/E Ratio**") which is the Consideration as divided by the net profit after taxation attributable to shareholders of the Target Company in the next twelve months.

The Company has engaged an independent valuer to conduct a research and calculation in relation to price-to-earnings ratio. As sourced from S&P Capital IQ, there are 4 comparable companies (the "**Comparables**") listed in the stock exchanges of the PRC which are engaged in a similar business of the Target Company. As at 16 March 2023, being the date of conducting the research, the forward price-to-earnings ratio of the Comparables attributable to shareholders ranged from 11.13 to 16.20 with a median and an average of 15.15 and 14.16, respectively. In view of the Forward P/E Ratio of 14.41 of the Target Company with reference to the Guaranteed Net Profit (as defined below), the Directors consider that the Consideration is in line with the market practice and is fair and reasonable.

Completion

The Completion shall take place after the change of business and industrial registration in registered capital, shareholders and new articles of association of the Target Company having completed.

Upon the Completion, the Group will hold 5.00% of the share capital of the Target Company and the financial results of the Target Company will not be consolidated into the financial statements of the Group.

Profit guarantee and adjustment of the Consideration

The Target Company guarantees to the Subscriber that the net profit of the Target Company for a period of 12 months (commencing from the second month after the receipt of the Consideration) ("**Guarantee Period**") shall not be less than RMB50,000,000 (the "**Guaranteed Net Profit**") (as audited by an auditor appointed by the Subscriber and the Company), and the Target Company also guarantees to provide the audited accounts for the Guarantee Period to the Subscriber in two months after the expiry of the Guarantee Period. If the Target Company cannot fulfill the Guaranteed Net Profit in the Guarantee Period, the Subscriber shall have the right to require the Target Company to compensate in the form of cash in relation to the profit guarantee as an adjustment to the valuation of the Target Company. However, if the actual net profit of the Target Company for the Guarantee Period is less than 50% of the Guaranteed Net Profit, the Investment and Acquisition Agreement shall be automatically terminated. The Subscriber shall withdraw from the Subscription and the Target Company shall refund the entire Consideration to the Subscriber. Unless otherwise stipulated in the Investment and Acquisition Agreement, the Parties shall not be liable to one another for breach of contract.

Under the circumstance that the Subscriber requires the Target Company to compensate in relation to the profit guarantee, the cash compensation shall be calculated by the following formula:

$$C \times (\text{GNP} - \text{ANP}) / \text{GNP}$$

where

C is the amount of the Consideration paid;

GNP is the Guaranteed Net Profit; and

ANP is the actual net profit of the Target Company for the Guarantee Period.

Further investment

After the completion of the Subscription, the Target Company shall establish and complete an overseas red chips structure (the “**Restructuring**”) within a period of 12 months from the effective date of the Investment and Acquisition Agreement, upon the completion of which, the Founder will indirectly hold an aggregate of 59.50% of the share capital of the Target Company through an overseas holding company (the “**Overseas Holding Company**”). After the completion of the Restructuring, the Company shall have the right to choose to issue the Shares, convertible bonds, promissory notes and cash or other instruments, at the issued price of not more than HK\$1.50 per Share, to acquire the equity interest in the Overseas Holding Company and the Target Company held indirectly by the Founder (the “**Further Investment**”). The consideration of the Further Investment shall be negotiated among the Parties based on the same valuation basis of the Target Company in the Subscription and with reference to the growth rate of the Target Company’s financial results and the completion percentage of the profit guarantee as mentioned in the paragraph headed “**Profit guarantee and adjustment of the Consideration**” above, such that after the completion of the Further Investment, the Company will hold an aggregate of 35% to 46% of the share capital of the Target Company through the Subscriber and the Overseas Holding Company and the Company shall become the controlling shareholder of the Target Company so that the financial results of the Target Company will be consolidated into the financial statements of the Group. All Parties agreed and confirmed that within a period of 18 months from the effective date of the Investment and Acquisition Agreement, the Company shall have the absolute right to decide whether or not to proceed with the Further Investment at its sole discretion. The expiry of the Exercise Period (as defined below) shall be deemed as giving up the Right (as defined below).

All Parties also confirmed and agreed that, subject to the operation performance of the Target Company and market conditions, the Company has absolute discretion to decide whether or not to proceed with the Further Investment within a period of 18 months (the “**Exercise Period**”) from the effective date of the Investment and Acquisition Agreement (the “**Right**”). If the Company decides to exercise the Right, all Parties shall enter into a formal agreement that sets out the terms and conditions in respect of the Further Investment. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules. For the avoidance of doubt, all Parties confirmed and agreed that if the Company decides not to proceed with the Further Investment, or does not

exercise the Right upon expiry of the Exercise Period, the Company shall not bear any charges, liabilities, damages or obligations and shall not bear any liabilities for breach of contract.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of and continued in the PRC with limited liability. The Target Company is a high-tech company mainly engaged in the design and development of constant pressure and constant power airflow sensing chips, as well as the production and sales of modules.

As at the date of the Investment and Acquisition Agreement, the Target Company directly held 80% of the equity interest in Shenzhen Yixin Intelligent Control Technology Co., Ltd.* (深圳市一芯智控科技有限公司), 30% of the equity interest in Hangzhou Xianbo Polymer Materials Co., Ltd.* (杭州纖博高分子材料有限公司) and by way of proxy holding to hold 55% of the equity interest in Chengdu Yunxin Zhongwei Technology Co., Ltd.* (成都允芯中微科技有限公司).

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is a National High and New Technology Enterprise (國家高新技術企業) that focuses on providing 5G communication equipment and private network solutions, Information Technology Application Innovation IT terminal products and industry solutions, Internet of Things products and solutions, as well as industrial digital solutions in the PRC. Classified by form of product/service, the business of the Group can be divided into four types, namely (i) intelligent terminal products sales; (ii) system integration; (iii) software development; and (iv) system maintenance services. The customers of the Group are from both the public and private sectors in the PRC, such as the PRC governmental authorities, large-scale state-owned enterprises and private enterprises.

The Directors believe that the Subscription and the Right of the Further Investment, with the current economic environment recovery and the growth potential in the Target Company's business sector, is an opportunity for the Company to diversify its hardware business through tapping into chips manufacturing business, particularly the "airflow sensing chips". In view of the above, the Directors consider that the terms and conditions of the Investment and Acquisition Agreement are fair and reasonable and on normal commercial terms, accordingly, the entering into of the Investment and Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As none of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subscription exceeds 5%, the Subscription does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

As the Subscription and the Further Investment are subject to fulfillment of certain conditions precedent as set out in the Investment and Acquisition Agreement and therefore may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Board”	the board of Directors
“Closing Date”	subject to the terms and conditions of the Investment and Acquisition Agreement, the second date after the date (which shall be the date no later than 30 days from the effective date of the Investment and Acquisition Agreement) on which the conditions precedent under the Investment and Acquisition Agreement have been satisfied or waived by the Subscriber
“Company”	IBO Technology Company Limited (incorporated in the Cayman Islands as an exempted company with limited liability), the shares of which are listed on Main Board of the Stock Exchange
“Completion”	the overall completion of the Subscription in accordance with the Investment and Acquisition Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Founder”	Chen Yi* (陳軼)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment and Acquisition Agreement”	the investment and acquisition agreement dated 29 May 2023 entered into among the Company, the Subscriber, the Original Yixin Shareholders and the Target Company in relation to the Subscription and the Further Investment
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange

“Original Yixin Shareholders”	the original shareholders of the Target Company, namely Wang Xu* (王旭) (approximately 35.79%), Chen Yi* (陳軼) (approximately 26.84%), Hangzhou Zhonglianxin Information Technology Service Partnership (Limited Partnership)* (杭州眾聯芯信息技術服務合夥企業(有限合夥)) (approximately 8.83%), Hangzhou Yixin Micro Enterprise Management Consulting Partnership (Limited Partnership)* (杭州一芯微企業管理諮詢合夥企業(有限合夥)) (approximately 13.25%), Hangzhou Julingshen Investment Partnership (Limited Partnership)* (杭州巨靈神投資合夥企業(有限合夥)) (approximately 5.71%), Hangzhou Shangliang Technology Co., Ltd.* (杭州商良科技有限公司) (approximately 4.76%) and Hangzhou Jintou Zhihe Venture Capital Partnership (Limited Partnership)* (杭州金投智和創業投資合夥企業(有限合夥)) (approximately 4.82%)
“Payment Notice”	the written notice of payment for the Consideration issued by the Target Company to the Subscriber on the Closing Date
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Shareholders”	holders of the Shares from time to time
“Shares”	the ordinary shares of HK\$0.01 each in the issued capital of the Company
“Subscriber”	IBO Intelligent (Shenzhen) Limited* (艾伯智能(深圳)有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription in the Target Company subject to the terms and conditions as set out in the Investment and Acquisition Agreement
“Target Company”	Hangzhou Yixin Micro Technology Co., Ltd.* (杭州一芯微科技有限公司), a company established under the laws of and continued in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

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

Hong Kong, 29 May 2023

As at the date of this announcement, the executive Directors are Mr. Lai Tse Ming, Mr. Gao Weilong, Mr. Teng Feng, Mr. Yu Kin Keung, Mr. Liang Jun and Mr. Li Yang; and the independent non-executive Directors are Dr. He Tianxiang, Dr. Wong Kwok Yan, Mr. Hung Muk Ming and Mr. Liu Ping.

Unless otherwise specified, the translation of HK\$ into RMB is based on the exchange rate of HK\$1:RMB0.90089 as at 29 May 2023.

* *For identification purpose only*