
LETTER FROM THE BOARD



華邦科技控股有限公司

HUABANG TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3638)

Executive Directors:

Mr. Qu Hongqing

Mr. Chan Wing Sum (*Chief Executive Officer*)

Ms. Kwok Ling Yee Pearl Elizabeth

Registered Office:

PO Box 309, Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Independent Non-executive Directors:

Mr. Loo Hong Shing Vincent

Mr. Zhu Shouzhong

Mr. Li Huaqiang

*Head Office and Principal Place of Business in
Hong Kong:*

33/F, Enterprise Square Three

39 Wang Chiu Road

Kowloon Bay

Kowloon, Hong Kong

18 December 2023

*To the Qualifying Shareholders and, for information purposes only,
the Non-Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY TWO (2) EXISTING SHARES
AT HK\$0.18 PER RIGHTS SHARE**

INTRODUCTION

Reference is made to the Announcement and the Company's announcement dated 29 November 2023 in relation to the Rights Issue.

It was announced that the Company proposed to raise not more than HK\$56,825,118 before expenses by way of the Rights Issue to the Shareholders. The Rights Issue is not underwritten and involves the issue of up to 315,695,100 Rights Shares at the Subscription Price of HK\$0.18 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares in issue on the Record Date.

The purpose of this prospectus is to provide you with further information on, among other things, the Rights Issue, including procedures for acceptance, transfer and splitting of provisional allotments of the Rights Shares and certain financial information and other information in respect of the Group.

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Issue statistics

Basis of the Rights Issue:	One (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price:	HK\$0.18 per Rights Share
Number of the existing Shares in issue as at the Record Date:	631,390,200 Shares
Number of Rights Shares to be issued under the Rights Issue:	Up to 315,695,100 Rights Shares
Maximum enlarged number of issued Shares upon completion of the Rights Issue:	947,085,300 Shares (assuming no Shares are issued (other than the Rights Shares) or repurchased on or before the completion of the Rights Issue)
Maximum proceeds to be raised under the Rights Issue before expenses:	HK\$56,825,118

As at the Latest Practicable Date, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares.

The maximum number of 315,695,100 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 50.0% of the total number of the existing issued Shares as at the Record Date and 33.3% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders and the NQS Unsold Rights Shares will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Qualifying Shareholder who applies to take up all or part of his/her/its entitlement under the Provisional Allotment Letter may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Qualifying Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Qualifying Shareholder (except for

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HKSCC Nominees) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

Undertakings

The board of directors of the Company has not received any information or irrevocable undertaking from any substantial shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue as at the Latest Practicable Date.

Subscription Price

The Subscription Price of HK\$0.18 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 29.41% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 24.05% to the closing price of HK\$0.237 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 18.55% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.221;
- (iv) a discount of approximately 13.88% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.209;
- (v) a discount of approximately 17.43% to the theoretical ex-rights price of approximately HK\$0.218 per Share based on the closing price of HK\$0.237 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 47.37% to the consolidated net asset value attributable to the Shareholders as at 31 March 2023 as extracted from the annual report of the Company for the year ended 31 March 2023 of approximately HK\$0.342 per Share (based on the total equity attributable to owners of the Company of approximately HK\$179,935,000, divided by 526,162,200 Shares in issue as at 31 March 2023);

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- (vii) a discount of approximately 34.07% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 September 2023 as extracted from the interim results announcement of the Company for the six months ended 30 September 2023 of approximately HK\$0.273 per Share (based on the total equity attributable to owners of the Company of approximately HK\$172,422,000, divided by 631,390,200 Shares in issue as at 30 September 2023); and
- (viii) a dilution effect of approximately 8.02% to the existing Shareholders if they elect not to/cannot participate in the Rights Issue, which is calculated based on the theoretical ex-rights price of approximately HK\$0.218 per Share (taking into account the closing price of the Last Trading Day of HK\$0.237 per Share) and the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and excluding the Last Trading Day of approximately HK\$0.212 (the “**Theoretical Dilution Effect**”).

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholdings in the Company. The Board considers that the discount of the Subscription Price to the current market price will encourage them to participate in the Rights Issue. The Subscription Price and the Rights Issue ratio were determined by the Board based on the funding needs of the Group. The Board is of the view that the Rights Issue will provide the Group with sufficient funding to reduce the financial burden in the manner as set out under the section headed “Reasons for the Rights Issue” below in this prospectus. As such, the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid with a record date falling after the date of allotment and issue of the Rights Shares in their fully-paid form.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date and not being a Non-Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by not later than 4:30 p.m. on Friday, 24 November 2023. The last day of dealings in the Shares on a cum-rights basis was Wednesday, 22 November 2023 and the Shares have been dealt with on an ex-rights basis from Thursday, 23 November 2023.

The Company despatched the Prospectus Documents to the Qualifying Shareholders on the Posting Date.

Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing the Provisional Allotment Letter and lodging the same with a cheque or banker’s cashier order for the Rights Shares being applied for with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, on or before 4:00 p.m. on the Latest Acceptance Date.

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The Qualifying Shareholders who take up their provisional allotment in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents. For example, if a Shareholder holds 5 existing Shares, this Shareholder will be entitled to receive 2 Rights Shares (based on the aforesaid ratio and rounded down to the nearest whole number).

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the Provisional Allotment Letter(s) and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Distribution of this prospectus and other Prospectus Documents

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Distribution of the Prospectus Documents into jurisdictions other than Hong Kong may be restricted by law. Persons receiving the Prospectus Documents (including, without limitation, Shareholders and Beneficial Owners, agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction. Any Shareholder or Beneficial Owner who is in any doubt as to his/her/its position should consult an appropriate professional adviser without delay.

Receipt of this prospectus and/or a PAL or the crediting of nil-paid Rights Shares to any stock account (including in CCASS) does not and will not constitute an offer in any jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or other Prospectus Documents must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and other Prospectus Documents or whose stock account in CCASS is credited with nil-paid Rights Shares should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer nil-paid Rights Shares to any person in, into or from, any jurisdiction outside Hong Kong, unless offer to such jurisdictions could lawfully be made without compliance with any registration or other legal or regulatory requirements or where the offer is made reliance on any exemption or where compliance with the relevant legal or regulatory requirement will not, in the Board's judgement, be unduly burdensome. If a PAL or a credit of nil-paid Rights Shares in CCASS is received by any person in any such territory, or by his/her/its agent custodian, nominee or trustee, he/she/it should not seek to take up the rights referred to in the PAL or transfer the PAL or transfer the nil-paid Rights Shares in CCASS unless the Company, in its absolute discretion, determines that such actions would not violate applicable legal or regulatory requirements. Any

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person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or a PAL in, into or from, any jurisdiction outside Hong Kong (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send the Provisional Allotment Letter to them (if any).

The Prospectus Documents will not be sent, directly or indirectly, to or into the United States or to any US person.

As at the Latest Practicable Date, there were no Non-Qualifying Shareholders or Overseas Shareholders with registered addresses situated outside Hong Kong. Had there been any Non-Qualifying Shareholders, arrangements will be made for the Rights Shares, which otherwise have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form, to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence. The proceeds of such sale, less expenses and stamp duty, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders (if any) to their shareholdings held on the Record Date in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form, will be placed by the Placing Agent under the Placing Arrangement together with the Unsubscribed Rights Shares. The proceeds of the sale as described above in the case of being sold by the Placing Agent, less the Subscription Price and expenses, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders (if any) to their shareholdings held on the Record Date in Hong Kong dollars together with the No Action Shareholders on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

For the nil-paid Rights Shares that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Non-Qualifying Shareholders (if any) should exercise caution when dealing in the Shares.

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Procedures for acceptance, application or transfer

General

Any Qualifying Shareholder (including, without limitation, any agent, custodian, nominee and trustee) wishing to take up the Rights Shares (in nil-paid or fully-paid form) under the Rights Issue must satisfy himself/herself/itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Each subscriber of the Rights Shares will be deemed (by accepting delivery of this prospectus) to have given each of the following representations and warranties to the Company and to any person acting on their behalf, unless the Company waives such requirement in its sole discretion in relation to the relevant representation(s) and/or warranty(ies) given to each of them:

- he/she/it was a Shareholder as at the Record Date, or he/she/it lawfully acquired or may lawfully acquire rights, directly or indirectly, from such a person;
- he/she/it may lawfully be offered, take up, exercise, obtain, subscribe for and receive the rights and/or the Rights Shares in the jurisdiction in which he/she/it resides or is currently located;
- subject to certain exceptions, he/she/it is not resident or located in, or a citizen of, the United States, and is not a US person;
- subject to certain exceptions, he/she/it is not accepting an offer to acquire, take up or exercise rights or Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of the United States or is a US person at the time the instruction to accept was given;
- he/she/it is not doing so for the account of any person who is located in the United States or is a US person, unless:
 - a. the instruction to purchase or take up the rights or to subscribe for or accept Rights Shares was received from a person outside the United States who is not a US person; and
 - b. the person giving such instruction has confirmed that he/she/it (i) has the authority to give such instruction; and (ii) either (A) has investment discretion over such account; or (B) is an investment manager or investment company that is acquiring the Rights Shares in an “offshore transaction” within the meaning of Regulation S under the US Securities Act;
- he/she/it is acquiring the rights and/or the Rights Shares in an “offshore transaction” as defined in Regulation S under the US Securities Act;
- he/she/it has not been offered the Rights Shares by means of any “directed selling efforts” as defined in Regulation S under the US Securities Act;

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- he/she/it is not acquiring rights or Rights Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such rights or Rights Shares into the United States; and
- he/she/it understands that neither the rights nor the Rights Shares have been or will be registered under the US Securities Act or with any securities regulatory authority of any state, territory, or possession of the United States and the rights or Rights Shares are being distributed and offered outside the United States to persons who are not US persons in reliance on Regulation S under the US Securities Act. Consequently, he/she/it understands the rights or Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the United States or to US persons, except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act.

For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the above representations and warranties.

Action to be taken by Qualifying Shareholders

Subscription for all Rights Shares provisionally allotted

For each Qualifying Shareholder, a Provisional Allotment Letter(s) is enclosed with this prospectus which entitles such Qualifying Shareholder to subscribe for the number of the Rights Shares shown thereon. If Qualifying Shareholder(s) wish(es) to exercise his/her/their rights to subscribe for all the Rights Shares provisionally allotted to him/her/them as specified in the Provisional Allotment Letter(s), he/she/it must lodge the Provisional Allotment Letter(s) in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by not later than 4:00 p.m. on the Latest Acceptance Date. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**Huabang Technology Holdings Limited**" and crossed "**Account Payee Only**". Such payment will constitute acceptance of the terms of the Provisional Allotment Letter(s) and this prospectus and subject to the articles of association of the Company. No receipt will be issued for sums received on application. Share certificate(s) for all fully-paid Rights Share in respect of which the application is accepted will be sent to the Qualifying Shareholders, and in the case of joint Qualifying Shareholders, to the first named Qualifying Shareholder, by ordinary post at their own risk, to their registered addresses on Monday, 22 January 2024.

It should be noted that unless the Provisional Allotment Letter(s), together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on the Latest Acceptance Date, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its discretion, treat a Provisional Allotment Letter(s) as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

All cheques or banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. **Completion and return of the Provisional Allotment Letter(s) will constitute a warranty and representation to the Company that**

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all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the Provisional Allotment Letter(s) and any acceptance of it have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to such warranty and representation. Any Provisional Allotment Letter(s) in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. If any of the conditions mentioned in the section headed "Conditions of the Rights Issue" below is not fulfilled, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest by means of cheques despatched by ordinary post at the risks of such persons on Monday, 22 January 2024.

The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

Transfers and "splitting" of nil-paid Rights Shares

The nil-paid Rights Shares can be traded on the Stock Exchange. A Qualifying Shareholder can accept all of his/her/its provisional allotment of Rights Shares, or sell all of his/her/its provisional allotment on the Stock Exchange or accept only part of his/her/its provisional allotment and/or sell the remaining part on the Stock Exchange.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the Provisional Allotment Letter(s) to more than one person, the original Provisional Allotment Letter(s) must be surrendered and lodged for cancellation together with a covering letter stating clearly the number of split Provisional Allotment Letter(s) required and the number of nil-paid Rights Shares to be comprised in each split Provisional Allotment Letter(s) (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in Box B of the original Provisional Allotment Letter(s), by no later than 4:00 p.m. on Friday, 22 December 2023 to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, who will then cancel the original Provisional Allotment Letter(s) and issue new Provisional Allotment Letter(s) in the denominations required, which will be available for collection at the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original Provisional Allotment Letter(s). This process is commonly known as "splitting" the nil-paid Rights Shares.

Having "split" the nil-paid Rights Shares, a Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new Provisional Allotment Letter(s) should do so in accordance with the instructions given above in relation to the subscription for all the Rights Shares provisionally allotted.

If a Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under a Provisional Allotment Letter(s) (or a split Provisional Allotment Letter(s), as the case may be) to another person, he/she/it should complete and sign the "Form of transfer and nomination" (Form B) in the Provisional Allotment Letter(s) and hand the Provisional Allotment Letter(s) to the person to or through whom he/she/it is transferring his/her/its nil-paid Rights Shares. The transferee must then complete, sign and stamp

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“Registration application form” (Form C) in the Provisional Allotment Letter(s) and lodge the Provisional Allotment Letter(s) intact together with a remittance for the full amount payable on acceptance with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to effect the transfer by no later than 4:00 p.m. on the Latest Acceptance Date. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares and the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

Action to be taken by Beneficial Owners whose Shares are held by a Registered Owner (other than Shares deposited in CCASS)

Subscription for Rights Shares provisionally allotted and transfers and “splitting” of nil-paid Rights Shares

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner and you wish to subscribe for the Rights Shares provisionally allotted to you, or sell your nil-paid Rights Shares or “split” your nil-paid Rights Shares and accept part of your provisional allotment and sell the remaining part, you should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for Rights Shares which have been provisionally allotted in respect of the Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the “Expected Timetable for the Rights Issue” in this prospectus and otherwise in accordance with the requirements of the Registered Owner in order to allow the Registered Owner sufficient time to ensure that your instructions are given effect.

Action to be taken by Beneficial Owners holding interests in Shares through CCASS

Subscription for Rights Shares provisionally allotted and transfers and “splitting” of nil-paid Rights Shares

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees, and you wish to subscribe for the Rights Shares provisionally allotted to you, or sell your nil-paid Rights Shares or “split” your nil-paid Rights Shares and accept part of your provisional allotment and sell the remaining part, you should (unless you are a CCASS Investor Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for Rights Shares which have been provisionally allotted in respect of the Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the “Expected Timetable for the Rights Issue” in this prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or “splitting” by CCASS

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Participants of the Rights Shares provisionally allotted to CCASS stock accounts in respect of the Shares registered in the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS.

The procedures for acceptance, transfer and/or “splitting” of Rights Shares provisionally allotted to Beneficial Owners who have been admitted to participate in CCASS as CCASS Investor Participants shall be in accordance with “Operating Guide for Investor Participants” and any other requirements of CCASS. Beneficial Owners who have been admitted to participate in CCASS as CCASS Investor Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial Owners’ interests in Rights Shares should be dealt with.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Procedures in respect of the Rights Shares not subscribed and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company has made arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the latest time for acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent placees on a best effort basis. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 6:00 p.m., on Tuesday, 16 January 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- A. where the Nil Paid Rights are, at the time they lapse, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter (unless that person is covered by (C) below);

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- B. where the Nil Paid Rights are, at the time they lapse, registered in the name of HKSCC Nominees, to the beneficial holders (via their respective CCASS Participants) as the holders of those Nil Paid Rights in CCASS (unless that person is covered by (C) below); and
- C. if the Rights Issue is extended to the Overseas Shareholders (if any) and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to those Overseas Shareholders.

For Net Gain (if any) to Non-Qualifying Shareholders, please refer to the section headed “Non-Qualifying Shareholders” above.

It is proposed that Net Gain to any of the No Action Shareholders mentioned in “A” to “C” of HK\$100 or more will be paid to them in Hong Kong dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

Placing Arrangement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares

On 17 November 2023 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure independent placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares. Details of the Placing Arrangement are as follows:

Date: 17 November 2023

Placing Agent: Mouette Securities Company Limited was appointed as a Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis.

Mr. Chan, an executive Director, was a director and the chief executive officer of the Placing Agent from April 2022 until his resignation on 31 August 2023. There is no current or historic shareholding, directorship (save as disclosed above), employment (save as disclosed above) or any other relationship between Mr. Chan and the Placing Agent.

Save as disclosed above, the Board is not aware of any past or existing relationship between the Company and its connected persons on the one hand, and the Placing Agent on the other, and the Placing Agent has confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company.

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Fees and expenses:	The Company shall pay to the Placing Agent a placing commission equal to 2% of the aggregate amount of the placing price multiplied by the number of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement, which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion. The Company will pay all the out-of-pocket expenses including all costs, disbursements, legal fees and other professional expenses properly and reasonably incurred by the Placing Agent in connection with the Placing on actual incurrence basis or as agreed between the parties in accordance with the Placing Agreement.
Placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe):	The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price. The final price determination depends on the demand and market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the process of placement.
Placees:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owners, shall be Independent Third Parties. If any of the placees subscribes for 10% or more of the Shares under the Placing, he/she/it will become a substantial shareholder after completion of the Placing.
Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the existing Shares in issue.
Termination:	The Placing Arrangement shall end on 4:00 p.m. on 3 January 2024 or any other subsequent Business Day by mutual written agreement between the Placing Agent and the Company. The Placing Agent may terminate the Placing Agreement without any liability to the Company, by giving notice in writing to the Company prior to the Completion Date if at any time prior to 5:00 p.m. of the Business Day immediately preceding the Completion Date if any of the following events occurs:

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- (a) the introduction of any new Law or regulation or any change in existing Laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company;
- (b) the occurrence of any local, national or international event or change occurring after the date of the Placing Agreement of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing (such success being the completion of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing;
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of the Placing Agreement which materially and adversely affects the success of the Placing (such success being the completion of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing;
- (d) the Company commits any material breach of or omits or fails to observe any of its obligations or undertakings under the Placing Agreement; or

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- (e) any of the representations or warranties contained in the Placing Agreement was, when given or deemed to be repeated under the Placing Agreement, untrue or inaccurate in any material respect or would in any material respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its reasonable opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing.

In view of the revised expected timetable for the Rights Issue as disclosed in the Company's announcement dated 29 November 2023, the Company and the Placing Agent agreed that the Placing Arrangement shall end on 4:00 p.m. on Wednesday, 17 January 2024 (or any other subsequent Business Day by mutual agreement in writing between the Company and the Placing Agent), and the Placing Agent may terminate the Placing Agreement without any liability to the Company by giving notice in writing to the Company prior to 4:00 p.m. on Wednesday, 17 January 2024 if at any time prior to 4:00 p.m. on Wednesday, 17 January 2024 any of the force majeure events as set out in the Placing Agreement occurs.

The engagement between the Company and the Placing Agent for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiations between the Placing Agent and the Company. The Directors consider the fee charged by the Placing Agent is no less favourable to the Company than the commission in recent placing transactions and therefore the terms of the Placing Arrangement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms. The Directors believe the expenses as typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders and the Non-Qualifying Shareholders, the Company considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil Paid Rights are expected to be traded in same board lot size as the Shares, i.e., 12,000 shares in one board lot. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange. No new class of securities is to be issued.

Stamp duty and other applicable fees

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

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Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue as set out below, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on Monday, 22 January 2024 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, at their own risks, to their registered addresses.

Each Shareholder (except HKSCC Nominees) will receive one share certificate for all allotted Rights Shares.

Refund cheques (if any) are expected to be posted on Monday, 22 January 2024 by ordinary post to the applicants at their own risk, to their registered addresses.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) The delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly certified in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (and other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Listing Rules.
- (ii) The despatch of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped "For Information Only" to the Non-Qualifying Shareholders, if any, for information purpose only.
- (iii) The Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares.
- (iv) All relevant consents and approvals being obtained from the regulatory authorities, including the Stock Exchange, as the case may require in connection with the Rights Issue by the relevant time that each consent and approval is required.

All of the conditions are incapable of being waived. If the conditions above are not satisfied on or before the Long Stop Date, the Rights Issue shall be terminated in which case, a further announcement will be made by the Company at the relevant time.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of

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dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Splitting and transfer of the Provisional Allotment Letter

If you wish to accept only part of your provisional allotment or transfer only part of your rights to subscribe for the Rights Shares provisionally allotted to or to transfer all or part of your rights to more than one person, the original PAL must be surrendered and lodged for cancellation and splitting of the relevant PAL(s) first together with a cover letter stating clearly the number of split PALs required and the number of nil-paid Rights Shares to be comprised in each split PAL (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in Box B of the original PAL), by no later than 4:00 p.m. on Friday, 22 December 2023 to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, who will then cancel the original PAL and issue new PAL(s) in the denominations required, which will be available for collection at the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong after 9:00 a.m. on the second Business Day after the surrender of the original PAL. Thereafter, upon collection of new PAL(s), you can transfer the relevant nil-paid Rights Shares to the relevant transferee(s) following the procedures and steps as stated in the below paragraph.

If you wish to transfer all of your rights to subscribe for the Rights Shares provisionally allotted to you hereunder, you must complete and sign the "Form of transfer and nomination" (Form B) in the PAL and hand the PAL to the transferee(s) or through whom you are transferring your rights. The transferee(s) must then lodge the duly completed, signed and stamped "Registration application form" (Form C) in the PAL to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for re-registration no later than 4:00 p.m. on Thursday, 4 January 2024.

The Registrar will determine the eligibility for the cash compensation as derived from the lapsed PALs after the completion of the re-registration for all re-registration request received by the Registrar on or before the latest time for acceptance of and payment for Rights Shares and by all means before the announcement of the number of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements is posted on the Stock Exchange's website and the Company's website. The Registrar should notify the transferee(s) of any unsuccessful re-registration as soon as practicable.

EFFECT OF THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders; (iii) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders and all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed

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by the Placing Agent; and (iv) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders and none of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders and all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent		Immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders and none of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Substantial Shareholders								
Forever Star Capital Limited ^(Note 1)	243,989,600	38.64	365,984,400	38.64	243,989,600	25.76	243,989,600	38.64
Placees ^(Note 2)	-	-	-	-	315,695,100	33.33	-	-
Public Shareholders	387,400,600	61.36	581,100,900	61.36	387,400,600	40.91	387,400,600	61.36
Total	631,390,200	100	947,085,300	100	947,085,300	100	631,390,200	100

Notes:

- There are 243,989,600 Shares which were registered in the name of Forever Star Capital Limited. Ms. Shen Wei holds 100% interest in Forever Star Capital Limited and is therefore deemed to be interested in the 243,989,600 Shares held by Forever Star Capital Limited.
- If any of the placees subscribes for 10% or more of the Shares under the Placing, he/she/it will become a substantial shareholder after completion of the Placing.
- Percentage figures are rounded to two decimal places, and certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

POSSIBLE ADJUSTMENTS TO THE OUTSTANDING SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

Pursuant to the terms of the Share Option Scheme, subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Scheme may be adjusted in accordance with the Share Option Scheme upon the Rights Issue becoming unconditional.

The Company will notify the holders of the Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

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FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
5 September 2023	The Placing of 105,228,000 Shares at the placing price of HK\$0.25 under general mandate	HK\$25.5 million	General working capital of the Group	HK\$22.1 million have been utilised as working capital for the Group; and the remaining HK\$3.4 million will be utilised as intended before 31 December 2023

Save as the abovementioned, the Company had not conducted any other fundraising exercise in the past 12 months immediately preceding the Latest Practicable Date.

REASONS FOR THE RIGHTS ISSUE

The Group is principally engaged in (i) trading business (including the trading of computer and peripheral products and electronics products), (ii) food trading business and (iii) financial services business.

The Company intends to apply the net proceeds from the Rights Issue towards (i) expanding the Group's trading business and financial services business, (ii) exploiting any opportunities to acquire new businesses or make strategic investments to broaden or create synergy for the Group's trading business, and (iii) the general working capital of the Group. For details, please see the section headed "Proposed Use of Proceeds" below.

As disclosed in the Company's Annual Report 2023, the Company's management has been dedicated to exploiting new business opportunities and new business segment from time to time, including business opportunities in the trading business. In the Board's opinion, the Company has weathered difficult business conditions in the past years due to a number of extrinsic factors. Notwithstanding that the Group was receptive to proposals to downsize or terminate its financial services business as stated in the Company's Annual Report 2023, since October 2023, the Board has shifted to a more optimistic view towards the potential for growth of the financial services business of the Group, as the Board considers that the general economic environment has begun to show signs of stabilising and resumption of its normal pace. Further, the Board anticipates that many countries and jurisdictions would consider and adopt flexible and accommodative monetary policies and may introduce fiscal stimuli to jump-start and sustain economic recovery. Notably, the Hong Kong Government has made a number of beneficial proposals in the policy address published on 25 October 2023, including (i) reducing the rate of the Hong Kong stamp duty chargeable for stock transfers from 0.13% to 0.1% per side, (ii) facilitating the set-up or expansion of 200 family offices from 2022 to 2025, and (iii) the implementation of the Capital Investment Entrant Scheme, allowing entry for eligible investors with HK\$30 million or more invested in assets such as stocks, funds

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and bonds. Therefore, the Board believes that it is an opportune time to raise funds to equip the Group with the capacity to expand and/or make investments in relation to its existing businesses to take advantage of a rebound from prior years.

Separately, in view of (i) the continuing economic recovery in the PRC, and continued vitality in new consumer electronics, developments in 5G-networks and the internet-of-things, (ii) the general demand for electronic and semi-conductor components used in different sectors of manufacturing (from phones and personal electronics to new vehicles with navigation aids, etc.), and (iii) the risk of impact to the supply of electronic and semi-conductor components due to political and trade disputes between the United States of America and the PRC, as well as geopolitical tensions in various regions, the Board believes this presents opportunities in the electronics and semi-conductor industry, as well as the businesses supporting it in the PRC. The Board believes that having sufficient funds on hand would enable the Group to better verify and perform due diligence on potential investment opportunities, and allow the Group to represent itself as a genuinely interested party.

As at the Latest Practicable Date, the Group has been engaged in discussions over an opportunity to acquire a business in the PRC engaged in trading of electronic assembly equipment and semi-conductor machinery (the “**Strategic Opportunity**”).

The Group is conducting a due diligence exercise for the Strategic Opportunity as at the Latest Practicable Date. Based on the due diligence exercise, the Board understands that the target of the Strategic Opportunity (the “**Target**”) supplies electronic assembly equipment to factories manufacturing electronic products in the PRC, and its customers include businesses engaged in the production of automobile electronics, electric cars, mobile phones and electrical home appliances, etc. The Board aims to achieve synergy with the Group’s existing electronics trading business through the Strategic Opportunity, as the Board considers that the Target’s customers would require electronic components such as memory chips in their production, which the Group supplies. By acquiring the Target, the Board expects to increase the Group’s customer base and enable the Group to supply these manufacturers (potentially without the hurdle of becoming an approved supplier for such manufacturers). Likewise, the Board expects that the Group’s current customers may be valuable for the Target’s business. As at the Latest Practicable Date, the Group has not entered into any binding commitment with respect to the Strategic Opportunity and/or the Target. Should such acquisition materializes, the Company will comply with the requirements under the Listing Rules.

In view of the above, notwithstanding the Company’s recent Placing completed on 19 September 2023 (for further details, please refer to the section headed “Fund raising exercise of the Company in the past 12 months” in the “Letter from the Board” in this prospectus), the Board considers that the Rights Issue will provide a good opportunity for the Company to raise funds to strengthen its capital base and improve its financial position for the reasons noted above, while also allowing all outstanding Shareholders to maintain their proportional shareholdings in the Company.

The Board has considered other fund-raising methods including debt financing and equity placement. The Board had considered fund raising by debt financing, however it would create additional interest burden on and result in a higher gearing ratio of the Group, especially with recent global interest rate hikes; and subject the Group to repayment obligations which are less beneficial to the Group. In view of this, the Board has avoided raising funds via debt financing on this occasion.

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Equity fund raising, such as the placing of new Shares, would be relatively small scale as compared to a rights issue and may not be received well following the Company's recent completion of the Placing.

In addition, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. Pursuant to the Rights Issue, the Qualifying Shareholders may (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to market demand). The Board considers that the Rights Issue effected on a pro-rata basis gives all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company, whereas an open offer does not provide Shareholders with the same opportunity to increase or decrease their respective interests in the shareholding of the Company as described above. As such, the Board considered an open offer to be less favourable to the Shareholders and did not pursue it. The Board considers it is prudent and preferable to finance the long-term growth of the Group in the form of equity fund raising which will not increase the Group's financing costs. In addition, the Board believes that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position for future strategic investments as and when such opportunities arise.

PROPOSED USE OF PROCEEDS

The estimated maximum net proceeds from the Rights Issue (after deducting the expenses) are approximately HK\$54.985 million. Assuming the Rights Issue is fully subscribed, the Company intends to apply the net proceeds from the Rights Issue as to:

- (i) approximately 35-40% of the net proceeds to expand or make investments in relation to the Group's food trading business, and financial services business, applied in the following manner and amounts:
 - (a) in respect of the Group's food trading business, approximately 15-20% of the net proceeds would be applied towards new sources of supplier(s) for the procurement of frozen food products (such as chicken paw, wings, drumsticks, and other types and cuts of meat, etc.) from various regions of the world including but not limited to Brazil, in order to supply the Hong Kong and PRC markets; and
 - (b) in respect of the Group's financial services business, approximately 20% of the net proceeds would be applied towards strengthening the Group's securities brokerage services and expanding its financial services to include book-building and placing activities with a focus on equity capital markets and debt capital markets, such as acting as a placing agent for shares, underwriting issuances, and acting as the bookrunner to place bond/debenture issues by (1) employing new staff with relevant experience and expertise, (2) upgrading and replacing the Group's trading and computer systems, and (3) strengthening the capital base which the Group is required to maintain under the relevant regulations for the Group's financial services business;
- (ii) up to approximately 30-35% of the net proceeds towards the Strategic Opportunity; and

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- (iii) any balance of the net proceeds (approximately 25-35%) would be applied towards the general working capital of the Group, of which:
- (a) approximately 50-75% for payment of future payroll;
 - (b) approximately 20-40% for payment of rental expenses; and
 - (c) approximately 10-15% for payment of professional fees.

In the event that the Rights Issue is not subscribed in full, the Board would allocate the net proceeds in the following order: (i) pursuing the Strategic Opportunity (to the extent that the proceeds from the Rights Issue is sufficient for that purpose); (ii) expanding the Group's food trading business; and (iii) expanding the Group's financial services businesses. If the Strategic Opportunity does not proceed, for the reasons set out under the section headed "Reasons for the Rights Issue" in this prospectus, the Board would apply the proceeds for the Strategic Opportunity towards an investment opportunity for another business that is also related to the semiconductor and electronics industry. Further, if the Strategic Opportunity does not proceed and the Board does not identify an alternate investment opportunity within 12 months after the completion of the Rights Issue, the proceeds for the Strategic Opportunity would be applied towards the general working capital of the Group. From the information currently available, the Company expects to completely utilise the proceeds of the Rights Issue within 12 months from the Latest Practicable Date. The Company will make further announcement(s) on the use of proceeds as appropriate in accordance with the Listing Rules.

The estimated expenses of the Rights Issue (including advisory fees for the professional parties, printing, registration, translation, legal, accounting and documentation charges) are estimated to be approximately HK\$1.8 million and will be payable by the Company. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares are expected to be approximately HK\$0.174. The aggregate nominal value of the Rights Shares will be HK\$2,630,687.27 (assuming no change in number of Shares on or before the Record Date).

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon certain conditions including, among others, the Listing Committee granting the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms). Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Shareholders should note that the Shares have been dealt in on an ex-rights basis from Thursday, 23 November 2023. Any Shareholder or other person dealing in the Shares and/or nil-paid Rights Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled, will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed.

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Any Shareholder or other person contemplating any dealings in the Shares and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

LISTING RULES IMPLICATIONS

As the Rights Issue will not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12-month period immediately preceding the announcement of the rights issue or (ii) prior to such 12-month period where dealing in respect of the shares issued pursuant thereto commenced within such 12-month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers), the Rights Issue is not conditional upon approval by the Shareholders.

The Rights Issue does not result in a Theoretical Dilution Effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

PROFESSIONAL TAX ADVICE RECOMMENDED

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Huabang Technology Holdings Limited
Qu Hongqing
Executive Director

